QUANTUM FOODS

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

Unaudited condensed consolidated interim financial statements

For the six months ended 31 March 2021

Salient features

	2021	2020	% change
Revenue	**R2 644 million**	R2 439 million	8
Operating profit (before items of a capital nature)*	**R74 million**	R91 million	(19)
Operating profit	**R74 million**	R91 million	(19)
Headline earnings	**R52 million**	R67 million	(21)
Earnings per share	**26.9 cents**	34.5 cents	(22)
Headline earnings per share ("**HEPS**")	**26.9 cents**	34.5 cents	(22)
Interim dividend per share	**Nil**	6 cents	(100)

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

Enquiries

Quantum Foods: +27 21 864 8600, info@quantumfoods.co.za
Hennie Lourens: hennie.lourens@quantumfoods.co.za
André Muller: andre.muller@quantumfoods.co.za

Commentary

The first six months of the 2021 financial year ("**current reporting period**") were challenging. The primary reason for the challenging conditions was the continuous increase in input costs, which could not be fully recovered from the market.

Operating environment

The cost of key feed raw materials was predominantly impacted by an increase in international prices of these commodities. The average Rand to US dollar exchange rate over the current reporting period was in line with the six-month period ended 31 March 2020 ("**prior period**"); however, the exchange rate was highly volatile during the current reporting period, increasing the complexity of raw material procurement decisions. Compared to the prior period, the average price of yellow maize on the South African Futures Exchange increased by 26% and the landed price of soya meal increased by 28%. Furthermore, the average bran price decreased by 3% while the average price of hominy chop increased by 14% compared to the prior period. Accordingly, the weighted average cost of layer and broiler feed increased by 16% and 19%, respectively, compared to the prior period.

Segmental review

The *Nova Feeds* business performed satisfactorily and maintained its profitability compared to the prior period. The continuous increase in raw material costs had a considerable impact on this business. It proved difficult to increase selling prices, as customers, in many cases, could not recover further cost increases in the selling prices of their products. However, improved operational efficiencies enabled the Company to offset the impact of the increase in raw material costs. Margins at a gross profit level remained stable compared to the prior period. External sales volumes declined by 4% compared to the prior period, primarily driven by competitors targeting customers by offering lower selling prices. Internal volumes transferred to the layer farming business decreased by 12% compared to the prior period as a result of a lower number of hens in production on the Company's farms. Operating costs were well managed and the feed produced continued to yield positive results on both internal and customer farms.

The layer breeder business continued to perform well. Day-old pullet production and sales volumes increased by 14% compared to the prior period. The operational performance of the layer rearing business was, in general, satisfactory as production efficiencies improved from the prior period. Point-of-lay hen production volumes decreased by 10% compared to the prior period, as a result of, *inter alia*, cycle timing and lower numbers of day-old chicks placed. Operating costs were well managed in the layer breeder and rearing businesses.

Production efficiencies at commercial egg farms declined compared to the prior period, following an increase in layer mortality and a decrease in egg production from the levels achieved in the prior period. The increase in layer mortality and decrease in egg production were primarily driven by a combination of an increased number of older layer flocks in production and younger layer flocks in production, both of which were not producing optimally compared to the prior period. As a consequence, fewer birds were in the peak production phase during the current reporting period, compared to the prior period. This cycle is a direct consequence of a reduction in external demand that had a knock-on effect on the production of day-old chicks in the 2020 financial year. A further reason for the higher mortalities and consequential decline in egg production was an increased incidence of disease. Layer rearing farm vaccination programmes and administration procedures have been reviewed to ensure improved protection against disease going forward. Operating costs were well managed in the commercial layer business.

