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 2024

Salient features

	2024	2023	% change*
Revenue	**R3 010 million**	R3 450 million	(13)
Operating profit (before items of a capital nature)**	**R61 million**	R15 million	320
Operating profit	**R62 million**	R15 million	327
Headline earnings	**R43 million**	R6 million	653
Earnings per share	**22.1 cents**	2.9 cents	664
Headline earnings per share ("**HEPS**")	**21.7 cents**	2.9 cents	651
Interim dividend per share	**Nil cents**	Nil cents	–

* *Rounding of figures may result in computational discrepancies.*
** *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 item excluded under this measurement is the profit or loss on disposal of property, plant and equipment.*

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Commentary

Operating environment

Despite the continuing impact of the 2023 Highly Pathogenic Avian Influenza ("**HPAI**") outbreak in South Africa, trading conditions improved during the six-month period ended 31 March 2024 ("**current reporting period**") compared to the six-month period ended 31 March 2023 ("**previous period**").

During the current reporting period, further HPAI outbreaks were reported by South African producers, including the Company at its layer farm operations in the northern provinces of South Africa. The value of the Company's birds affected by these further outbreaks in the current reporting period amounted to approximately R37 million (previous period: Rnil).

Feed raw material costs and load shedding hours were reduced, resulting in lower operational costs, which, together with a substantial increase in egg prices, pursuant to a decreased national layer flock and decreased egg production, contributed to margin improvement.

Key feed raw material costs were lower, mainly due to reduced international selling prices. These costs were partially offset by the Rand weakening against the US dollar.

The average Rand to US dollar exchange rate over the current reporting period weakened by 6.8% compared to the previous period.

During the current reporting period:

- the average price of yellow maize on the South African Futures Exchange ("**SAFEX**") decreased by 16.6%; and
- the average landed price (Cape Town harbour) of soya meal decreased by 5.7%,

compared to the previous period.

The weighted average cost of layer and broiler feed decreased by 5.2% and 5.3%, respectively, compared to the previous period.

The decrease in load shedding hours experienced during the current reporting period resulted in lower generator fuel costs and fewer disruptions in the supply of feed raw material items compared to the previous period. This meant that planned raw materials were not required to be replaced with more expensive ingredients as frequently as during the previous period due to interruptions in availability.

Commentary (continued)

Segmental review

Feeds business

The feeds business delivered satisfactory operational and financial performance for the current reporting period despite a significant reduction in poultry feed volumes from the Pretoria feed mill supplied to the external market and the Company's farming operations following the HPAI outbreaks in 2023.

Well-executed volume and margin management combined with satisfactory operational efficiencies and cost management resulted in improved financial results despite total feed volumes supplied in the current reporting period reducing by 12.4% compared to the previous period.

The multi-year expansion project to increase capacity at the Malmesbury Feed mill commenced during the current reporting period and remains on track. Construction activities are expected to begin in the second half of the financial year ending 30 September 2024 ("**FY2024**").

Farming business

Layer farming business

During the current reporting period, the Company made satisfactory progress in rebuilding its layer breeder flock. Layer breeder birds were placed in newly contracted facilities and alternative Company-owned facilities to mitigate the risk of diseases that could potentially impact the future supply of hatching eggs.

During the current reporting period, layer hatching eggs were imported to supplement the severely restricted own available supply, as newly placed breeders were mostly being reared for future hatching egg production. By the end of the current reporting period, the Company had sufficient layer breeder birds in production to supply its layer hatching egg requirements from which day-old chicks can be produced to rebuild its layer flock and to increase its livestock sales to customers.

In addition to the above and to mitigate the risk of egg supply from layer birds on commercial egg farms being impacted by HPAI, the Company contracted independent egg production farmers in geographical areas where the HPAI risk was assessed to be lower.

The Company's egg supply volumes were approximately 59% lower in the current reporting period compared to the previous period, which, despite cost containment measures such as lay-off agreements with staff at units affected by the 2023 HPAI outbreaks, led to significant cost under-recovery. Further to the negative financial impact of the lower volumes, the production cost of eggs significantly increased due to the disruptions to the normal bird placement and depopulation cycles caused by the 2023 HPAI outbreaks. These disruptions, combined with a lower percentage of the flock being in the peak production period during the current reporting period led to, *inter alia*, a significant increase in the average feed conversion rate achieved on layer farms during the current reporting period compared to the previous period.

