




**ANNUAL FINANCIAL  
STATEMENTS**  
for the year ended 30 September 2018





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## DIRECTORS' RESPONSIBILITY

In accordance with the requirements of the Companies Act, Act 71 of 2008 ("Companies Act"), the Board is responsible for the preparation of the annual financial statements and the consolidated annual financial statements of Quantum Foods Holdings Ltd ("Quantum Foods" or the "Company"). These conform to International Financial Reporting Standards ("IFRS") and fairly present the state of Quantum Foods Holdings Ltd and its subsidiaries (the "Group") at the reporting date.

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

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

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

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

The annual financial statements which appear on pages 9 to 68 were approved by the Board on 28 November 2018 and are signed on its behalf by:



**WA Hanekom**  
Chairman



**HA Lourens**  
Chief Executive Officer

## NOTICE IN TERMS OF SECTION 29 OF THE COMPANIES ACT

These annual financial statements have been audited in compliance with the Companies Act. These annual financial statements have been prepared under the supervision of Mr. AH Muller, CA(SA), chief financial officer.

## COMPANY SECRETARY CERTIFICATE

In accordance with section 88 of the Companies Act, for the year ended 30 September 2018, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.



**MO Gibbons**  
Company Secretary



# AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee (“the committee”) is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act and responsibilities highlighted in the King Code on Corporate Governance™ for South Africa, 2016<sup>1</sup> (“King IV”).

## AUDIT AND RISK COMMITTEE CHARTER

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

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

## MEMBERS OF THE AUDIT AND RISK COMMITTEE

As at 30 September 2018, the committee comprised three independent non-executive directors namely, Prof. ASM Karaan and Mr. GG Fortuin and is chaired by Mr. PE Burton.

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

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

## MEETINGS

The committee held three meetings during the year. Attendance of the meetings is shown on page 67 of the integrated report. The internal and external auditors attended the committee meetings in their capacity as assurance providers.

## FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

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

- Reviewed the interim, preliminary and summary results as well as the year-end financial statements, culminating in a recommendation to the board of directors (“Board”) for approval. In the course of its review, the committee:
  - took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act;
  - considered and, when appropriate, made recommendations on internal financial controls; and
  - ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, Act 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.
- Reviewed the external audit reports on the consolidated annual financial statements
- Oversaw the integrated reporting process. The committee considered the Group’s information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements
- Reviewed and confirmed that the non-audit services provided by the external auditors were not material. Any non-audit services to be performed above R500 000 must be approved by the Board
- Reviewed and confirmed the suitability and independence of PricewaterhouseCoopers Inc. (“PwC”) as audit firm and Mr. RJ Jacobs as the designated auditor of the Group as stated in paragraph 22.15(h) of the JSE Ltd Listings Requirements
- Recommended the re-appointment of PwC as the external auditor and Mr. RJ Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 49(8) of the Companies Act. 2019 will be Mr. RJ Jacobs’ first year as designated auditor of the Company. The re-appointment of PwC as the recommended external auditor will be formally proposed to the shareholders at the AGM
- Confirmed that PwC and the designated auditor are accredited by the JSE
- Confirmed and approved the internal audit charter and annual risk based internal audit year plan
- Reviewed the internal audit risk reports and tip-offs anonymous reports
- Reviewed and approved the risk management policy and plan

- Reviewed business continuity capability, disaster management plans and insurance cover
- Provided oversight over the combined assurance arrangements, including the external and internal auditors’ and satisfied itself of the effectiveness of the combined assurance model implemented by the Group
- Reviewed the effectiveness of the internal audit function and the head of internal audit

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

The committee is satisfied with the assurance of the internal and external auditors, with the effectiveness of the design and implementation of internal financial controls. There were no significant weaknesses noted which resulted in material financial loss, fraud, corruption or error.

## INTERNAL AUDIT

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

## CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

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

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

## GOING CONCERN

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

## SIGNIFICANT AUDIT MATTERS AND QUALITY OF EXTERNAL AUDIT

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



**PE Burton**  
Chairman: Audit and risk committee  
Wellington

28 November 2018

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# INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Quantum Foods Holdings Ltd

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Quantum Foods Holdings Ltd (the Company) and its subsidiaries (together the Group) as at 30 September 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Quantum Foods Holdings Ltd's consolidated and separate financial statements set out on pages 10 to 68 comprise:

- the consolidated and company statements of financial position as at 30 September 2018;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

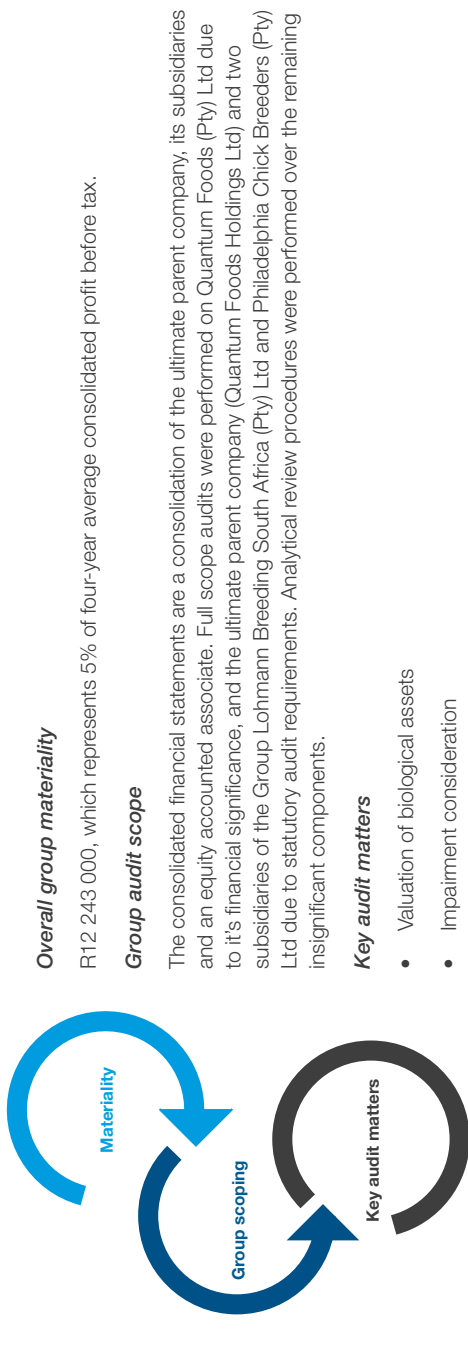
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



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

Materiality

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

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

<b>Overall group materiality</b>	R12 243 000
<b>How we determined it</b>	5% of four-year average consolidated profit before tax
<b>Rationale for the materiality benchmark applied</b>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We used a four-year average profit before tax figure to take into account the cyclical nature of Group profits. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

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

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and an equity accounted associate (together “the components”). Quantum Foods (Pty) Ltd, the subsidiary in which most of the Group’s trading operations take place, is the only financially significant component in the Group. All other components are considered financially insignificant.

