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 2023

## Salient features

| | 2023 | 2022 | % change |
|---|---|---|---|
| Revenue | **R3 450 million** | R2 828 million | 22 |
| Operating profit (before items of a capital nature)* | **R15 million** | R34 million | (57) |
| Operating profit | **R15 million** | R36 million | (59) |
| Headline earnings | **R6 million** | R31 million | (82) |
| Earnings per share | **2.9 cents** | 16.5 cents | (82) |
| Headline earnings per share ("**HEPS**") | **2.9 cents** | 15.8 cents | (82) |
| Total dividend per share | **Nil cents** | 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 HEPS. The principal items excluded under this measurement are profits or losses on disposal of property, plant and equipment and the impairment of goodwill.*

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# Commentary

## Operating environment

Trading conditions during the six-month period ended 31 March 2023 (**"current reporting period"**) were the most challenging conditions experienced by Quantum Foods since its listing on the Main Board of the JSE in October 2014.

The main reasons for the challenging conditions were, *inter alia*, (i) the record high feed raw material costs; (ii) the devastating effect of disrupted electricity supply; and (iii) the inability to recover increased production costs from customers (especially in the egg market, which was due to an imbalance in supply and demand for eggs, which in turn resulted from a relatively high layer flock being in production in South Africa during the current reporting period).

The costs of key feed raw materials were mainly impacted by the international selling prices of these commodities as well as by the weaker Rand. International prices were supported by (i) less than favourable crops in key planting areas in South and North America; (ii) continued disruption caused by the conflict between Ukraine and Russia; and (iii) expectations of increased demand. The costs of logistics, even though reduced from peak levels, remained high during the current reporting period.

The average Rand to US dollar exchange rate over the current reporting period weakened by 14.9% when compared to the six-month period ended 31 March 2022 (**"prior period"**).

During the current reporting period:

- the average price of yellow maize on the South African Futures Exchange (**"SAFEX"**) increased by 23.8%;
- the average landed price (Cape Town harbour) of soya meal increased by 36.9% ;
- the average bran price increased by 41.5%;
- the average sunflower price increased by 35.3%; and
- the average price of feed oil increased by 19.4%,

when compared to the prior period.

Accordingly, the weighted average cost of layer and broiler feed increased by 30.3% and 27.4% respectively, compared to the prior period.

# Commentary (continued)

The increased load shedding during the current reporting period not only resulted in a substantial increase in the costs incurred for generator fuel, but also resulted in other adverse consequences, including (i) significant additional costs being incurred as a result of planned production capacity being unavailable at facilities which were not equipped with generators; and (ii) disruptions in the supply of some feed raw material items, especially those produced by maize and wheat mills which were not equipped with generators, which raw materials then had to be replaced with other more expensive ingredients.

## Segmental review

### Feeds business

During the current reporting period, backup generators were installed at the Malmesbury feed mill (December 2022) and the George feed mill (March 2023). In addition, a capital project was approved in respect of the installation of backup generators at the Pretoria feed mill. When this capital project is complete, which is expected to be during July 2023, all four of the Group's feed mill sites will be equipped with backup generators.

Total volumes increased by 1.6% despite (i) the challenges caused by load shedding; (ii) the significant increase in raw material costs; and (iii) lower internal demand for layer feed, as a result of a lower number of layer birds being in production on the Company's farms.

The growth in external sales volumes, well-executed volume and margin management, improved operational efficiencies and satisfactory cost management resulted in the feeds business maintaining earnings when compared to the prior period.

### Farming business

#### Layer farming business

During the current reporting period, there was low demand for layer livestock as a result of the financial pressure on egg producers, caused by an inability to recover increased egg production costs from customers. This lower demand resulted in the layer livestock business not being able to recover the increased cost of layer livestock production from its customers, and subsequently led to weaker margins. However, point-of-lay hen sales were, as planned, much lower when compared to the prior period, which reduced the impact of the margin decline.