Overhead cost management in the layer farming business was satisfactory despite increased costs incurred: (i) in preparing additional farms for placement following the culling of birds affected by the 2023 HPAI outbreaks between the end of the financial year ended 30 September 2023 ("**FY2023**") and 31 January 2024 and (ii) through the cleaning and preparation of farms for future placements.

Broiler farming business

During the current reporting period, the operational and financial performance of the broiler breeder farming and commercial broiler farming operations in the Western Cape significantly improved compared to the previous period (wherein genetics from Cobb500 and Ross 308 breeds were in production simultaneously which contributed to reduced farming efficiencies). The Ross 308 genetics performed well during the current reporting period, following the migration from Cobb500, which was largely completed before the start of the current reporting period.

The Company's broiler farming operations at its breeder farm in Hartbeespoort were affected by the HPAI outbreak in the fourth quarter of FY2023. The farm remained dormant for the current reporting period, and the consequential loss of hatching egg production resulted in a lower supply of hatching eggs and an increase in the cost of hatching eggs used to supply the market with day-old broiler chicks. The Company supplemented its locally sourced supply with imported hatching eggs, at a much higher cost, to reduce the impact on its customers.

The total day-old chick production of the Company increased by 1.2% compared to the previous period.

Live broiler volumes supplied increased by 4.9% during the current reporting period on the back of improved weights and more birds supplied to abattoir customers supported by, *inter alia*, lower mortalities.

Overhead costs remained under control, contributing to the broiler farming business improving its profitability compared to the previous period.

Egg business

The egg business reported significant improvement in financial results for the current reporting period compared to the previous period.

Sales volumes for the current reporting period reduced by 61.5% compared to the previous period, with fewer eggs available for sale. The benefits arising from the 57.1% increase in average egg selling prices, lower feed costs, well-executed cost management, and satisfactory operational efficiencies far outweighed the negative effect of the lower sales volumes.

The Company mothballed the Pinetown egg packing station and two depots during the current reporting period due to insufficient egg volumes available to supply these markets. This led to some under-recovery of fixed costs incurred in maintaining these sites.

Other African businesses

Trading conditions in Zambia were mostly impacted by the weakening Zambian Kwacha exchange rate and a significant increase in maize costs during the current reporting period. This negatively impacted the margins in the egg business and the demand for feed. Day-old chick sales volumes improved from the very low volumes achieved during the previous period, despite the negative impact of higher feed costs on the demand for day-old chicks.

Trading conditions improved in Uganda due to lower feed raw material costs, resulting in improved demand for the Company's products.

In Mozambique, egg selling prices increased significantly due to a reduced supply from South Africa.

Commentary (continued)

The breeder efficiencies experienced in Zambia during the previous period were mostly maintained in the current reporting period, while breeder efficiencies in Uganda, generally showed signs of improvement. The feed conversion ratio efficiencies on layer farms improved in all three countries compared to the previous period.

Overall, the Group's other African operations recovered well from the weak financial performance experienced during the previous period, contributing satisfactorily to the Company's financial performance for the current reporting period.

Financial overview

Group revenue decreased by 12.8% to R3.0 billion (previous period: R3.4 billion), with a 13.8% decrease (R446 million) in the South African operations' revenue and a 2.8% increase (R6 million) in the other African operations' revenue. Revenue from the other African operations contributed 7.4% of the Group's revenue for the current reporting period (previous period: 6.3%).

External revenue from South African operations in:

- The animal feed segment decreased by 10.7% (R179 million) from the previous period. Revenue was impacted by a 3.3% decrease in external volumes sold and the adjustment of selling prices with respect to decreased input costs.
- The farming segment decreased by 0.1% (R1 million) from the previous period. The increased volumes sold by the broiler farming business compared to the previous period were offset by the significantly lower volumes available for sale to the layer livestock business.
- The egg segment decreased by 39.7% (R266 million) from the previous period, with the average egg selling price increase of 57.1% being offset by the decrease in sales volumes of 61.5%.