In order to ensure sufficient work was performed over material line items in the consolidated financial statements, a full scope audit was performed on Quantum Foods (Pty) Ltd due to it’s financial significance. We also performed full scope audits on the ultimate parent company (Quantum Foods Holdings Ltd) and two subsidiaries of the Group (Lohmann Breeding South Africa (Pty) Ltd and Philadelphia Chick Breeders (Pty) Ltd) due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

These additional procedures performed at the Group level, provided us with sufficient evidence to express an opinion on the Group as a whole.

Key audit matters

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

Key audit matters

How our audit addressed the key audit matters

Valuation of biological assets

Biological assets of the Group consist of livestock. Livestock comprises of poultry which includes broiler and layer stock. Broiler stock includes breeding stock, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old-chicks and hatching eggs. These assets are measured at fair value less cost to sell. At year end the carrying value of the Group’s biological assets was R332 million (Refer to Note 7 to the Consolidated Financial Statements).

Biological assets are measured at the end of each reporting period at fair value less cost to sell (Refer to Note 7 of the Accounting Policies). Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. In determining the fair value, management used unobservable inputs as disclosed in note 35.3 to the financial statements.

The valuation of the biological assets was considered to be a matter of most significance to the current year audit due to the magnitude of the biological asset balance in relation to the financial statements as a whole and the degree of estimation applied by management in determining the fair value of the biological assets.

The key audit matter relates to the consolidated financial statements.

We obtained an understanding of management’s valuation approach, including the identification of unobservable inputs used and estimates applied. We found management’s approach to the valuation and estimates applied, to be consistent with those of the prior year.

A breakdown, by quantity and value, of all biological asset classes was obtained from management and we reconciled this to the amounts recorded in the general ledger, identifying no reconciling differences.

We tested the unobservable inputs used by management as follows:

- The market prices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds used in management’s calculations were agreed to a sample of sales invoices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds in the market close to year-end; and
- The age of biological assets, at the different stages in the lifecycle, at year-end used in management’s calculations to determine fair value were agreed to a sample of internal transfer documents.

We found the unobservable inputs used by management to be in line with our expectations set.



# INDEPENDENT AUDITOR’S REPORT (CONTINUED)

## Key audit matters

### Impairment consideration

As at 30 September 2018, the net asset value of the Group exceeded its market capitalisation. This is an indicator of possible impairment. In terms of the applicable accounting standards, management was required to perform impairment tests for the underlying assets of the cash-generating units (CGUs) of the Group, as well as the corresponding carrying value of investment in subsidiary at a Company level.

In their impairment tests, management identified 3 CGUs within the Group for which impairment assessments were performed, namely the Feeds business, the Layers business and the Broiler business.

In determining the recoverable amount of the CGUs, management used value in use calculations for two of the CGUs and fair value less cost to sell for the other CGU.

To determine the value in use, management used the budget as approved by the board to determine future cash flows for the CGUs. These cash flows were then discounted using the Group’s weighted average cost of capital determined using the capital asset pricing model.

The fair value less cost to sell used by management is based on valuation reports by an independent external valuation expert.

Management’s impairment tests performed indicate that the recoverable amounts of these CGUs are higher than the carrying values, resulting in no impairment.

We considered impairment tests to be a matter of most significance to our current year audit due to the judgement involved in management’s impairment tests.

The disclosure of impairment tests is included in note 2 and 4 of the consolidated financial statements.

The key audit matter relates to the consolidated and separate financial statements.

## How our audit addressed the key audit matters

### Value in use calculations:

We tested the accuracy of the calculation for the model used for each CGU and we tested key assumptions in the calculations prepared by management. These were all done with reference to the board approved budget and market data, which consisted of data external to the Group.

We utilised our valuation expertise when we considered the appropriateness of the discount rate used by management. We independently calculated a discount rate and compared that to the discount rate calculated by management and found management’s rate to be within an acceptable range.

In addition to the testing of inputs described above, we assessed management’s future cash flows by considering the historical accuracy with which management set the budgets. The actual results for the current year was compared to the budget as approved by the board for that period. No significant variances were noted.

We performed independent sensitivity calculations on the impairment tests prepared by management, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed the results of our calculations with management and based on the evidence obtained we accepted management’s conclusion that the key assumptions applied in the model were reasonable.

### Fair value less cost to sell calculation:

For the CGU where the fair value less cost to sell method was used, we assessed the professional competence, objectivity, independence, capabilities and adequacy of the work performed by management’s expert. The assessment was performed with reference to the Curriculum Vitae of the management’s expert and discussions held, specifically assessing the expert’s qualifications, registration with various valuation institutes and extensive work experience. Based on the assessment performed, the engagement team concluded that the expert has sufficient skills and competence to perform these valuations.

We agreed to the fixed asset register, for the group, a sample of the land, buildings and equipment included in the valuation. No exceptions were found.

Management, using the assistance of their expert, performed a detailed valuation at the end of the 2018 financial year for a number of properties. The prior year valuations for the remainder of the properties were also assessed and updated by management for changes in assumptions in the current year. In considering the appropriateness of the valuation and its updates we have considered the methodology used by management’s expert in preparing the valuation and its updates. We discussed the approach that was followed by the expert in calculating the update to the value as at the end of 2018 financial year, as presented in the report.

We discussed with management’s expert the assumptions used in the update report relating to inflation percentages and depreciation rates. We determined that these assumptions were reasonable when compared to our expectation. The assumptions that were used in the 2018 report have been assessed by us for appropriateness and is leveraged from methodology established by the expert in prior years based on various market indicators. The information appears consistent with our understanding and expectations.

We obtained and inspected the updated valuation report prepared by management’s expert and noted the fair value contained therein. We performed independent sensitivity calculations on the valuation performed by management’s expert. Based on these calculations we identified that there was sufficient headroom available between the recoverable amount and the net asset value of the CGU.