The broiler farming business's earnings declined compared to the prior period owing to external and internal factors. External factors that contributed to the decline in earnings compared to the prior period include customers requiring a smaller and lighter product given the economic pressures experienced by the end customer, which resulted in a reduction in total kilograms sold and consequently, a decrease in margins arising from fixed-cost production components. In addition, a medium-sized abattoir customer in the Western Cape went into business rescue and closed its abattoir. This closure negatively affected volumes of day-old chicks and feed sold. Furthermore, additional costs were incurred in order to redirect the supply of live birds that were already in the rearing process for supply to this abattoir. Internal factors that contributed to the decline in earnings compared to the prior period include the slow pace at which hatchability improved at the Hartbeespoort hatchery, as well as production efficiencies on Western Cape commercial broiler farms that declined from the high levels achieved in the prior period, although the production efficiencies

Commentary (continued)

achieved in the current reporting period were still of a high level. Operating cost increases in the broiler farming business were above target primarily due to appointments made to strengthen the management team and higher maintenance costs compared to the prior period.

The loss incurred from the eggs segment was in line with the loss incurred in the prior period. Earnings were impacted by the significant increase in feed costs, an improvement of 9% in average per unit selling prices and a decline in volumes sold of 6%. Operational efficiency indicators weakened compared to the prior period but remained within target. Operating costs in respect of the eggs segment were well managed.

The financial performance of the other African countries segment improved significantly compared to the prior period. This improvement was predominantly driven by improvement in trading conditions and earnings from the Zambian business despite the general economic challenges in the country. Maize prices were lower during the current reporting period compared to the prior period, and final product selling prices increased significantly. The Ugandan business showed a satisfactory financial improvement compared to the prior period arising from the higher demand for day-old chicks. The Ugandan business was impacted by a disruption in the supply of parent stock during the 2020 calendar year due to the COVID-19 pandemic and the outbreak of Avian Influenza in Europe, which resulted in lower day-old chick production volumes during the current 2021 calendar year. Sales volumes of eggs were higher in the current reporting period compared to the prior period with a higher number of hens in production. Production efficiencies in the Mozambican business declined from the prior period, with a higher ratio of feed used per dozen of eggs produced. Earnings were further negatively impacted by the increase in feed costs compared to the prior period.

Financial overview

Group revenue increased by 8.4% to R2.6 billion (prior period: R2.4 billion), with an 8.1% increase of R187 million in the South African operations' revenue and a 13.9% increase of R18 million in other African operations' revenue. Revenue from other African operations contributed 5.5% of the Group's revenue for the current reporting period (prior period: 5.3%).

Revenue from South African operations:

- Increased by R118 million (10.9%) for the animal feeds segment from the prior period. The 10.9% increase in revenue includes a 4% decrease in external volumes sold and the adjustment of selling prices in respect of higher input costs, although not all of the increased input costs could be recovered from customers.
- Increased by R49 million (7.6%) for the farming segment from the prior period. This increase is primarily as a result of the adjustment of selling prices to take into account higher input costs in the broiler farming business and higher volumes of layer livestock sold during the current reporting period.
- Increased by R19 million (3.4%) for the eggs segment from the prior period, where an average price increase of 9.5% and a 5.9% decrease in volume was achieved.

Revenue from other African operations increased mostly in Uganda, where higher volumes of eggs were sold following an increase in production capacity.

Cost of sales increased by 9.6% to R2.1 billion (prior period: R1.9 billion). Cost of sales includes the fair value adjustments of biological assets (livestock) and agricultural produce (eggs) that were realised and included in other gains and losses in the statement of comprehensive income. These fair value adjustments for the current reporting period amounted to R43 million (prior period: R33 million). Gross profit, excluding these fair value adjustments, increased by R34 million to R612 million (prior period: R578 million) at a margin of 23.1% (prior period: 23.7%).

Aggregate cash operating expenses increased by 9.2% from the prior period. The increase was affected by the decline in volumes of key product categories.

Operating profit before items of a capital nature decreased by 19.1% to R74 million (prior period: R91 million). South African operations recorded a R32 million (32.7%) decrease in operating profit to R65 million (prior period: R96 million) at a margin of 2.6% (prior period: 4.2%). The profit from the animal feeds segment and the loss from the eggs segment was consistent with the prior period, while the farming segment's profit decreased by R34 million compared to the prior period. This decline predominantly resulted from lower broiler volumes sold, a decrease in production efficiencies and a medium-sized abattoir customer in the Western Cape province that closed its abattoir. Other African operations recorded an increase in profit of R17 million, primarily due to higher profitability from the Zambian business.