Revenue from the other African operations increased, mostly due to the increased volumes of day-old chicks sold in Uganda and increased egg selling prices in Mozambique. Revenue from the Zambian operations decreased, mostly due to lower feed sales and the lower Rand value of revenue following the weakening of the Zambian Kwacha exchange rate against the Rand.

The Group's cost of sales decreased by 14.5% to R2.4 billion (previous period: R2.9 billion). The Group's 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 profit of R41 million (previous period: loss of R14 million), which included a R37 million (previous period: Rnil) biological asset write-off due to birds being infected with HPAI. The change in the fair value adjustment from a loss to a profit is primarily due to the increased margin on eggs produced. Gross profit, excluding the fair value adjustments, increased by R28 million to R608 million (previous period: R580 million) at a margin of 20.2% (previous period: 16.8%).

Aggregate cash operating expenses decreased by 1.0% from the previous period. The decrease relative to the previous period was primarily driven by (i) the R21 million decrease in sales and distribution costs due to lower volumes sold; (ii) an R11 million reduction in generator fuel expenses due to fewer load shedding hours and (iii) lower manpower costs due to some units not being fully operational during the current reporting period.

Operating profit before items of a capital nature increased by 319.8% to R61 million (previous period: R15 million). Operating profit from the South African operations was R45 million (previous period: R28 million) at a margin of 1.6% (previous period: 0.9%). Profit from the animal feeds segment increased by R6 million. The significant increase in egg selling prices in South Africa contributed mostly to the eggs segment's profit increasing by R135 million compared to the previous period. The farming segment reported a loss of R67 million compared to a profit of R58 million in the previous period. The continued impact of the HPAI outbreak in the northern parts of South Africa negatively impacted the farming business, with an additional R37 million of livestock being written off in the current reporting period, extra feed costs being incurred while birds were being culled, and significant overhead costs under recovery due to the lower volumes produced. The other African operations recorded a profit of R24 million (previous period: loss of R5 million), representing an increase in profit of R29 million, with an increase in earnings from all three countries.

Head office costs decreased from R9 million in the previous period to R7 million.

The previous period's effective tax rate was impacted by losses made in higher tax rate jurisdictions, resulting in a tax credit of 4.5%.

HEPS increased to 21.7 cents from 2.9 cents reported in the previous period.

Cash flow from operating activities amounted to an inflow of R102 million (previous period: inflow of R116 million). This includes an increased investment in working capital of R61 million (previous period: decreased investment of R94 million), with a decrease in trade and other receivables due to lower revenue for the current reporting period offsetting the decrease in trade and other payables due to lower input costs. The increased investment in biological assets of R53 million results from the repopulation of the flocks impacted by HPAI at the end of FY2023. The cash inflow from operating activities also includes an inflow from hedging activities of R0.1 million compared to an outflow in the previous period of R59 million arising from SAFEX maize future market movements.

Cash flow from investing activities amounted to R58 million (previous period: R75 million). This includes capital expenditure on property, plant and equipment amounting to R65 million (previous period: R74 million), with the main projects (in addition to maintenance capital) being the construction of new layer rearing houses in the Western Cape, the project to build an additional feed mill in Malmesbury and the project to upgrade the feed mill in Zambia (Lusaka).

Cash flow from financing activities amounted to an inflow of R77 million (previous period: outflow of R24 million). This includes the borrowings of R100 million raised following the conclusion and draw down of the term loan facility.

Cash and cash equivalents improved from R71 million as at 30 September 2023 to R186 million at the end of the current reporting period, with the Company also having a term debt of R99 million as at 31 March 2024.

The Rand value of the Group's investment in the other African countries segment decreased by R47 million from 30 September 2023, primarily due to the devaluation of the Zambian Kwacha to the Rand when measured at the reporting dates of 31 March 2024 and 30 September 2023, respectively. As at 31 March 2024, the Rand appreciated by 16.7% against the Zambian Kwacha compared to 30 September 2023. This also had a negative effect on the Rand value of cash balances held in Zambia. This foreign currency translation reserve decrease is included in other comprehensive income for the current reporting period.