### Company level:

We also compared the carrying value of the investment in subsidiary to the recoverable amount of the underlying subsidiary that was tested by us in the impairment assessment of the CGUs. We noted that the recoverable amount exceeds the carrying value of the investment and therefore no impairment was identified.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual financial statements for the year ended 30 September 2018 which includes the Directors’ report, the Audit and risk committee report and the Company secretary certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor’s report, and the other sections of the Integrated report 2018, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

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

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

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

### Responsibilities of the directors for the consolidated and separate financial statements

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

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

### Auditor’s responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

# INDEPENDENT AUDITOR’S REPORT (CONTINUED)

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

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

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Quantum Foods Holdings Limited for 5 years. The business of Quantum Foods Holdings Limited was previously transacted through Pioneer Food Group Limited after the merger of Sasko Proprietary Limited and Bokomo Proprietary Limited in 1997, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 51 years.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.**

**Director: DG Malan**

Registered Auditor  
Stellenbosch

28 November 2018

# DIRECTORS’ REPORT

for the year ended 30 September 2018

## 1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Registered office – 11 Main Road, Wellington, 7655

## 2. FINANCIAL RESULTS

The annual financial statements on pages 10 to 68 set out fully the financial position, financial performance and the cash flows for the year ended 30 September 2018.

## 3. SHARE CAPITAL

The authorised share capital consists of 400 000 000 (2017: 400 000 000) ordinary no par value shares. At year-end 210 529 716 (2017: 222 314 657) ordinary shares were in issue.

During the reporting period 11 784 941 (2017: 9 488 659) ordinary shares were repurchased by the Company and cancelled.

During the reporting period a subsidiary acquired treasury shares. This subsidiary held 334 419 (2017: nil) ordinary shares at year-end.

## 4. DIVIDENDS

A final gross dividend of 70 cents (2017: 34 cents) per ordinary share was declared. This is in addition to the interim gross dividend of 20 cents (2017: nil cents) per ordinary share.

## 5. DIRECTORS

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

- Wouter André Hanekom – chairman
- Norman Celliers
- Hendrik Albertus Lourens
- André Hugo Muller
- Prof. Abdus Salam Mohammad Karaan
- Patrick Ernest Burton
- Geoffrey George Fortuin

## 6. SPECIAL RESOLUTIONS PASSED – ANNUAL GENERAL MEETING OF SHAREHOLDERS (“AGM”)

At the AGM held at Le Bac Estates, R45 Noordemaart, Paarl on Friday, 23 February 2018 at 10:00 the following special resolutions were passed by the Company:

Special resolution one, for approval of the remuneration payable by the Company to its non-executive directors for their services as directors for the period 1 April 2018 until the date of the next AGM, was passed.

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

Special resolution three, for approval of the general authority of the Board to grant direct and indirect financial assistance to any company forming part of the Company’s group, including in the form of loans or the guaranteeing of their debts, was passed.

Special resolution four, for the approval of the general authority of the Board to provide financial assistance to any person, by way of a loan, guarantee, the provision of security or otherwise, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, was passed.

## 7. LITIGATION STATEMENT

Refer to note 31 (contingent liabilities) of the annual financial statements for detail on the status of a customer claim, allegations of anti-competitive trade practices in Zambia and dispute with egg contract producer. No other litigation matters with potential material consequences exist at the reporting date.

## 8. EVENTS AFTER THE REPORTING PERIOD

Other than the matters raised in note 38 to the annual financial statements, no other events occurred after the reporting date that may have a material effect on the Group.

## 9. AUDITORS

PwC will continue in office in accordance with section 90(6) of the Companies Act.





# ACCOUNTING POLICIES

for the year ended 30 September 2018

## 1. BASIS OF PREPARATION

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

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

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

**1.1 Amended accounting standards effective in 2018**

The following amendments have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2017, which did not have a material impact on reported results:

- Amendment to IAS 12 – Income taxes – issued to clarify the requirements for recognising deferred tax assets on unrealised losses (effective 1 January 2017)
- Amendments to IAS 7 – Cash flow statements – introducing an additional disclosure to evaluate changes in liabilities arising from financing activities (effective 1 January 2017)

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

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

- Amendments to IFRS 2 – Share-based Payments – clarification of share-based payment transactions (effective 1 January 2018)
- Annual Improvements 2014 – 2016 cycle (effective 1 January 2018)
- Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in Associates and Joint Ventures – determining gain or loss on sale or contribution of assets (effective date postponed)
- IFRIC 22 – Foreign currency transactions and advance considerations (effective 1 January 2018)
- IFRIC 23 – Uncertainty over income tax treatments (effective 1 January 2019)
- Annual Improvements 2015 – 2017 cycle (effective 1 January 2018)
- IFRS 9 – Financial Instruments (effective 1 January 2018)

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Although IFRS 9 changes the classification of certain financial instruments, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. Trade and other receivables are all held to collect principal debt and interest only and will continue to be measured at amortised cost in future. Similarly, trade payables and borrowings will continue to be measured at amortised cost. Derivatives will remain at fair value through profit or loss.

The new impairment model requires the recognition of impairment provisions based on the expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. The ECL model will apply to the Group's trade and other receivables and cash and cash equivalents. The Group has a history of minimal bad debt write-offs and has credit insurance in place over a large portion of its trade debtors (refer to note 8 to the consolidated financial statements). Based on the ECL assessments undertaken to date, the financial impact of the new model is not expected to be material on the trade and other receivables or cash and cash equivalent impairment provisions.

The new hedging accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices, as the standard introduces a more principle-based approach to hedge accounting. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments, particularly in the year of the adoption of the new standard.

- IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018)

The new standard is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer. IFRS 15 establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Group's revenue consists mostly of the sale of eggs, animal feeds and live birds, delivered to customers at the customer's premises. Management performed a detailed analysis of all of its revenue contracts and concluded that the implementation of the new standard will have no significant impact on the timing and measurement of the Group's revenue.

- IFRS 16 – Leases (effective 1 January 2019)
- The standard replaces IAS 17 – Leases and has a significant impact on the accounting treatment of leases for lessees.
- It will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.
- The standard will affect primarily the Group's operating leases. The Group leases various poultry houses, warehouses, machinery, equipment and vehicles under operating lease agreements. As at the reporting date, the Group has non-cancellable operating lease commitments of R52 million (refer to note 32 to the financial statements). Management has performed an initial analysis of all lease contracts and as at the reporting date the value of the right-of-use asset to be capitalised will be about R97 million, this being the net present value of the future lease payments.
- Apart from the right-of-use asset and lease liability being recognised in the statement of financial position, the effect of the change in the standard would be a reduction in the operating lease expenses in profit or loss, and an increase in depreciation charges (on the right-of-use asset) and finance cost (interest expense of lease liability).

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

The Group has considered all standards, interpretations and amendments that are in issue but not yet effective. Management has concluded that these standards do not, with the exception of amendments to IFRS 16 – Leases, have a significant impact on the Group's financial statements.