HEPS decreased to 26.9 cents from the 34.5 cents per share reported in the prior period.

Cash flow from operating activities amounted to an outflow of approximately R1 million for the current reporting period (prior period: inflow of R74 million). This includes an investment of R111 million in working capital (prior period: R73 million), largely as a result of increases in the cost of feed raw materials, the value of biological assets and accounts receivable.

Cash flow from investing activities includes capital expenditure on property, plant and equipment amounting to R64 million (prior period: R55 million), with the main projects, in addition to maintenance capital, being the breeder farm expansion in Uganda, an investment in new pellet machines at two feed mills and an investment in solar energy at three layer farming units. Cash flow from investing activities also includes the acquisition consideration of R55 million to acquire the Helderfontein broiler farm and expenditure of R5 million to acquire a 20% interest in an associate (Klipvlei Broilers (Pty) Ltd).

Cash and cash equivalents decreased from R252 million as at 30 September 2020 to R86 million at the end of the current reporting period. This decrease includes the payment of the R19 million final dividend for the 30 September 2020 financial year and a decrease in the Rand value of cash balances held in other African businesses.

The Rand value of the Group's investment in the other African countries segment decreased by R55 million from 30 September 2020, primarily due to the devaluation of the Zambian kwacha against the Rand. 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 31 March 2021 only comprised lease liabilities as accounted for in terms of International Financial Reporting Standards ("**IFRS**") 16 – Leases.

Dividend

As a result of the decline in cash and cash equivalents, the expectation of a continued challenging trading environment due to high feed raw material costs and muted consumer expenditure, to preserve cash for the approved capital programme and possible acquisitive growth opportunities and risk associated with the outbreak of Highly Pathogenic Avian Influenza ("**HPAI**") in South Africa in April 2021, the board of directors of the Company ("**Board**") has resolved not to declare an interim dividend for the current reporting period (prior period: 6 cents per share).

Outlook

Feed raw material costs are expected to increase further during the remainder of the 2021 financial year. This will result in higher costs throughout the business, especially impacting earnings from the eggs segment. Maintaining margins and volumes in the animal feeds segment will be dependent on the ability of our customers to recover higher costs from the end customer. A portion of the expected cost increase should be recoverable in the farming segment given the revenue structure of this segment. Trading conditions for the other African countries segment during the current reporting period are expected to continue for the remainder of the 2021 financial year ending 30 September 2021.

A key factor that will influence poultry businesses going forward is the outbreak of HPAI in South Africa in April 2021, which to date has not significantly impacted the Group. HPAI has a devastating effect on affected farms, with all birds having to be culled immediately and the farm having to remain empty for a considerable period of time before it can be repopulated for production to resume. This creates major uncertainty for the poultry industry which could severely impact earnings.