Commentary (continued)

The Group's borrowings as at 31 March 2024 comprised an interest-bearing term loan facility of R99 million and lease liabilities.

Dividend

The board of directors ("**Board**") resolved not to declare an interim dividend for the current reporting period (previous period: Rnil).

Outlook

The risk of HPAI is expected to remain high for the remainder of FY2024. Vaccines are now available for the H5 HPAI strain, which predominantly affected birds in the coastal provinces of South Africa during previous outbreaks. Vaccines are not yet available for the H7 HPAI strain, which affected birds in the northern provinces of South Africa during winter in the 2023 HPAI outbreak. The South African Government has published stringent protocols for voluntary vaccination against HPAI. To date, the Company is not aware of any producers in South Africa who have successfully applied for vaccination. In the absence of vaccination, HPAI will remain a key risk factor that will continue to influence poultry businesses going forward, resulting in major uncertainty for the poultry industry, which could severely impact earnings.

Prices of key raw material inputs have increased from the levels experienced in the current reporting period. This should result in higher feed costs towards the end of FY2024, further dependent on any significant movement in the value of the Rand against, mostly, the US dollar. Higher feed raw material costs negatively affect earnings derived from the Group's egg business. Earnings from the feeds and farming businesses are more resilient to changes in feed raw material costs, as changes in input costs drive selling price adjustments in these businesses.

The Company expects that total egg production in South Africa will remain muted during the second half of FY2024, whereafter it should increase as the national flock recovers. Egg selling prices have decreased towards the end of the current reporting period which, together with the expected increase in feed costs, should lead to lower margins from the egg business during the second half of FY2024. These lower expected margins should, in the absence of any further HPAI outbreaks, be at least partially countered by an increase in the volume of eggs available to the Company in the second half of FY2024 as the Company continues to implement its flock rebuilding plan.

Feed business volumes are expected to be higher during the second half of FY2024, supported by the anticipated recovery in the poultry flocks of internal farms and external customers. Broiler day-old chick volumes should increase with the increased supply of hatching eggs following placement of the Hartbeespoort Breeder farm. These factors should support earnings from the feeds and broiler farming businesses in the second half of FY2024.

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 FY2024. An increase in load shedding hours will result in increased operational challenges and higher costs, which will negatively impact the Company's earnings.

Trading conditions in Zambia are expected to be more challenging during the remainder of FY2024. Zambia is experiencing a severe drought, which has negatively impacted feed raw material crops, leading to increased feed prices and reduced electricity supply from hydro-generation facilities. These factors are expected to result in a further increase in feed costs and higher overhead costs being incurred for the remainder of FY2024. Increased feed costs are expected to negatively impact feed sales volumes, day-old chick demand and egg margins. A further factor in Zambia has been the continuous weakening of the Zambian Kwacha, which has resulted in cost increases and a reduction in the Rand value of earnings.

The business in Mozambique is expected to continue to benefit from elevated egg prices for the remainder of FY2024. Egg prices have decreased towards the end of the current reporting period. Like South Africa, feed costs are also expected to increase during the second half of FY2024. Both are expected to reduce the very high egg margins achieved during the current reporting period.

Trading conditions in Uganda are expected to remain favourable for the remainder of FY2024. Feed raw material costs are expected to remain relatively low, supporting demand for day-old chicks, feed volumes and egg margins.