## 2. BASIS OF CONSOLIDATION

### Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 – Financial Instruments: Recognition and Measurement either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

# ACCOUNTING POLICIES (CONTINUED)

for the year ended 30 September 2018

## 2. BASIS OF CONSOLIDATION (CONTINUED)

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

### Associates

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

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

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

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

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

### Common control reserve

IFRS 3 excludes from its scope business combinations between entities under common control. The Group has made the policy choice to apply predecessor accounting.

The principles of predecessor accounting are that no assets or liabilities are restated to their fair values. The Group incorporates predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity.

No new goodwill arises. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Differences on consolidation are included in the common control reserve in equity.

## 3. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Land is not depreciated. Depreciation on buildings, poultry houses, machinery, vehicles, furniture and equipment is calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected usefulives.

The expected useful lives are as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

## 4. INTANGIBLE ASSETS

### Goodwill

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

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

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

### Trademarks

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

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

### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between two and five years.

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

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

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

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

## 5. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

## 6. FINANCIAL ASSETS

### 6.1 Classification

The Group classifies its financial assets in the following categories:

- At fair value through profit or loss
- Loans and receivables

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. The Group's financial instruments at fair value through profit or loss comprise derivative financial instruments not earmarked for hedging. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.



# ACCOUNTING POLICIES (CONTINUED)

for the year ended 30 September 2018

## 6. FINANCIAL ASSETS (CONTINUED)

### 6.1 Classification (continued)

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

### 6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are included within other gains/(losses) – net in profit or loss in the period in which they arise.

The fair values of quoted investments are based on current bid prices. The Group establishes fair value by using valuation techniques if the market for a financial asset is not active. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### 6.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### Loans and receivables

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing on trade receivables is described in note 9 of the accounting policies.

## 7. BIOLOGICAL ASSETS

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

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

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

## 8. INVENTORIES

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

- Raw material at actual cost on a weighted average cost basis
- Own manufactured products at direct raw material and labour cost plus an appropriate portion of production overheads, on a weighted average cost basis

- Consumable and trading stock at actual cost on a weighted average cost basis
- Eggs purchased are valued at actual cost on a weighted average cost basis

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

## 9. TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 to 45 days and, therefore, are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the original effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision for impairment of trade receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss within other operating expenses. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, they are written off as other operating expenses in profit or loss. Subsequent recoveries of amounts previously written off are credited against other operating expenses in profit or loss.

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

## 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments.

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

## 11. SHARE CAPITAL

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

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

## 12. BORROWINGS

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

## 13. PROVISIONS

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

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

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

## 14. TRADE AND OTHER PAYABLES

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

# ACCOUNTING POLICIES (CONTINUED)

for the year ended 30 September 2018

## 15. CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

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

## 16. REVENUE RECOGNITION

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income is recognised as follows:

- Sale of goods comprising the sale of animal feed, livestock and agricultural produce.

Revenue from sales is based on the price specified in the sales contracts, net of the estimated rebates, volume discounts, settlement discounts and returns at the time of sale. Contract terms and experience are used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. Sale of goods is recognised when a Group entity has delivered products to the customer, the customer has accepted the products and the collectibility of the related receivables is reasonably assured. No element of financing is deemed present as sales are made within credit terms which are consistent with market practice. The sale of goods is the only income included in revenue in profit or loss.

### Sale of services

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided. The sale of services is included in other income in profit or loss. Sale of services includes rental income received.

### Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method. When loans or receivables are impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate. Interest income is included in investment income in profit or loss.

## 17. FOREIGN CURRENCY TRANSLATION

### Functional and presentation currency

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

### Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation differences resulting from changes in amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss.

### Group entities

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

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

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

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

## 18. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE

### Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges.

The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the lease term or the useful lives of the assets.

### Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The Group ensures that the following two requirements are met in order for an arrangement transacted by the Group to be classified as a lease:

- Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract, but rather implied.
- The arrangement in substance conveys a right to use the asset.

The Group's assessment of whether an arrangement contains a lease is made at the inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances.





# ACCOUNTING POLICIES (CONTINUED)

for the year ended 30 September 2018

## 18. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE (CONTINUED)

Where the Group concludes that it is impracticable to separate payments for the lease from other payments required by the arrangement:

- In the case of a finance lease, the Group recognises an asset and a liability at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate of interest.
- In the case of an operating lease, all payments under the arrangement are treated as lease payments.

## 19. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSOR

### Operating leases

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

## 20. EMPLOYEE BENEFITS

### Retirement scheme arrangements

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

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

### Other long-term employee benefits

The Group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within other operating expenses in profit or loss.

### Termination benefits

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

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

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

### Bonus plans

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

### Leave pay

Annual leave entitlement is provided for over the period that the leave accrues. In terms of the Group's policy, employees are entitled to accumulate vested leave benefits not taken to a cap of 36 days. Any leave days vesting in excess of the cap are forfeited in the vesting month. Leave may not be converted to cash except at termination of employment.

## 21. SHARE-BASED PAYMENTS

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

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

## 22. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

The fair values of various derivative instruments used for hedging purposes and detail on movements in the hedging reserve are disclosed in note 9 to the consolidated annual financial statements. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the reporting date and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months from this date. Trading derivatives are classified as current assets or liabilities.

### Cash flow hedges

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

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

Cash flow hedging instruments are mainly used to manage operational exposure to foreign exchange and commodity price risks. Financial instruments designated as cash flow hedges include commodity futures and foreign exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately within other gains or losses – net in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of goods sold in profit or loss in the case of inventory or in depreciation in profit or loss in the case of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised in profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to other gains or losses – net in profit or loss.

### Derivatives that do not qualify for hedge accounting

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

## 23. DIVIDEND DISTRIBUTION

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

## 24. SEGMENT REPORTING

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

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The operating segments were identified and grouped together based mainly on the nature of their activities and the products offered by them.