The closure of the Tongaat layer rearing farm and closure of the Hekpoort layer farm, as well as the decommissioning of some poor-performing layer houses at other farms, were all successfully completed during the current reporting period. This resulted in a reduction in the number of layer birds housed by the Group, which in turn, when compared to the prior period, resulted in a reduction in (i) internal layer feed used; and (ii) eggs produced to be supplied to the egg business.

There was an improvement in operational efficiencies for the layer breeder and layer rearing businesses when compared to the prior period. Operational efficiencies for the egg farming business improved substantially when compared to the prior period, with improved feed conversion rates, improved hen day production and lower mortalities for the current reporting period.

These efficiency improvements, together with satisfactory overhead cost management (except for the increased expense associated with purchasing generator fuel as a result of load shedding), contributed to an improved financial performance from the layer farming business.

In addition, the prior period included a loss of approximately R24 million resulting from the outbreak of highly pathogenic avian influenza (**"HPAI"**) at the Lemoenkloof layer farm in the Western Cape in February 2022, as well as the negative impact of the labour unrest at the Kaalfontein layer farm in Gauteng (as previously reported). These prior period matters did not reoccur in the current reporting period.

#### Broiler farming business

Operational efficiencies achieved on breeder farms and in the hatcheries improved when compared to the prior period. Day-old chick volumes increased by 6.9%, with higher volumes sold from the Hartbeespoort and Bulhoek hatcheries.

The Hartbeespoort hatchery expansion project is on track for completion during the third quarter of the financial year ending 30 September 2023 (**"FY2023"**), which will provide capacity for a further increase in volumes.

The conversion from Cobb 500 to Ross 308 genetics is progressing well, with the anticipated improvement in efficiencies being achieved by the Ross 308 birds in production.

The total weight of live broilers sold increased by 2.3% when compared to the prior period, primarily due to a slight increase in the average weight of broilers produced.

Commercial broiler efficiencies were, however, slightly lower when compared to the prior period, mainly due to a small increase in mortalities experienced in Western Cape flocks.

Overhead costs, with the exception of energy costs, remained under control and contributed to the broiler farming business maintaining its profitability when compared to the prior period.

### Egg business

The egg business reported a significant loss for the current reporting period. Average feed costs increased by 30.3%, while average egg selling prices increased by 7.5%. Volumes reduced by 9.0%, with fewer eggs available for sale. Despite the well-executed cost management and very good operational efficiencies, these movements in feed costs and egg selling prices resulted in a much larger loss in the current reporting period when compared to the prior period.

# Commentary (continued)

## Other African businesses

A substantial increase in feed costs was also experienced by the other African operations of the Group.

This negatively impacted demand for day-old pullets and day-old broiler chicks in both Uganda and Zambia, and resulted in lower sales volumes and weaker margins when compared to the prior period.

Breeder efficiencies in both Uganda and Zambia, despite improvement in some areas, remained below target. The feed conversion ratio's efficiencies on layer farms improved in all three countries when compared to the prior period.

The weaker financial performance of the other African businesses was mainly due to the decline in margins from the breeder businesses in Uganda and Zambia, as well as the Mozambican business being affected by the same industry factors which affected the egg business in South Africa, being high feed costs and insufficient selling prices for eggs.

### HPAI outbreak

The risk of an HPAI outbreak remained high throughout the current reporting period, and although the Company did not experience any HPAI outbreak in either of its South African or other African operations during the current reporting period, some HPAI outbreaks were reported by other poultry producers.

This changed on 21 April 2023, when HPAI was detected at the Lemoenkloof layer farm in the Western Cape. At that time, the farm housed approximately 420 000 layers which all had to be culled. The estimated direct loss resulting from this HPAI outbreak is approximately R34 million (including the cost of layer hens, feed and eggs that had to be destroyed). This loss did not impact the financial results for the current reporting period, but will impact the financial results for FY2023.

This HPAI outbreak also impacted competitor farms in the same area and will result in a further reduction in egg production and additional costs being incurred to supply the Western Cape market with eggs for the remainder of FY2023.