By order of the Board

WA Hanekom
Chairman

AD van der Merwe
Chief Executive Officer

24 May 2024

Condensed consolidated statement of financial position

	Note	Unaudited 31 March 2024 R'000	Unaudited 31 March 2023 R'000	Audited 30 September 2023 R'000
ASSETS				
Non-current assets		**1 419 323**	1 402 009	1 420 267
Property, plant and equipment		**1 348 038**	1 315 103	1 353 253
Right-of-use assets		**41 505**	54 760	34 519
Intangible assets		**10 603**	13 074	12 268
Investment in associate		**11 887**	10 533	11 200
Trade and other receivables		**2 705**	2 981	2 827
Deferred income tax		**4 585**	5 558	6 200
Current assets		**1 577 650**	1 634 543	1 513 361
Inventories		**415 172**	404 295	415 630
Biological assets		**343 354**	445 190	338 380
Trade and other receivables		**633 143**	710 871	687 761
Derivative financial instruments		**8**	–	–
Current income tax		**25**	257	225
Cash and cash equivalents		**185 948**	73 930	71 365
Total assets		**2 996 973**	3 036 552	2 933 628
EQUITY AND LIABILITIES				
Capital and reserves attributable to owners of the parent		**2 019 019**	1 984 916	2 015 936
Share capital		**1 473 619**	1 465 069	1 465 069
Treasury shares		**(429)**	(1 390)	(429)
Other reserves		**(74 405)**	(100 678)	(29 676)
Retained earnings		**620 234**	621 915	580 972
Total equity		**2 019 019**	1 984 916	2 015 936
Non-current liabilities		**369 331**	292 210	265 610
Borrowings	2	**89 413**	–	–
Lease liabilities		**32 824**	43 351	21 907
Deferred income tax		**237 732**	239 893	234 621
Provisions for other liabilities and charges		**9 362**	8 966	9 082
Current liabilities		**608 623**	759 426	652 082
Trade and other payables		**579 883**	647 924	627 870
Derivative financial instruments		**–**	–	58
Current income tax		**2 688**	1 414	1 774
Borrowings	2	**10 000**	–	–
Lease liabilities		**14 971**	24 705	21 299
Provisions for other liabilities and charges		**1 081**	1 150	1 081
Bank overdraft		**–**	84 233	–
Total liabilities		**977 954**	1 051 636	917 692
Total equity and liabilities		**2 996 973**	3 036 552	2 933 628

Condensed consolidated statement of comprehensive income

	Note	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
Revenue	3	**3 009 936**	3 449 885	6 952 575
Cost of sales		**(2 442 455)**	(2 856 276)	(5 769 663)
Gross profit		**567 481**	593 609	1 182 912
Other income		**8 871**	9 828	18 853
Other gains/(losses) – net	4	**38 506**	(25 100)	(66 389)
Sales and distribution costs		**(124 298)**	(145 619)	(287 386)
Marketing costs		**(4 508)**	(5 432)	(12 572)
Administrative expenses		**(78 474)**	(77 559)	(154 987)
Net impairment gains/(losses) on trade and other receivables		**2**	(3 635)	(5 941)
Other operating expenses		**(345 156)**	(331 467)	(710 413)
Operating profit/(loss)		**62 424**	14 625	(35 923)
Investment income		**2 519**	2 327	5 477
Finance costs		**(10 184)**	(11 837)	(23 585)
Share of profit of associate company		**686**	403	1 070
Profit/(loss) before income tax		**55 445**	5 518	(52 961)
Income tax (expense)/credit		**(11 260)**	250	17 387
Profit/(loss) for the period		**44 185**	5 768	(35 574)
Other comprehensive income/(loss) for the period				
Items that may subsequently be reclassified to profit or loss:				
Fair value adjustments to cash flow hedging reserve		**86**	(43 380)	(3 000)
For the period		**17 030**	(29 418)	(39 378)
Income tax effect		**(4 598)**	7 943	10 632
Realised to profit or loss		**(16 912)**	(30 007)	35 269
Income tax effect		**4 566**	8 102	(9 523)
Movement in foreign currency translation reserve				
Currency translation differences		**(46 843)**	(80 263)	(50 333)
Total comprehensive loss for the period		**(2 572)**	(117 875)	(88 907)
Profit/(loss) for the period attributable to owners of the parent		**44 185**	5 768	(35 574)
Total comprehensive loss for the period attributable to owners of the parent		**(2 572)**	(117 875)	(88 907)
Earnings per ordinary share (cents)	5	**22.1**	2.9	(17.8)
Diluted earnings per ordinary share (cents)	5	**21.8**	2.9	(17.8)