By order of the Board

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

20 May 2021

Condensed consolidated statement of financial position

	Unaudited 31 March 2021 R'000	Unaudited 31 March 2020 R'000	Audited 30 September 2020 R'000
ASSETS			
Non-current assets	**1 286 238**	1 259 159	1 222 063
Property, plant and equipment	**1 204 848**	1 172 345	1 140 282
Right-of-use assets	**56 958**	59 935	57 909
Intangible assets	**5 721**	6 341	5 832
Investment in associates	**14 297**	16 169	13 679
Trade and other receivables	**3 999**	3 690	4 035
Deferred income tax	**415**	679	326
Current assets	**1 335 319**	1 343 562	1 422 723
Inventories	**322 683**	278 931	297 872
Biological assets	**378 253**	397 570	354 511
Trade and other receivables	**540 817**	477 086	518 043
Derivative financial instruments	**–**	11 476	–
Current income tax	**7 293**	4 218	516
Cash and cash equivalents	**86 273**	174 281	251 781
Total assets	**2 621 557**	2 602 721	2 644 786
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent	**1 867 344**	1 857 510	1 885 642
Share capital	**1 465 069**	1 465 069	1 465 069
Treasury shares	**(8 315)**	(25 521)	(19 338)
Other reserves	**(145 007)**	(29 894)	(85 089)
Retained earnings	**555 597**	447 856	525 000
Total equity	**1 867 344**	1 857 510	1 885 642
Non-current liabilities	**313 457**	313 901	283 597
Lease liabilities	**55 458**	53 222	53 692
Deferred income tax	**249 569**	252 753	221 475
Provisions for other liabilities and charges	**8 430**	7 926	8 430
Current liabilities	**440 756**	431 310	475 547
Trade and other payables	**424 069**	410 223	444 384
Derivative financial instruments	**254**	–	6
Current income tax	**1 602**	99	12 989
Lease liabilities	**14 831**	20 988	18 168
Total liabilities	**754 213**	745 211	759 144
Total equity and liabilities	**2 621 557**	2 602 721	2 644 786

Condensed consolidated statement of comprehensive income

	Notes	Unaudited Six months ended 31 March 2021 R'000	Unaudited Six months ended 31 March 2020 R'000	Audited Year ended 30 September 2020 R'000
Revenue	2	**2 643 838**	2 439 066	5 095 085
Cost of sales		**(2 075 543)**	(1 893 927)	(3 945 221)
Gross profit		**568 295**	545 139	1 149 864
Other income		**4 843**	5 172	10 655
Other gains/(losses) – net	3	**33 649**	29 402	92 500
Sales and distribution costs		**(132 835)**	(130 478)	(263 434)
Marketing costs		**(6 944)**	(6 788)	(13 941)
Administrative expenses		**(72 493)**	(65 537)	(140 610)
Other operating expenses		**(320 756)**	(285 470)	(616 566)
Operating profit		**73 759**	91 440	218 468
Investment income		**2 320**	3 280	6 010
Finance costs		**(4 034)**	(4 072)	(8 579)
Share of profit/(loss) of associate companies		**618**	1 171	(432)
Profit before income tax		**72 663**	91 819	215 467
Income tax expense		**(20 249)**	(25 190)	(60 568)
Profit for the period		**52 414**	66 629	154 899
Other comprehensive (loss)/income for the period				
Items that may subsequently be reclassified to profit or loss:				
Fair value adjustments to cash flow hedging reserve		**(5 647)**	14 745	(1 714)
For the period		**15 767**	34 270	41 349
Deferred income tax effect		**49**	(3 367)	1
Current income tax effect		**(4 464)**	(6 228)	(11 579)
Realised to profit or loss		**(23 609)**	(13 791)	(43 730)
Deferred income tax effect		**(1)**	1 426	1 427
Current income tax effect		**6 611**	2 435	10 818
Movement on foreign currency translation reserve				
Currency translation differences		**(54 675)**	(3 258)	(45 680)
Total comprehensive (loss)/income for the period		**(7 908)**	78 116	107 505
Profit for the period attributable to owners of the parent		**52 414**	66 629	154 899
Total comprehensive (loss)/income for the period attributable to owners of the parent		**(7 908)**	78 116	107 505
Earnings per ordinary share (cents)	4	**26.9**	34.5	80.1
Diluted earnings per ordinary share (cents)	4	**26.4**	34.1	77.6