## 25. AMORTISED COSTS

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2018

	Notes	2018 R'000	2017 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1 091 867	1 076 838
Intangible assets	4	1 071 869	1 051 259
Investment in associate	5	10 637	13 304
Deferred income tax	15	8 789	8 083
		572	4 192
<b>Current assets</b>			
Inventories	6	1 422 816	1 177 817
Biological assets	7	240 396	201 789
Trade and other receivables	8	332 058	299 345
Derivative financial instruments	9	425 424	411 395
Current income tax	28	–	1 876
Cash and cash equivalents	10	2 477	1 943
		422 461	261 469
<b>Total assets</b>		2 514 683	2 254 655
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	11	1 854 391	1 691 645
Treasury shares	11	1 500 248	1 552 670
Other reserves	13	(1 541)	–
Retained earnings		(226 402)	(200 991)
		582 086	339 966
<b>Total equity</b>		1 854 391	1 691 645
<b>Non-current liabilities</b>			
Interest-bearing liability	14	234 405	237 034
Deferred income tax	15	6 128	6 227
Provisions for other liabilities and charges	16	220 559	223 199
		7 718	7 608
<b>Current liabilities</b>		425 887	325 976
Trade and other payables	17	424 661	321 549
Derivative financial instruments	9	1 127	–
Current income tax	28	–	4 336
Interest-bearing liability	14	99	91
<b>Total liabilities</b>		660 292	563 010
<b>Total equity and liabilities</b>		2 514 683	2 254 655

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2018

	Notes	2018 R'000	2017 R'000
Revenue			
Cost of sales		4 121 901	4 051 890
		(3 187 855)	(3 257 803)
Gross profit		934 046	794 087
Other income	18	33 148	19 775
Other gains/(losses) – net	19	420 072	199 910
Sales and distribution costs		(232 391)	(215 953)
Marketing costs		(15 205)	(12 056)
Administrative expenses		(118 196)	(108 643)
Other operating expenses		(548 195)	(507 005)
Operating profit	20	473 279	170 115
Investment income	21	24 919	8 066
Finance costs	22	(1 116)	(1 665)
Share of profit of associate company	5	706	1 095
Profit before income tax		497 788	177 611
Income tax expense	23	(135 561)	(49 994)
<b>Profit for the year</b>		362 227	127 617
<b>Other comprehensive income for the year</b>			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve		4 982	4 039
For the year		23 627	(12 096)
Deferred income tax effect		(18)	(568)
Current income tax effect		(6 598)	3 955
Realised to profit or loss		(16 707)	17 706
Deferred income tax effect		568	(47)
Current income tax effect		4 110	(4 911)
Movement on foreign currency translation reserve			
Currency translation differences		(36 299)	2 340
<b>Total comprehensive income for the year</b>		330 910	133 996
Profit for the year attributable to owners of the parent		362 227	127 617
Total comprehensive income for the year attributable to owners of the parent		330 910	133 996
Earnings per ordinary share (cents)	24	164	56
Diluted earnings per ordinary share (cents)	24	163	56



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2018

	Share capital R'000	Treasury shares R'000	Common control reserve R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2017	1 552 670	-	(167 877)	2 790	(43 602)	7 698	(200 991)	339 966	1 691 645
Shares repurchased and cancelled	(52 422)	-	-	-	-	-	-	-	(52 422)
Comprehensive income:									
Profit for the year	-	-	-	-	-	-	-	362 227	362 227
Other comprehensive income/(loss) for the year	-	-	-	4 982	(36 299)	-	(31 317)	-	(31 317)
Movement on foreign currency translation reserve	-	-	-	-	(36 299)	-	(36 299)	-	(36 299)
Cash flow hedging	-	-	-	-	-	-	-	-	-
Fair value adjustments to cash flow hedging reserve	-	-	-	23 627	-	-	23 627	-	23 627
For the year	-	-	-	(18)	-	-	(18)	-	(18)
Deferred income tax effect	-	-	-	(6 598)	-	-	(6 598)	-	(6 598)
Current income tax effect	-	-	-	(16 707)	-	-	(16 707)	-	(16 707)
Realised to profit or loss	-	-	-	568	-	-	568	-	568
Deferred income tax effect	-	-	-	4 110	-	-	4 110	-	4 110
Current income tax effect	-	-	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	5 182	5 182	-	5 182
Deferred income tax on share-based payments	-	-	-	-	-	1 451	1 451	-	1 451
Dividends paid – final and interim net of treasury shares	-	-	-	-	-	-	(119 855)	(119 855)	(119 855)
Ordinary shares acquired by subsidiary	-	(2 520)	-	-	-	-	-	-	(2 520)
Ordinary shares transferred – share appreciation rights	-	979	-	-	-	(727)	(727)	(252)	-
Balance as at 30 September 2018	1 500 248	(1 541)	(167 877)	7 772	(79 901)	13 604	(226 402)	582 086	1 854 391

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# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2018

	Notes	2018 R'000	2017 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash profit from operating activities	25	431 555	257 688
Working capital changes	26	547 802	200 373
Cash effect of hedging activities		12 889	115 232
		8 884	3 413
Cash generated from operations	28	569 575	319 018
Income tax paid		(138 020)	(61 330)
		(87 355)	(32 745)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	3	(115 749)	(72 227)
Additions to intangible assets	4	(283)	(812)
Proceeds on disposal of property, plant and equipment	29	3 758	32 228
Interest received	21	24 919	8 066
Cash surplus		344 200	224 943
		(175 320)	(43 709)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of interest-bearing liability	11	(91)	(84)
Shares repurchased		(52 422)	(28 732)
Treasury shares acquired by subsidiary		(2 520)	–
Interest paid		(554)	(1 073)
Dividends paid to ordinary shareholders	27	(119 733)	(13 820)
Increase in cash and cash equivalents		168 880	181 234
Effects of exchange rate changes		(7 888)	724
Cash and cash equivalents at beginning of year		261 469	79 511
Cash and cash equivalents at end of year	10	422 461	261 469

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018

## 1. ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these historical financial information are set out on pages 10 to 19.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### Property, plant and equipment

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

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

To determine the value-in-use, management uses the budget as approved by the Board to determine future cash flows for the CGUs. These cash flows are then discounted using the Group's weighted average cost of capital.

The fair value less cost to sell is based on valuations performed by an independent external valuation expert.

### Fair value measurement of biological assets

In measuring fair value of biological assets, management estimates and judgements are required for determination of fair value. Refer to note 35 for key assumptions used.

### Assessment of control over contract growers

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

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

## 3. PROPERTY, PLANT AND EQUIPMENT

Land and buildings	301 854	307 235
Plant, machinery and equipment	744 653	719 098
Vehicles	25 362	24 926
Net book value	1 071 869	1 051 259