Condensed consolidated statement of changes in equity

	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
Share capital and treasury shares	**1 473 190**	1 463 679	1 464 640
Opening balance	**1 464 640**	1 463 679	1 463 679
Ordinary shares acquired by subsidiary	**–**	–	(2 336)
Ordinary shares issued/transferred – share appreciation rights	**8 550**	–	3 297
Other reserves	**(74 405)**	(100 678)	(29 676)
Opening balance	**(29 676)**	20 962	20 962
Other comprehensive loss for the period	**(46 757)**	(123 643)	(53 333)
Recognition of share-based payments	**5 655**	2 003	6 391
Ordinary shares transferred – share appreciation rights	**(3 627)**	–	(3 696)
Retained earnings	**620 234**	621 915	580 972
Opening balance	**580 972**	616 147	616 147
Profit/(loss) for the period	**44 185**	5 768	(35 574)
Ordinary shares transferred – share appreciation rights	**(4 923)**	–	399
Total equity	**2 019 019**	1 984 916	2 015 936

Condensed consolidated statement of cash flows

	Note	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
Cash flow from operating activities		**102 041**	115 625	276 410
Cash profit from operating activities		**165 564**	82 583	232 158
Working capital changes		**(61 468)**	93 841	52 522
Cash effect of hedging activities		**117**	(59 353)	(4 030)
Cash generated from operations		**104 213**	117 071	280 650
Income tax paid		**(2 172)**	(1 446)	(4 240)
Cash flow from investing activities		**(58 140)**	(74 733)	(135 888)
Additions to property, plant and equipment		**(65 263)**	(74 431)	(138 475)
Additions to intangible assets		**–**	(3 061)	(4 059)
Proceeds on disposal of property, plant and equipment		**4 570**	81	663
Repayment of loan included in other debtors		**248**	351	687
Interest received		**2 305**	2 327	5 296
Cash surplus		**43 901**	40 892	140 522
Cash flow from financing activities		**77 481**	(24 281)	(49 662)
Principal elements of lease payments		**(11 823)**	(12 484)	(24 935)
Borrowings raised	2	**100 000**	–	–
Treasury shares acquired by subsidiary		**–**	–	(2 336)
Interest paid		**(10 694)**	(11 743)	(22 335)
Dividends paid to ordinary shareholders		**(2)**	(54)	(56)
Increase in cash and cash equivalents		**121 382**	16 611	90 860
Effects of exchange rate changes		**(6 799)**	(15 851)	(8 432)
Cash and cash equivalents at beginning of period		**71 365**	(11 063)	(11 063)
Cash and cash equivalents at end of period (net of overdraft)		**185 948**	(10 303)	71 365
Cash at bank and on hand		**185 948**	73 930	71 365
Bank overdraft		**–**	(84 233)	–

Segmental analysis

	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
Segment revenue	**3 012 111**	3 456 240	6 964 945
Eggs	**403 957**	669 831	1 322 275
Farming	**886 292**	891 224	1 840 995
Animal feeds	**1 499 988**	1 679 459	3 358 828
Other African countries	**221 874**	215 726	442 847
Less: Internal revenue	**(2 175)**	(6 355)	(12 370)
Farming	**(2 175)**	(6 355)	(12 370)
External revenue	**3 009 936**	3 449 885	6 952 575
Eggs	**403 957**	669 831	1 322 275
Farming	**884 117**	884 869	1 828 625
Animal feeds	**1 499 988**	1 679 459	3 358 828
Other African countries	**221 874**	215 726	442 847
Segment results (operating profit/(loss)) – excluding items of a capital nature	**61 471**	14 644	(34 716)
Eggs	**56 978**	(78 478)	(42 367)
Farming	**(66 731)**	58 244	(80 310)
Animal feeds	**54 513**	48 730	104 168
Other African countries	**24 128**	(5 172)	(1 369)
Head office costs	**(7 417)**	(8 680)	(14 838)
Items of a capital nature per segment included in other gains/(losses) – net			
Profit/(loss) on disposal of property, plant and equipment before income tax	**953**	(19)	(1 207)
Eggs	**1 390**	–	–
Farming	**(437)**	(28)	(1 055)
Animal feeds	**–**	(65)	(658)
Other African countries	**–**	74	506