Condensed consolidated statement of changes in equity

	Unaudited Six months ended 31 March 2021 R'000	Unaudited Six months ended 31 March 2020 R'000	Audited Year ended 30 September 2020 R'000
Share capital and treasury shares	**1 456 754**	1 439 548	1 445 731
Opening balance	**1 445 731**	1 441 122	1 441 122
Ordinary shares acquired by subsidiary	**–**	(4 296)	(4 296)
Ordinary shares transferred – share appreciation rights	**11 023**	2 722	8 905
Other reserves	**(145 007)**	(29 894)	(85 089)
Opening balance	**(85 089)**	(210 432)	(210 432)
Other comprehensive (loss)/income for the period	**(60 322)**	11 487	(47 394)
Common control reserve reclassified to retained earnings	**–**	167 877	167 877
Recognition of share-based payments	**9 036**	4 412	14 746
Ordinary shares transferred – share appreciation rights	**(8 632)**	(3 238)	(9 886)
Retained earnings	**555 597**	447 856	525 000
Opening balance	**525 000**	606 722	606 722
Adjustment to opening retained earnings*	**–**	(9 864)	(9 864)
Profit for the period	**52 414**	66 629	154 899
Dividends paid	**(19 426)**	(48 270)	(59 861)
Common control reserve reclassified to retained earnings	**–**	(167 877)	(167 877)
Ordinary shares transferred – share appreciation rights	**(2 391)**	516	981
Total equity	**1 867 344**	1 857 510	1 885 642

* *Opening balance of retained earnings restated on 1 October 2019 for the adoption of IFRS 16.*

Condensed consolidated statement of cash flows

	Note	Unaudited Six months ended 31 March 2021 R'000	Unaudited Six months ended 31 March 2020 R'000	Audited Year ended 30 September 2020 R'000
CASH FLOW FROM OPERATING ACTIVITIES		**(566)**	73 741	216 311
Cash profit from operating activities		**138 541**	144 465	332 548
Working capital changes		**(110 730)**	(73 058)	(70 312)
Cash effect of hedging activities		**(7 670)**	13 549	2 718
Cash generated from operations		**20 141**	84 956	264 954
Income tax paid		**(20 707)**	(11 215)	(48 643)
CASH FLOW FROM INVESTING ACTIVITIES		**(121 404)**	(51 967)	(85 413)
Additions to property, plant and equipment		**(64 359)**	(55 160)	(91 155)
Proceeds on disposal of property, plant and equipment		**430**	247	411
Interest in associate acquired		**(5 113)**	–	–
Business combination	5	**(54 682)**	–	–
Interest received		**2 320**	2 946	5 331
Cash (deficit)/surplus		**(121 970)**	21 774	130 898
CASH FLOW FROM FINANCING ACTIVITIES		**(34 651)**	(67 139)	(94 463)
Principal elements of lease payments		**(11 295)**	(10 656)	(22 441)
Treasury shares acquired by subsidiary		**–**	(4 296)	(4 296)
Interest paid		**(3 967)**	(3 996)	(7 909)
Dividends paid to ordinary shareholders		**(19 389)**	(48 191)	(59 817)
(Decrease)/increase in cash and cash equivalents		**(156 621)**	(45 365)	36 435
Effects of exchange rate changes		**(8 887)**	52	(4 248)
Cash and cash equivalents at beginning of period		**251 781**	219 594	219 594
Cash and cash equivalents at end of period		**86 273**	174 281	251 781

Segmental analysis

	Unaudited Six months ended 31 March 2021 R'000	Unaudited Six months ended 31 March 2020 R'000	Audited Year ended 30 September 2020 R'000
Segment revenue	**2 643 838**	2 439 066	5 095 085
Eggs	**597 554**	578 126	1 229 592
Farming	**695 827**	646 646	1 350 043
Animal feeds	**1 203 734**	1 085 437	2 237 071
Other African countries	**146 723**	128 857	278 379
Segment results – excluding items of a capital nature	**73 875**	91 310	219 556
Eggs	**(18 243)**	(19 469)	6 254
Farming	**33 986**	67 819	121 505
Animal feeds	**49 154**	48 061	99 288
Other African countries	**17 629**	637	5 899
Head office costs	**(8 651)**	(5 738)	(13 390)
Items of a capital nature per segment included in other gains – net			
(Loss)/profit on disposal of property, plant and equipment before income tax	**(116)**	130	(1 088)
Eggs	**51**	(1)	(1)
Farming	**(307)**	77	(267)
Animal feeds	**(79)**	–	(989)
Other African countries	**219**	54	169
Segment results	**73 759**	91 440	218 468
Eggs	**(18 192)**	(19 470)	6 253
Farming	**33 679**	67 896	121 238
Animal feeds	**49 075**	48 061	98 299
Other African countries	**17 848**	691	6 068
Head office costs	**(8 651)**	(5 738)	(13 390)
A reconciliation of the segment results to profit before income tax is provided below:			
Segment results	**73 759**	91 440	218 468
Adjusted for:			
Investment income	**2 320**	3 280	6 010
Finance costs	**(4 034)**	(4 072)	(8 579)
Share of profit/(loss) of associate companies	**618**	1 171	(432)
Profit before income tax per statement of comprehensive income	**72 663**	91 819	215 467