	2018 R'000	2017 R'000
	301 854	307 235
	744 653	719 098
	25 362	24 926
	1 071 869	1 051 259



NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

3. **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
<b>30 September 2018</b>				
<b>Cost</b>				
At 1 October 2017	411 134	1 189 517	48 355	1 649 006
Additions	17 639	88 838	9 272	115 749
Transfers	(6 685)	6 590	95	–
Foreign exchange adjustment	(11 353)	(17 166)	(2 204)	(30 723)
Disposals	(228)	(3 078)	(4 170)	(7 476)
At 30 September 2018	410 507	1 264 701	51 348	1 726 556
<b>Accumulated depreciation and impairment</b>				
At 1 October 2017	(103 899)	(470 419)	(23 429)	(597 747)
Depreciation charge	(7 405)	(54 978)	(5 554)	(67 937)
Foreign exchange adjustment	2 523	2 771	1 056	6 350
Depreciation on disposals	128	2 578	1 941	4 647
At 30 September 2018	(108 653)	(520 048)	(25 986)	(654 687)
<b>Net book value at 30 September 2018</b>	<b>301 854</b>	<b>744 653</b>	<b>25 362</b>	<b>1 071 869</b>
<b>30 September 2017</b>				
<b>Cost</b>				
At 1 October 2016	426 985	1 173 324	43 662	1 643 971
Additions	10 488	54 786	6 953	72 227
Transfers	(27)	(69)	216	120
Foreign exchange adjustment	(934)	1 099	350	515
Disposals	(25 378)	(39 623)	(2 826)	(67 827)
At 30 September 2017	411 134	1 189 517	48 355	1 649 006
<b>Accumulated depreciation and impairment</b>				
At 1 October 2016	(117 397)	(457 381)	(20 913)	(595 691)
Depreciation charge	(8 360)	(46 425)	(4 279)	(59 064)
Transfers	(823)	640	63	(120)
Foreign exchange adjustment	149	678	26	853
Depreciation on disposals	22 532	32 069	1 674	56 275
At 30 September 2017	(103 899)	(470 419)	(23 429)	(597 747)
<b>Net book value at 30 September 2017</b>	<b>307 235</b>	<b>719 098</b>	<b>24 926</b>	<b>1 051 259</b>

3. **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	2018 R'000	2017 R'000
The property, plant and equipment balance includes assets in the course of construction amounting to:	65 009	9 806
At the date of approval of the financial statements the land and buildings, which was previously in the process of being transferred from Pioneer Food Group Ltd as part of the restructuring, were all registered in the name of the Group.		
A register with full details of assets is available at the Group's registered office.		
Plant, machinery and equipment includes the following amounts where the Group is a lessee under a finance lease (refer to note 14 for further details):		
<b>Leased equipment</b>		
Cost	6 448	6 448
Accumulated depreciation	(666)	(408)
<b>Net book value at 30 September 2018</b>	<b>5 782</b>	<b>6 040</b>
<b>4. INTANGIBLE ASSETS</b>		
Computer software	4 720	7 078
Goodwill	5 428	5 428
Trademarks	489	798
Net book value	10 637	13 304

30 September 2017

	Computer software R'000	Goodwill R'000	Trademarks R'000	Total R'000
<b>Cost</b>				
At 1 October 2016	14 165	5 428	24 544	44 137
Additions	283	–	–	283
Disposals	(20)	–	–	(20)
At 30 September 2017	14 428	5 428	24 544	44 400
<b>Accumulated amortisation and impairment</b>				
At 1 October 2017	(7 087)	–	(23 746)	(30 833)
Amortisation for the year	(2 641)	–	(309)	(2 950)
Depreciation on disposals	20	–	–	20
At 30 September 2018	(9 708)	–	(24 055)	(33 763)
<b>Net book value at 30 September 2018</b>	<b>4 720</b>	<b>5 428</b>	<b>489</b>	<b>10 637</b>

30 September 2017

	Computer software R'000	Goodwill R'000	Trademarks R'000	Total R'000
<b>Cost</b>				
At 1 October 2016	14 160	5 428	24 544	44 132
Additions	812	–	–	812
Disposals	(807)	–	–	(807)
At 30 September 2017	14 165	5 428	24 544	44 137
<b>Accumulated amortisation and impairment</b>				
At 1 October 2016	(5 136)	–	(23 437)	(28 573)
Amortisation for the year	(2 701)	–	(309)	(3 010)
Depreciation on disposals	750	–	–	750
At 30 September 2017	(7 087)	–	(23 746)	(30 833)
<b>Net book value at 30 September 2017</b>	<b>7 078</b>	<b>5 428</b>	<b>798</b>	<b>13 304</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

## 4. INTANGIBLE ASSETS (CONTINUED)

The carrying value of the trademark above is included in the following CGUs:

### Eggs

Safe Eggs

The trademark has a remaining useful life of 1 year and 7 months.

### Impairment test for goodwill

Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.

### Animal feeds

– Olifantkop feed mill

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets approved by the Board. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the agricultural industry in which the CGU operates.

### Key assumptions used for value-in-use calculation:

Growth rate

Discount rate

These assumptions have been used for the analysis of this CGU. The budgeted gross margin is based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports.

The pre-tax discount rates as disclosed above reflect specific risk relating to the relevant CGU.

No impairment was recognised at the end of the reporting period presented.

## 5. INVESTMENT IN ASSOCIATE

Unlisted shares at cost

Interest in retained earnings and reserves

Balance beginning of year

Share of profit of associated company

Cost of shares

Bergsig Breeders (Pty) Ltd

Effective interest 29.9% (2017: 28%)

	2018 R'000	2017 R'000
	489	798
	5 428	5 428
	%	%
	5.5	5.5
	24.2	25.3
	R'000	R'000
	1 700	1 700
	7 089	6 383
	6 383	5 288
	706	1 095
	8 789	8 083
	1 700	1 700
	1 700	1 700

## 5. INVESTMENT IN ASSOCIATE (CONTINUED)

The following is the summarised statement of financial position of the above mentioned associated company:

Non-current assets

Current assets

### Total assets

Non-current liabilities

Current liabilities

Total liabilities

Capital and reserves

### Total equity and liabilities

The following is the summarised statement of comprehensive income of the associate company for the year:

Revenue

Operating profit

Net profit after income tax

Bergsig Breeders (Pty) Ltd is a private company and there is no quoted market price available for its shares. The company is operational in the poultry industry in South Africa and supplies the Group with broiler hatching eggs. The effective interest increased during the year when the associate company repurchased the shares of one of the shareholders.

	2018 R'000	2017 R'000
	58 461	58 664
	3 626	6 598
	2 364	3 912

## 6. INVENTORIES

Raw material

Manufactured products

Packing materials and consumables

Inventory carried at net realisable value

Cost of inventories included in cost of sales

The cost of inventories above excludes inventory written off and biological assets fair value adjustments.