	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
Segment results (operating profit/(loss))	**62 424**	14 625	(35 923)
Eggs	**58 368**	(78 478)	(42 367)
Farming	**(67 168)**	58 216	(81 365)
Animal feeds	**54 513**	48 665	103 510
Other African countries	**24 128**	(5 098)	(863)
Head office costs	**(7 417)**	(8 680)	(14 838)
A reconciliation of the segment results (operating profit/(loss)) to profit/(loss) before income tax is provided below:			
Segment results	**62 424**	14 625	(35 923)
Adjusted for:			
Investment income	**2 519**	2 327	5 477
Finance costs	**(10 184)**	(11 837)	(23 585)
Share of profit of associate company	**686**	403	1 070
Profit/(loss) before income tax per statement of comprehensive income	**55 445**	5 518	(52 961)

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 Accounting Standards (**"IFRS Accounting Standards"**) as issued by the International Accounting Standards Board, 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.

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.

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 Accounting Standards and are consistent with those applied in the previous consolidated annual financial statements for the year ended 30 September 2023. A number of amendments to existing standards became applicable for the current reporting period, the adoption of which did not have a material impact on the financial results of the Group. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments:

- *Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective 1 January 2023)*
- *Amendments to IAS 8 – Definition of Accounting Estimates (effective 1 January 2023)*
- *Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)*

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 2023. Management further considered the continued impact of the HPAI outbreak in the northern part of South Africa in 2023. 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 unaudited condensed consolidated interim financial statements, specifically relating to the fair value measurement of biological assets and the calculation of expected credit losses in trade and other receivables.

Notes to the condensed consolidated interim financial statements (continued)

	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
2. Borrowings			
Interest-bearing term loan facility	**99 413**	–	–

In October 2023 the Group obtained a new term loan facility denominated in South African rand from Rand Merchant Bank. The loan facility provides the Group's South African businesses with additional liquidity for working capital investment and expansion projects. The total available amount under the facility is R100 million of which the full amount was drawn down as at 31 March 2024. The loan is repayable in bi-annual instalments, commencing 31 March 2025, with the last instalment payable on 30 September 2028.

The loan is recognised at amortised cost and bears interest at the three-month JIBAR plus 2.3%, payable quarterly in arrears. The facility fee of R0.8 million was payable to the lender with the first drawdown. This was debited as a transaction cost to the loan account, and is amortised over the term of the loan as part of finance costs.

The loan is secured by a mortgage bond and special notarial bond over land, buildings and equipment for an amount not exceeding R300 million.

For the purposes of the statement of financial position, borrowings are presented as follows:

	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
Non-current liabilities	**89 413**	–	–
Current liabilities	**10 000**	–	–
	99 413	–	–

Financial covenants applicable to the term loan

The Group shall ensure that the following financial covenants will be met:

	Targets	Achieved
– The gross debt to equity shall not exceed target	**30.00%**	**2.73%**
– The equity shall be at least target (R'000)	**1 800 000**	**2 019 019**
– The current ratio shall be more than target (times)*	**1.25**	**2.65**
– Earnings before interest, taxation, depreciation and amortisation divided by gross senior interest shall not be less than target (times)**	**4.50**	**18.14**

* *Current ratio refers to the ratio of current assets divided by current liabilities.*
** *Gross senior interest refers to all interest accrued on the borrowings whether paid, payable or capitalised.*

Financial covenants are measured quarterly for the preceding 12-month period. None of the financial covenants were breached during the period ended 31 March 2024.

Notes to the condensed consolidated interim financial statements (continued)

	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
3. Revenue			
Disaggregation of revenue from contracts with customers:			
Eggs	**556 668**	817 381	1 627 094
– included in eggs segment	**403 957**	669 831	1 322 275
– included in other African countries segment	**152 711**	147 550	304 819
Layer farming*	**67 515**	102 736	221 376
– included in farming segment	**44 093**	86 699	187 154
– included in other African countries segment	**23 422**	16 037	34 222
Broiler farming**	**874 142**	818 858	1 689 484
– included in farming segment	**840 024**	798 170	1 641 471
– included in other African countries segment	**34 118**	20 688	48 013
Animal feeds	**1 511 611**	1 710 910	3 414 621
– included in animal feeds segment	**1 499 988**	1 679 459	3 358 828
– included in other African countries segment	**11 623**	31 451	55 793
	3 009 936	3 449 885	6 952 575