## Financial overview

Group revenue increased by 22.0% to R3.4 billion (prior period: R2.8 billion), with a 22.6% increase (R597 million) in the South African operations' revenue and a 13.2% increase (R25 million) in the other African operations' revenue. Revenue from the other African operations contributed 6.3% of the Group's revenue for the current reporting period (prior period: 6.7%).

External revenue from South African operations in:

- The animal feed segment increased by 37.7% (R459 million) from the prior period. Revenue was positively impacted by a 7.1% increase in external volumes sold and the adjustment of selling prices in respect of significantly higher input costs.
- The farming segment increased by 19.9% (R147 million) from the prior period. This increase is primarily as a result of the adjustment of broiler livestock selling prices to take into account higher input costs in the broiler farming business. Sales volumes of layer livestock were lower than in the prior period.
- The egg segment decreased by 1.4% (R9 million) from the prior period, where an average price increase of 7.5% was achieved, offset by a volume decrease of 9.0%.

Revenue from the other African operations increased, mostly from the Zambian operations, supported by increased volumes of eggs sold, and a stronger average Zambian kwacha exchange rate against the Rand, which increased the revenue included in the Group's income statement.

The Group's cost of sales increased by 22.4% to R2.9 billion (prior period: R2.3 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. The fair value adjustments for the current reporting period amounted to a loss of R14 million (prior period: profit of R49 million). The change in the fair value adjustment from a profit to a loss is primarily due to the decrease in margin on eggs produced. Gross profit, excluding the fair value adjustments, increased by R36 million to R580 million (prior period: R544 million) at a margin of 16.8% (prior period: 19.2%).

Aggregate cash operating expenses increased by 8.4% from the prior period. The increase relative to the prior period was primarily driven by significant increases in generator fuel used by backup generators during increased hours of load shedding. The generator fuel expense increased by R28 million when compared to the prior period.

Operating profit before items of a capital nature decreased by 57.4% to R15 million (prior period: R34 million). Operating profit from the South African operations was R28 million (prior period: R29 million) at a margin of 0.9% (prior period: 1.1%). The profit from the animal feeds segment was similar to the prior period and the loss from the eggs segment was significantly higher when compared to the prior period, while the farming segment's profit increased by R66 million, supported by improved operational efficiencies in layer farming, when compared to the prior period. The other African operations recorded a loss of R5 million, representing a decrease in profit of R20 million when compared to the prior period, with a decline in earnings from all three countries. Head office costs decreased from R10 million in the prior period to R9 million.

The effective tax rate for the current reporting period (a credit of 4.5%) was impacted by losses made in higher tax rate jurisdictions. The prior period's effective tax rate includes a reduction of 28.9% due to the remeasurement of deferred tax liabilities in accordance with the lower corporate tax rate applicable in South Africa from FY2023.

HEPS decreased to 2.9 cents from 15.8 cents reported in the prior period.

Cash flow from operating activities amounted to an inflow of R116 million (prior period: inflow of R166 million). This includes a decreased investment in working capital of R94 million (prior period: decreased investment of R89 million), supported by an increase in trade and other payables of R44 million following higher input costs and the benefit of extended payment terms negotiated with key suppliers of raw materials, and a decrease in total inventory on hand of R59 million. It also includes an outflow from hedging activities of R59 million (prior period: outflow of R10 million) arising from SAFEX maize future market movements.

# Commentary (continued)

Cash flow from investing activities amounted to R75 million (prior period: R61 million). This includes capital expenditure on property, plant and equipment amounting to R74 million (prior period: R59 million), with the main projects, in addition to maintenance capital, being the broiler hatchery expansion in Gauteng, investment in backup generators at feed mills in Malmesbury and George, and the project to upgrade the feed mill in Lusaka. Cash flow from investing activities also includes capital expenditure on intangible assets amounting to R3 million (prior period: R6 million) incurred on the project to implement SAGE X3 as the new enterprise resource planning system for the Group.

Cash and cash equivalents improved from a net bank overdraft of R11 million at 30 September 2022 to a net bank overdraft of R10 million at the end of the current reporting period.