Notes to the condensed consolidated financial statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements are prepared in accordance with IFRS, IAS 34 – Interim Financial Reporting, the Listings Requirements of the JSE Ltd, the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, No. 71 of 2008, as amended.

These results or any comments relating to the prospects of the Group have not been audited or reviewed by the Company's external auditors. The condensed consolidated interim financial statements have been prepared under the supervision of AH Muller, CA(SA), the chief financial officer of the Company.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements for the year ended 30 September 2020. A number of amendments to existing standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 30 September 2020, and included the impact of the COVID-19 pandemic. As the Group continued to operate at full capacity, the COVID-19 pandemic had a minimal impact on the Group's business and the condensed consolidated interim financial statements.

	Unaudited Six months ended 31 March 2021 R'000	Unaudited Six months ended 31 March 2020 R'000	Audited Year ended 30 September 2020 R'000
2. REVENUE			
Disaggregation of revenue from contracts with customers:			
Revenue	**2 643 838**	2 439 066	5 095 085
Eggs	**597 554**	578 126	1 229 592
Layer farming	**124 765**	99 864	237 671
Broiler farming	**571 062**	546 782	1 112 372
Animal feeds	**1 203 734**	1 085 437	2 237 071
Zambia	**81 442**	74 851	157 626
Uganda	**39 604**	28 359	67 329
Mozambique	**25 677**	25 647	53 424

Notes to the condensed consolidated financial statements (continued)

	Unaudited Six months ended 31 March 2021 R'000	Unaudited Six months ended 31 March 2020 R'000	Audited Year ended 30 September 2020 R'000
3. OTHER GAINS/(LOSSES) – NET			
Biological assets fair value adjustment	**32 741**	39 806	70 265
Unrealised – reflected in carrying amount of biological assets	**(8 736)**	(884)	(4 598)
Realised – reflected in cost of goods sold	**41 477**	40 690	74 863
Agricultural produce fair value adjustment	**1 184**	(8 645)	25 813
Unrealised – reflected in carrying amount of inventory	**(748)**	(648)	248
Realised – reflected in cost of goods sold	**1 932**	(7 997)	25 565
Foreign exchange differences	**(80)**	519	(64)
Foreign exchange contract fair value adjustments	**(16)**	(29)	(33)
Foreign exchange contract cash flow hedging ineffective losses	**(64)**	(2 379)	(2 393)
(Loss)/profit on disposal of property, plant and equipment	**(116)**	130	(1 088)
	33 649	29 402	92 500