* *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 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
4. Other gains/(losses) – net			
Biological assets fair value adjustment	**(27 760)**	52 712	(67 379)
Unrealised – reflected in carrying amount of biological assets	**(5 487)**	(3 105)	8 847
Realised – reflected in cost of goods sold	**(22 273)**	55 817	(76 226)
Agricultural produce fair value adjustment	**63 352**	(68 310)	13 814
Unrealised – reflected in carrying amount of inventory	**500**	1 131	1 608
Realised – reflected in cost of goods sold	**62 852**	(69 441)	12 206
Foreign exchange differences	**(1 088)**	545	218
Financial instruments fair value adjustments	**–**	7	7
Foreign exchange contract cash flow hedging ineffective loss	**(234)**	(9)	(63)
Futures contract cash flow hedging ineffective gain/(loss)	**3 283**	(10 026)	(11 779)
Profit/(loss) on disposal of property, plant and equipment	**953**	(19)	(1 207)
	38 506	(25 100)	(66 389)

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.

Notes to the condensed consolidated interim financial statements (continued)

	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
5. Earnings per ordinary share			
Basic			
The calculation of basic earnings per share is based on profit/(loss) 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/(loss) for the period	**44 185**	5 768	(35 574)
Weighted average number of ordinary shares in issue ('000)	**200 023**	199 611	199 553
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 2024 Number '000	Unaudited Six months ended 31 March 2023 Number '000	Audited Year ended 30 September 2023 Number '000
Weighted average number of ordinary shares in issue used as the denominator in calculating basic earnings per share	**200 023**	199 611	199 553
Adjustment for calculation of diluted earnings per share – Share appreciation rights	**2 992**	1 023	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**203 015**	200 634	199 553

Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share. Share appreciation rights issued in terms of the share incentive scheme were not included in the calculation of diluted basic and headline earnings per share for the year ended 30 September 2023 because they were anti-dilutive.

Notes to the condensed consolidated interim financial statements (continued)

	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000

5. Earnings per ordinary share (continued)

The calculation of diluted earnings per share is based on profit/(loss) 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 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
Profit/(loss) for the period	**44 185**	5 768	(35 574)
Diluted weighted average number of ordinary shares in issue ('000)	**203 015**	200 634	199 553

Headline earnings is calculated in accordance with Circular 1/2023 (March 2023: Circular 1/2021) issued by SAICA.

Reconciliation between profit/(loss) for the period attributable to owners of the parent and headline earnings

	Unaudited Six months ended 31 March 2024 R'000	Unaudited Six months ended 31 March 2023 R'000	Audited Year ended 30 September 2023 R'000
Profit/(loss) for the period	**44 185**	5 768	(35 574)
Remeasurement of items of a capital nature			
(Profit)/loss on disposal of property, plant and equipment	**(713)**	5	812
Gross	**(953)**	19	1 207
Tax effect	**240**	(14)	(395)
Headline earnings for the period	**43 472**	5 773	(34 762)
Earnings per ordinary share (cents)	**22.1**	2.9	(17.8)
Diluted earnings per ordinary share (cents)	**21.8**	2.9	(17.8)
Headline earnings per ordinary share (cents)	**21.7**	2.9	(17.4)
Diluted headline earnings per ordinary share (cents)	**21.4**	2.9	(17.4)

Notes to the condensed consolidated interim financial statements (continued)

6. 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 R111.8 million (30 September 2023: R31.6 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R143.4 million (30 September 2023: R291.4 million).

7. Events after the reporting period

Dividend

The Board has resolved not to declare an interim dividend for the period ended 31 March 2024 (2023: nil cents).

There have been no other events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the condensed consolidated interim financial statements by the Board.

Directors

WA Hanekom (chairman)#, GG Fortuin (lead independent director)#, TJA Golden#, LW Riddle#, G Vaughan-Smith, HA Lourens (retired as chief executive officer with effect from 1 April 2024 and as an executive director with effect from 31 May 2024)*, AD van der Merwe (chief executive officer – appointed 1 April 2024)* and AH Muller (chief financial officer)*

Independent
* *Executive*

Company Secretary

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