The Rand value of the Group's investment in the other African countries segment decreased by R80 million from 30 September 2022, primarily due to the devaluation of the Zambian kwacha to the Rand when measured at the reporting dates of 31 March 2023 and 30 September 2022, respectively. As at 31 March 2023, when compared to 30 September 2022, the Rand appreciated by 27.9% against the Zambian kwacha. This also had a negative effect on the Rand value of cash balances held in Zambia. 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 2023 are comprised of a bank overdraft of R84 million and lease liabilities as accounted for in terms of International Financial Reporting Standards (IFRS) 16 – Leases. Lease liabilities decreased by R14 million compared to the prior period, mainly due to no new leases having been entered into during the current reporting period.

## Dividend

The board of directors (**"Board"**) resolved not to declare an interim dividend for the current reporting period (prior period: gross cash interim dividend of 8 cents per share was declared).

## Outlook

The prices of key raw material inputs have softened from the levels experienced in the current reporting period. This should result in lower feed costs towards the end of FY2023, unless the Rand weakens significantly.

Lower feed raw material costs should positively affect earnings derived from the Group's egg business. Earnings from the feeds and farming businesses are more resilient to increased feed raw material costs, but also benefit less from lower feed raw material costs, as reductions in input costs drive selling price adjustments in these businesses. Earnings from the feeds and farming businesses are also more dependent on efficiencies, volumes and cost management. The migration to Ross 308 will be largely completed by the end of FY2023, and the Company is looking forward to the anticipated efficiency improvement.

Egg selling prices have increased towards the end of the current reporting period, 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. However, these higher egg prices achieved by the Company towards the end of the current reporting period were not 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, particularly as a result of the HPAI outbreak in the Western Cape in April 2023.

HPAI is a key risk factor that will continue to influence poultry businesses going forward. HPAI has a devastating effect on affected farms, with all birds required to be culled immediately and the farm being required to remain empty for a considerable period of time before it can be repopulated in order for production to resume. This results in major uncertainty for the poultry industry, which could severely impact earnings.

The risk of load shedding remains high in South Africa, with an expectation of increased severity during the winter months, which form the bulk of the second half of FY2023. An increase in the number of hours impacted by load shedding will result in increased operational challenges and higher costs, which will negatively impact the Company's earnings.

### Africa

The business in Mozambique should benefit from lower feed costs and the expectation of higher egg selling prices following lower supply in South Africa.

Trading conditions for the businesses in Zambia and Uganda are expected to remain challenging for the remainder of FY2023. Feed raw material costs are expected to remain relatively high in both countries, thus postponing significant recovery in the day-old chick and day-old broiler markets.

By order of the Board

***WA Hanekom***
Chairman

***HA Lourens***
Chief Executive Officer

**26 May 2023**

# Condensed consolidated statement of financial position

| | Unaudited 31 March 2023 R'000 | Unaudited 31 March 2022 R'000 | Audited 30 September 2022 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | **1 402 009** | 1 356 530 | 1 416 940 |
| Property, plant and equipment | **1 315 103** | 1 243 450 | 1 322 700 |
| Right-of-use assets | **54 760** | 85 318 | 67 601 |
| Intangible assets | **13 074** | 12 887 | 11 633 |
| Investment in associates | **10 533** | 10 599 | 10 130 |
| Trade and other receivables | **2 981** | 3 788 | 3 312 |
| Deferred income tax | **5 558** | 488 | 1 564 |
| **Current assets** | **1 634 543** | 1 438 725 | 1 713 853 |
| Inventories | **404 295** | 357 002 | 463 765 |
| Biological assets | **445 190** | 403 288 | 433 910 |
| Trade and other receivables | **710 871** | 521 755 | 750 558 |
| Derivative financial instruments | **–** | – | 53 |
| Current income tax | **257** | 2 040 | 1 722 |
| Cash and cash equivalents | **73 930** | 154 640 | 63 845 |
| **Total assets** | **3 036 552** | 2 795 255 | 3 130 793 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves attributable to owners of the parent** | **1 984 916** | 1 999 900 | 2 100 788 |
| Share capital | **1 465 069** | 1 465 069 | 1 465 069 |
| Treasury shares | **(1 390)** | (1 390) | (1 390) |
| Other reserves | **(100 678)** | (104 739) | 20 962 |
| Retained earnings | **621 915** | 640 960 | 616 147 |
| **Total equity** | **1 984 916** | 1 999 900 | 2 100 788 |
| **Non-current liabilities** | **292 210** | 338 106 | 322 165 |
| Lease liabilities | **43 351** | 74 907 | 56 021 |
| Deferred income tax | **239 893** | 254 843 | 257 178 |
| Provisions for other liabilities and charges | **8 966** | 8 356 | 8 966 |
| **Current liabilities** | **759 426** | 457 249 | 707 840 |
| Trade and other payables | **647 924** | 429 367 | 603 631 |
| Derivative financial instruments | **–** | 164 | – |
| Current income tax | **1 414** | 1 238 | 2 553 |
| Lease liabilities | **24 705** | 25 118 | 25 598 |
| Provisions for other liabilities and charges | **1 150** | 1 362 | 1 150 |
| Bank overdraft | **84 233** | – | 74 908 |
| **Total liabilities** | **1 051 636** | 795 355 | 1 030 005 |
| **Total equity and liabilities** | **3 036 552** | 2 795 255 | 3 130 793 |