	Unaudited Six months ended 31 March 2021 R'000	Unaudited Six months ended 31 March 2020 R'000	Audited Year ended 30 September 2020 R'000
4. EARNINGS PER ORDINARY SHARE			
Basic			
The calculation of basic earnings per share is based on profit for the period attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the period:			
Profit for the period	**52 414**	66 629	154 899
Weighted average number of ordinary shares in issue ('000)	**194 696**	192 987	193 291
Diluted			
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive contingent ordinary shares. Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share.			
The calculation of diluted earnings per share is based on profit for the period attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the period:			
Profit for the period	**52 414**	66 629	154 899
Diluted weighted average number of ordinary shares in issue ('000)	**198 176**	195 138	199 653
Headline earnings is calculated in accordance with Circular 1/2019 issued by SAICA.			
Reconciliation between profit for the period attributable to owners of the parent and headline earnings			
Profit for the period	**52 414**	66 629	154 899
Remeasurement of items of a capital nature			
Loss/(profit) on disposal of property, plant and equipment	**53**	(103)	752
Gross	**116**	(130)	1 088
Tax effect	**(63)**	27	(336)
Headline earnings for the period	**52 467**	66 526	155 651
Earnings per ordinary share (cents)	**26.9**	34.5	80.1
Diluted earnings per ordinary share (cents)	**26.4**	34.1	77.6
Headline earnings per ordinary share (cents)	**26.9**	34.5	80.5
Diluted headline earnings per ordinary share (cents)	**26.5**	34.1	78.0

Notes to the condensed consolidated financial statements (continued)

5. BUSINESS COMBINATION

On 31 January 2021, 100% of the issued shares in LP Buhr Boerdery (Pty) Ltd was acquired for a consideration of R54.7 million. LP Buhr Boerdery (Pty) Ltd owns Helderfontein broiler farm, a broiler chickens rearing business based in the Western Cape. Details of the purchase consideration and the net assets acquired are as follows:

	Unaudited 31 March 2021 R'000
Helderfontein broiler farm	
Fair value	
Property, plant and equipment	**73 124**
Inventory	**1 390**
Trade and other receivables	**287**
Trade and other payables	**(131)**
Deferred income tax liabilities	**(19 988)**
Purchase consideration – settled in cash	**54 682**

Helderfontein broiler farm has been a contract grower to the Group for the last 25 years. The acquisition ensures an uninterrupted broiler supply chain in the Western Cape, enables the Group to continue to serve its customer base and also provides a basis from which to increase volumes in future.

The acquired business contributed no material revenue and operating profit due to the business previously being a contract grower to the Group. Similarly, if the acquisition had occurred on 1 October 2020, the contribution to revenue and operating profit for the reporting period from the acquired business would not be material.

6. CONTINGENCIES AND FUTURE CAPITAL COMMITMENTS

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

Capital expenditure approved by the Board and contracted for amounts to R35.6 million (30 September 2020: R27.0 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R34.4 million (30 September 2020: R135.5 million).

7. EVENTS AFTER THE REPORTING PERIOD

The Group considered the impact of the COVID-19 pandemic post-31 March 2021 and concluded that the significant accounting judgements, estimates and assumptions applied in the preparation of these condensed consolidated interim financial statements remain appropriate and consistent with the previous consolidated annual financial statements for the year ended 30 September 2020.

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 condensed consolidated interim financial statements by the Board.

DIRECTORS

WA Hanekom (chairman)#, Prof. ASM Karaan (lead independent director)# (deceased 13 January 2021), GG Fortuin#, T Golden#, LW Riddle#, G Vaughan-Smith (appointed 19 February 2021), HA Lourens (chief executive officer)*, AH Muller (chief financial officer)*

** Executive # Independent*

Changes to functions of directors effective 5 March 2021:

- Tanya Golden was appointed as a member of the Company's audit and risk committee
- Gary Vaughan-Smith was appointed as a member and chairman of the Company's social and ethics committee
- Larry Riddle and Gary Vaughan-Smith were appointed as members of the Company's nomination committee

COMPANY SECRETARY

MO Gibbons

Email
Marisha.Gibbons@quantumfoods.co.za

REGISTERED ADDRESS

11 Main Road, Wellington 7655, PO Box 1183
Wellington 7654, South Africa

Tel
021 864 8600

Fax
021 873 5619

Email
info@quantumfoods.co.za

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Private Bag X9000, Saxonwold 2132, South Africa

Tel
011 370 5000

Fax
011 688 5209

SPONSOR

One Capital Sponsor Services (Pty) Ltd, Ground Floor, 17 Fricker Road
Illovo 2196, South Africa

Tel
011 550 5000

Fax
011 550 5002

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