# Condensed consolidated statement of comprehensive income

| | Notes | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|---|
| Revenue | 2 | **3 449 885** | 2 828 072 | 6 020 558 |
| Cost of sales | | **(2 856 276)** | (2 333 056) | (4 910 916) |
| Gross profit | | **593 609** | 495 016 | 1 109 642 |
| Other income | | **9 828** | 8 276 | 20 120 |
| Other gains/(losses) – net | 3 | **(25 100)** | 52 632 | (5 870) |
| Sales and distribution costs | | **(145 619)** | (135 512) | (288 322) |
| Marketing costs | | **(5 432)** | (5 457) | (13 311) |
| Administrative expenses | | **(77 559)** | (78 472) | (156 773) |
| Net impairment losses on trade and other receivables | | **(3 635)** | (1 038) | (1 739) |
| Other operating expenses | | **(331 467)** | (299 641) | (631 242) |
| Operating profit | | **14 625** | 35 804 | 32 505 |
| Investment income | | **2 327** | 1 677 | 4 244 |
| Finance costs | | **(11 837)** | (6 654) | (16 301) |
| Share of profit/(loss) of associate company | | **403** | 289 | (180) |
| Profit before income tax | | **5 518** | 31 116 | 20 268 |
| Income tax credit | | **250** | 1 550 | 3 554 |
| **Profit for the period** | | **5 768** | 32 666 | 23 822 |
| **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 | | **(43 380)** | (7 044) | 1 035 |
| For the period | | **(29 418)** | 26 979 | 65 176 |
| Deferred income tax effect | | **7 943** | 39 | (17 598) |
| Current income tax effect | | **–** | (7 594) | – |
| Realised to profit or loss | | **(30 007)** | (36 760) | (64 002) |
| Deferred income tax effect | | **8 102** | 6 | 17 459 |
| Current income tax effect | | **–** | 10 286 | – |
| Movement on foreign currency translation reserve | | | | |
| Currency translation differences | | **(80 263)** | (30 829) | 85 993 |
| **Total comprehensive (loss)/income for the period** | | **(117 875)** | (5 207) | 110 850 |
| Profit for the period attributable to owners of the parent | | **5 768** | 32 666 | 23 822 |
| Total comprehensive (loss)/income for the period attributable to owners of the parent | | **(117 875)** | (5 207) | 110 850 |
| Earnings per ordinary share (cents) | 4 | **2.9** | 16.5 | 12.0 |
| Diluted earnings per ordinary share (cents) | 4 | **2.9** | 16.4 | 11.9 |

# Condensed consolidated statement of changes in equity

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|
| **Share capital and treasury shares** | **1 463 679** | 1 463 679 | 1 463 679 |
| Opening balance | **1 463 679** | 1 456 754 | 1 456 754 |
| Ordinary shares transferred – share appreciation rights | **–** | 6 925 | 6 925 |
| **Other reserves** | **(100 678)** | (104 739) | 20 962 |
| Opening balance | **20 962** | (65 769) | (65 769) |
| Other comprehensive (loss)/income for the period | **(123 643)** | (37 873) | 87 028 |
| Recognition of share-based payments | **2 003** | 5 305 | 6 105 |
| Ordinary shares transferred – share appreciation rights | **–** | (6 402) | (6 402) |
| **Retained earnings** | **621 915** | 640 960 | 616 147 |
| Opening balance | **616 147** | 608 817 | 608 817 |
| Profit for the period | **5 768** | 32 666 | 23 822 |
| Dividends paid | **–** | – | (15 969) |
| Ordinary shares transferred – share appreciation rights | **–** | (523) | (523) |
| **Total equity** | **1 984 916** | 1 999 900 | 2 100 788 |

# Condensed consolidated statement of cash flows

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|
| **Cash flow from operating activities** | **115 625** | 165 741 | 77 792 |
| Cash profit from operating activities | **82 583** | 91 998 | 170 625 |
| Working capital changes | **93 841** | 88 872 | (87 074) |
| Cash effect of hedging activities | **(59 353)** | (9 615) | 1 125 |
| Cash generated from operations | **117 071** | 171 255 | 84 676 |
| Income tax paid | **(1 446)** | (5 514) | (6 884) |
| **Cash flow from investing activities** | **(74 733)** | (61 169) | (118 214) |
| Additions to property, plant and equipment | **(74 431)** | (59 047) | (114 673) |
| Additions to intangible assets | **(3 061)** | (6 079) | (10 551) |
| Proceeds on disposal of property, plant and equipment | **81** | 2 366 | 2 367 |
| Repayment of loan included in other debtors | **351** | – | 399 |
| Interest received | **2 327** | 1 591 | 4 244 |
| Cash surplus/(deficit) | **40 892** | 104 572 | (40 422) |
| **Cash flow from financing activities** | **(24 281)** | (18 169) | (55 174) |
| Principal elements of lease payments | **(12 484)** | (11 578) | (23 963) |
| Interest paid | **(11 743)** | (6 591) | (15 249) |
| Dividends paid to ordinary shareholders | **(54)** | – | (15 962) |
| Increase/(decrease) in cash and cash equivalents | **16 611** | 86 403 | (95 596) |
| Effects of exchange rate changes | **(15 851)** | (5 074) | 11 222 |
| Cash and cash equivalents at beginning of period | **(11 063)** | 73 311 | 73 311 |
| Cash and cash equivalents at end of period (net of overdraft) | **(10 303)** | 154 640 | (11 063) |
| Cash at bank and on hand | **73 930** | 154 640 | 63 845 |
| Bank overdraft | **(84 233)** | – | (74 908) |

# Segmental analysis

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|
| **Segment revenue** | **3 456 240** | 2 833 143 | 6 030 053 |
| Eggs | **669 831** | 679 128 | 1 350 127 |
| Farming | **891 224** | 743 365 | 1 597 375 |
| Animal feeds | **1 679 459** | 1 220 038 | 2 688 142 |
| Other African countries | **215 726** | 190 612 | 394 409 |
| Less: Internal revenue | **(6 355)** | (5 071) | (9 495) |
| Farming | **(6 355)** | (5 071) | (9 495) |
| **External revenue** | **3 449 885** | 2 828 072 | 6 020 558 |
| Eggs | **669 831** | 679 128 | 1 350 127 |
| Farming | **884 869** | 738 294 | 1 587 880 |
| Animal feeds | **1 679 459** | 1 220 038 | 2 688 142 |
| Other African countries | **215 726** | 190 612 | 394 409 |
| **Segment results – excluding items of a capital nature** | **14 644** | 34 355 | 36 818 |
| Eggs | **(78 478)** | (12 642) | (42 104) |
| Farming | **58 244** | (7 911) | (15 438) |
| Animal feeds | **48 730** | 49 182 | 93 309 |
| Other African countries | **(5 172)** | 15 263 | 18 662 |
| Head office costs | **(8 680)** | (9 537) | (17 611) |
| **Items of a capital nature per segment included in other gains/(losses) – net** | | | |
| (Loss)/profit on disposal of property, plant and equipment before income tax | **(19)** | 1 449 | 1 115 |
| Eggs | **-** | - | (81) |
| Farming | **(28)** | 1 627 | 1 431 |
| Animal feeds | **(65)** | (12) | (49) |
| Other African countries | **74** | (166) | (186) |
| Impairment of intangible assets | **-** | - | (5 428) |
| Animal feeds | **-** | - | (5 428) |

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|
| **Segment results** | **14 625** | 35 804 | 32 505 |
| Eggs | **(78 478)** | (12 642) | (42 185) |
| Farming | **58 216** | (6 284) | (14 007) |
| Animal feeds | **48 665** | 49 170 | 87 832 |
| Other African countries | **(5 098)** | 15 097 | 18 476 |
| Head office costs | **(8 680)** | (9 537) | (17 611) |
| **A reconciliation of the segment results (operating profit) to profit before income tax is provided below:** | | | |
| Segment results | **14 625** | 35 804 | 32 505 |
| Adjusted for: | | | |
| Investment income | **2 327** | 1 677 | 4 244 |
| Finance costs | **(11 837)** | (6 654) | (16 301) |
| Share of profit/(loss) of associate company | **403** | 289 | (180) |
| Profit before income tax per statement of comprehensive income | **5 518** | 31 116 | 20 268 |

# Notes to the condensed consolidated interim financial statements

## 1. Basis of preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with and containing the information required by IAS 34 - Interim Financial Reporting as well as the International Financial Reporting Standards (**"IFRS"**), the JSE Limited Listings Requirements, 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 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 2022. 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 2022. Management further considered the impact of increased hours of load shedding experienced during the period ended 31 March 2023 and which is forecasted to increase further going forward. The increase in costs and the disruptive effect on the operations of the Group, it's suppliers and it's customers was considered in the preparation of these condensed consolidated interim financial statements. Specific consideration on the impact of increased load shedding hours was made as part of the calculation of expected credit losses in trade and other receivables, with no material impact.

# Notes to the condensed consolidated interim financial statements (continued)

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|
| **2. Revenue** | | | |
| Disaggregation of revenue from contracts with customers: | | | |
| **Revenue** | | | |
| Eggs | **817 381** | 797 185 | 1 602 692 |
| – included in eggs segment | **669 831** | 679 128 | 1 350 127 |
| – included in other African countries segment | **147 550** | 118 057 | 252 565 |
| Layer farming* | **102 736** | 127 874 | 240 958 |
| – included in farming segment | **86 699** | 111 370 | 211 906 |
| – included in other African countries segment | **16 037** | 16 504 | 29 052 |
| Broiler farming** | **818 858** | 656 295 | 1 436 431 |
| – included in farming segment | **798 170** | 626 924 | 1 375 974 |
| – included in other African countries segment | **20 688** | 29 371 | 60 457 |
| Animal feeds | **1 710 910** | 1 246 718 | 2 740 477 |
| – included in animal feeds segment | **1 679 459** | 1 220 038 | 2 688 142 |
| – included in other African countries segment | **31 451** | 26 680 | 52 335 |
| | **3 449 885** | 2 828 072 | 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.*

# Notes to the condensed consolidated interim financial statements (continued)

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|
| **3. Other gains/(losses) - net** | | | |
| Biological assets fair value adjustment | **52 712** | 20 626 | (8 438) |
| Unrealised - reflected in carrying amount of biological assets | **(3 105)** | 3 876 | (8 702) |
| Realised - reflected in cost of goods sold | **55 817** | 16 750 | 264 |
| Agricultural produce fair value adjustment | **(68 310)** | 31 443 | 4 038 |
| Unrealised - reflected in carrying amount of inventory | **1 131** | (552) | (2 094) |
| Realised - reflected in cost of goods sold | **(69 441)** | 31 995 | 6 132 |
| Foreign exchange differences | **545** | (745) | (1 252) |
| Financial instruments fair value adjustments | **7** | – | – |
| Foreign exchange contract cash flow hedging ineffective loss | **(9)** | (141) | (200) |
| Futures contract cash flow hedging ineffective (loss)/gain | **(10 026)** | – | 4 295 |
| (Loss)/profit on disposal of property, plant and equipment | **(19)** | 1 449 | 1 115 |
| Impairment of intangible assets | **–** | – | (5 428) |
| | **(25 100)** | 52 632 | (5 870) |

# Notes to the condensed consolidated interim financial statements (continued)

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 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:

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|
| Profit for the period | **5 768** | 32 666 | 23 822 |
| Weighted average number of ordinary shares in issue ('000) | **199 611** | 197 895 | 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.

| | Unaudited Six months ended 31 March 2023 Number '000 | Unaudited Six months ended 31 March 2022 Number '000 | Audited Year ended 30 September 2022 Number '000 |
|---|---|---|---|
| Weighted average number of ordinary shares in issue used as the denominator in calculating basic earnings per share | **199 611** | 197 895 | 198 755 |
| Adjustment for calculation of diluted earnings per share - Share appreciation rights | **1 023** | 1 009 | 1 255 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **200 634** | 198 904 | 200 010 |

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

# Notes to the condensed consolidated interim financial statements (continued)

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|

## 4. Earnings per ordinary share (continued)

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:

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|
| Profit for the period | **5 768** | 32 666 | 23 822 |
| Diluted weighted average number of ordinary shares in issue ('000) | **200 634** | 198 904 | 200 010 |

Headline earnings is calculated in accordance with Circular 1/2021 issued by SAICA.

*Reconciliation between profit attributable to owners of the parent and headline earnings*

| | Unaudited Six months ended 31 March 2023 R'000 | Unaudited Six months ended 31 March 2022 R'000 | Audited Year ended 30 September 2022 R'000 |
|---|---|---|---|
| Profit for the period | **5 768** | 32 666 | 23 822 |
| Remeasurement of items of a capital nature | | | |
| Loss/(profit) on disposal of property, plant and equipment | **5** | (1 399) | (1 137) |
| Gross | **19** | (1 449) | (1 115) |
| Tax effect | **(14)** | 50 | (22) |
| Impairment of intangible assets | **–** | – | 5 428 |
| Gross | **–** | – | 5 428 |
| Tax effect | **–** | – | – |
| Headline earnings for the period | **5 773** | 31 267 | 28 113 |
| Earnings per ordinary share (cents) | **2.9** | 16.5 | 12.0 |
| Diluted earnings per ordinary share (cents) | **2.9** | 16.4 | 11.9 |
| Headline earnings per ordinary share (cents) | **2.9** | 15.8 | 14.1 |
| Diluted headline earnings per ordinary share (cents) | **2.9** | 15.7 | 14.1 |

# Notes to the condensed consolidated interim financial statements (continued)

## 5. Contingent liabilities 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 R58.9 million (30 September 2022: R31.7 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R47.3 million (30 September 2022: R104.2 million).

## 6. Events after the reporting period

### Dividend

The Board has resolved not to declare an interim dividend for the period ended 31 March 2023 (2022: interim gross cash dividend of 8.0 cents per ordinary share).

### HPAI

During April 2023, an HPAI outbreak occurred at the Lemoenkloof layer farm which resulted in the culling of approximately 420 000 layers. Management estimates the direct loss as a result of the HPAI outbreak to approximate R34 million. The Group considered the impact of the HPAI outbreak post 31 March 2023 and concluded that the significant accounting judgments, 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 2022.

There have been no other events, other than what has been disclosed above, 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)#, GG Fortuin (lead independent director)#, T Golden#, LW Riddle#, G Vaughan-Smith, HA Lourens (chief executive officer)* and AH Muller (chief financial officer)*

# *Independent*
* *Executive*

## Company Secretary

ZP Wakashe

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