	2018 R'000	2017 R'000
	158 945	128 695
	45 137	36 078
	36 314	37 016
	240 396	201 789
	197	151
	2 763 625	3 073 196



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

7. BIOLOGICAL ASSETS

Livestock – poultry

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

Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

	Broiler stock R'000	Layer stock R'000	Total R'000
Fair value at 1 October 2017	95 145	204 200	299 345
Increase due to established cost	811 722	837 944	1 649 666
Decrease due to harvest/sales	(784 960)	(827 861)	(1 612 821)
Fair value adjustment recorded in profit and loss	304	(1 079)	(775)
Foreign exchange adjustment	(580)	(2 777)	(3 357)
Fair value at 30 September 2018	121 631	210 427	332 058

Fair value at 1 October 2016

Increase due to established cost

Decrease due to harvest/sales

Fair value adjustment recorded in profit and loss

Foreign exchange adjustment

Fair value at 30 September 2017

	2018 R'000	2017 R'000
Biological assets at fair value less cost to sell consist of the following:		
Chickens – grandparents and other breeding stock	48 887	41 615
Chickens – laying	207 179	195 011
Chickens – broilers	48 673	39 135
Hatching eggs	26 180	22 605
Game	1 139	979
	332 058	299 345

	2018 Quantity	2017 Quantity
At 30 September, the Group held the following biological assets:		
Chickens – grandparents	39 191	28 923
Hatching eggs	8 707 831	6 784 385
Chickens – broilers	3 976 005	3 915 231
Chickens – layers 39 weeks and younger	3 464 098	3 688 641
Chickens – layers older than 39 weeks	2 127 996	1 610 562
Game	531	412
The Group produced the following agricultural produce for the year ended 30 September:		
Eggs (dozens)	78 950 679	84 747 373
Live birds (kg)	75 558 816	76 459 211
Number of day-old chicks	71 724 612	68 060 754
Number of point-of-lay hens	5 186 428	6 604 631
Number of culls	2 532 942	3 422 736

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

8. TRADE AND OTHER RECEIVABLES

Trade receivables

Allowance for outstanding credit notes

Trade receivables

Provision for impairment

Trade receivables – net

Prepayments

Receivables from related parties (refer to note 33)

Other debtors

Receiver of revenue – VAT

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

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

Financial assets that are neither past due nor impaired are considered to be fully performing.

The carrying amount of fully performing financial assets included in trade and other receivables at year-end equals:

National customers

Other customers

The credit quality of fully performing financial assets included in trade and other receivables is supported by the large portion of the carrying value that can be ascribed to national customers and for other customers the credit risk is mitigated by insurance. National customers for this purpose are customers with a limited risk profile and with a national geographical representation. The credit quality of the customer base is considered to be good based on historical default rates. Other customers include local and international customers.

Financial assets included in trade and other receivables that are outside their normal payment terms are considered to be past due. The following represents an analysis of the past due number of days of financial assets that are past due but not impaired:

National customers

Within 30 days\*

Between 30 and 60 days\*

Between 60 and 90 days\*

Between 90 and 120 days\*

More than 120 days\*

\* Represents the days exceeding credit terms

	2018 R'000	2017 R'000
	425 450 (2 668)	408 683 (2 853)
	422 782 (21 873)	405 830 (24 653)
	400 909 11 022 1 916 1 153 10 424 425 424	381 177 5 715 2 039 8 674 13 790 411 395
	174 953 199 336 374 289	160 310 199 948 360 258
	2 769 1 139 305 102 235 4 550	1 344 198 433 – 669 2 644

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
8. TRADE AND OTHER RECEIVABLES (CONTINUED)		
Other customers		
Within 30 days*	2 714	1 251
Between 30 and 60 days*	841	1 050
Between 60 and 90 days*	2 206	617
Between 90 and 120 days*	26	906
More than 120 days*	19 352	25 164
	25 139	28 988
Total	29 689	31 632
* Represents the days exceeding credit terms		
The past due but not impaired balances more than 120 days overdue (R19.4 million) include debtors insured with Credit Guarantee Insurance of R18.9 million.		
Individually impaired receivables where indicators of impairment are present comprise of a number of customers. The following trade receivables were impaired at year-end:		
National customers	–	–
Other customers	21 873	24 653
Total customers	21 873	24 653
Movements on the Group's provision for impairment of trade receivables are as follows:		
At 1 October	24 653	22 576
Provision for receivables impaired	3 865	5 397
Receivables written off during the year as uncollectible	(6 135)	(2 939)
Unused amounts reversed	(151)	(378)
Foreign exchange translation adjustment	(359)	(3)
At 30 September	21 873	24 653
A summary of the Group's trade receivable covered by insurance or secured by collateral is as follows:		
Debtors covered by Credit Guarantee Insurance (trade receivables – net)	212 685	205 151
Mortgage bonds – registered value	11 700	12 300
Notarial bonds – registered value	5 000	8 400
Cessions – book value	8 820	6 800
Bank guarantees – actual value	6 500	8 000
Fair value of collateral held on past due and/or impaired trade receivables:	25 221	32 141
The carrying amount of the Group's trade receivables are denominated in the following currencies, which are the functional currencies of the relevant subsidiaries:		
Zambian kwacha	4 189	11 935
Ugandan shilling	2 011	1 848
Mozambican metical	5 778	4 610
South African rand	413 472	390 290
Total	425 450	408 683
Other receivables are largely denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.		

	2018 R'000	2017 R'000	
<b>9. DERIVATIVE FINANCIAL INSTRUMENTS</b>			
Foreign exchange contracts – not earmarked for hedge accounting	(72)	74	
Foreign exchange contracts – cash flow hedges	(68)	1 802	
Futures – not earmarked for hedge accounting	(987)	–	
	(1 127)	1 876	
Trading derivatives are classified as a current asset or liability. The carrying values of derivative financial instruments are measured at their fair values at the reporting date.			
The purchase of foreign exchange contracts are for the import of raw materials used for production, or capital expenses.			
The futures not earmarked for hedging related to purchased maize contracts on the Chicago board of trade, to hedge the raw material input price. Instruments revalued to fair value at year end.			
	Foreign amount '000	Rand amount R'000	Fair value R'000
<b>9.1 Derivative instruments earmarked for hedging (cash flow hedges)</b>			
<b>Currency forward contracts</b>			
<b>30 September 2018</b>			
<i>Purchases of foreign exchange contracts</i>			
US dollar	2 183	30 935	391
Euro	628	10 301	(459)
<b>30 September 2017</b>			
<i>Purchases of foreign exchange contracts</i>			
US dollar	3 709	50 090	1 802
Cash flow hedges are expected to realise in profit or loss in the next financial year.			
<b>9.2 Other derivative instruments</b>			
<b>30 September 2018</b>			
<i>Purchases of foreign exchange contracts</i>			
British Pound	(84)	(1 549)	(72)
<b>30 September 2017</b>			
<i>Purchases of foreign exchange contracts</i>			
US dollar	45	613	21
Euro	18	292	5
British Pound	82	1 474	48



NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
<b>10. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	422 461	261 469
For the purposes of the statement of cash flows, the year-end cash and cash equivalents consist of cash at bank, on hand and restricted balances.		
The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:		
SA rand	371 877	218 949
US dollar	14 504	13 275
Zambian kwacha (functional currency of a subsidiary)	24 672	22 788
Ugandan shilling (functional currency of a subsidiary)	6 504	4 761
Mozambican metical (functional currency of a subsidiary)	4 904	1 696
Total	422 461	261 469
The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.		
<b>Restricted balances</b>		
Cash and cash equivalents include restricted balances of R7.6 million (2017: R17.9 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the Group when the related derivative positions are closed.		
<b>11. SHARE CAPITAL</b>		
Authorised – ordinary shares 400 000 000 (2017: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares 210 529 716 (2017: 222 314 657) ordinary no par value shares	1 500 248	1 552 670
<i>Reconciliation of movement in issued shares</i>		
Opening balance	1 552 670	1 581 402
Shares repurchased	(52 422)	(28 732)
	1 500 248	1 552 670
During the reporting period 11 784 941 (2017: 9 488 659) ordinary shares were repurchased by the Company and cancelled. The shares were repurchased at an average price of R4.45 (2017: R3.03) per share.		
<i>Treasury shares held by subsidiary</i>		
At the beginning of the year	–	–
546 815 (2017: nil) ordinary shares acquired during the year	2 520	–
Issued to management in terms of share appreciation rights scheme: 212 396 (2017: nil) ordinary shares	(979)	–
	1 541	–

12. SHARE-BASED PAYMENTS

Management share appreciation rights scheme (equity-settled)

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

The exercise of vested share appreciation rights entitles the employee to ordinary shares in the Company. This number of ordinary shares is calculated by dividing the amount by which the share price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the share price at the exercise date.

	2018 Number '000	2017 Number '000
<b>12. SHARE-BASED PAYMENTS (CONTINUED)</b>		
<b>Number of share appreciation rights made available</b>		
Number at beginning of year	17 049	9 813
New allocation at R3.91 per share	6 460	–
New allocation at R3.09 per share	–	7 561
Redeemed	(643)	–
Expired/forfeited	–	(325)
Number at end of year	22 866	17 049
<b>Number of share appreciation rights</b>		
At R3.15 per share, exercisable up to 27 February 2021	4 959	5 602
At R2.66 per share, exercisable up to 18 February 2022	3 886	3 886
At R3.09 per share, exercisable up to 23 February 2023	7 561	7 561
At R3.91 per share, exercisable up to 22 February 2024	6 460	–

Share appreciation rights were granted on 22 February 2018 at a strike price of R3.91. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 22 February 2021 subject to certain time and performance-based criteria.

In 2017, share appreciation rights were granted on 23 February 2017 at a strike price of R3.09. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 23 February 2020 subject to certain time and performance-based criteria.

In 2016, share appreciation rights were granted on 18 February 2016 at a strike price of R2.66. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 18 February 2019 subject to certain time and performance-based criteria.

In 2015, share appreciation rights were granted on 27 February 2015 at a strike price of R3.15. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 27 February 2018 subject to certain time and performance-based criteria.

The net estimated weighted average fair value at grant date per share appreciation right for share appreciation rights outstanding at 30 September 2018 is R0.90. The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based payment. The cost accounted for in the current year amounts to R5 182 200 (2017: R3 173 200). The scheme rules were changed in 2018 to extend the lapse period for all grants from six months after the vesting date to 12 months after the vesting date.

	2018	2017
These fair values were calculated using the actuarial binomial option pricing model.		
The principal assumptions were as follows:		
Weighted average share price at grant date (cents per share)	337	325
Expected volatility	20.9% to 32.9%	20.9% to 31.9%
Expected dividend yield	3.0%	3.0%
Risk-free rate	6.5% to 8.6%	6.5% to 8.6%
Expected life (years)	3 to 5	3 to 5

Expected volatility was determined by calculating the volatility of the share price of a similar JSE-listed entity in the agricultural industry.

The shareholders initially approved a maximum number of 14 500 000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2018, 14 287 604 ordinary shares (2017: 14 500 000) were still available for issue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

13. OTHER RESERVES

	2018 R'000	2017 R'000
Common control reserve	(167 877)	(167 877)
Share-based payment reserve	13 604	7 698
Foreign currency translation reserve	(79 901)	(43 602)
Hedging reserve	7 772	2 790
	(226 402)	(200 991)

The fair value of share appreciation rights issued to qualifying management are accounted for in the share-based payment reserve over the respective vesting periods. The reserve is adjusted at each reporting date when the entity revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to this reserve in equity for the equity-settled plan. Refer to note 12 for further detail.

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

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

14. INTEREST-BEARING LIABILITY

	2018 R'000	2017 R'000
<b>Non-current</b>		
Finance lease liability	6 128	6 227
	6 128	6 227
<b>Current</b>		
Finance lease liability	99	91
	99	91
	6 227	6 318

The finance lease liability bears interest at a rate of 8.35%. The finance lease liability is effectively secured as the rights to the leased assets revert to the lessor in the event of default. The carrying amount of the finance lease liability approximates its fair value. The Group entered an arrangement to purchase electricity generated by solar panels at one of its units. The 25-year agreement constitutes a finance lease for accounting purposes.

15. DEFERRED INCOME TAX

	2018 R'000	2017 R'000
Balance at beginning of year	219 007	227 976
Charge in profit or loss	4 899	(8 679)
Foreign exchange translation adjustment	(1 918)	(16)
Deferred income tax on hedging reserve charged to equity	(550)	615
Deferred income tax on share-based payments	(1 451)	(889)
	219 987	219 007

15. DEFERRED INCOME TAX (CONTINUED)

	2018 R'000	2017 R'000
Due to the following temporary differences:		
Capital allowances, including trademarks	171 922	173 615
Inventories	7 713	8 697
Biological assets	70 794	65 225
Assessed loss utilised	(3 398)	(9 649)
Prepaid expenses	2 277	1 177
Provision for long-service awards	(2 161)	(2 130)
Leave accrual	(5 290)	(4 825)
Bonus accrual	(6 822)	(2 747)
Provision for impairment of trade receivables	(4 498)	(4 659)
Rebates, growth incentives and settlement discount accruals	(3 701)	(2 120)
Allowance for credit notes	(747)	(799)
Deferred income	(633)	(1 091)
Derivative financial instruments	(440)	731
Share-based payments	(4 448)	(1 018)
Accruals personnel costs	(818)	(1 062)
Other	237	(338)
	219 987	219 007
	(572)	(4 192)
	220 559	223 199
	219 987	219 007

For the purposes of the statement of financial position, deferred income tax is presented as follows:

Non-current assets  
Non-current liabilities

During the year, deferred income tax assets of R571 726 (2017: R4 192 046) have been recognised of which the utilisation thereof depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

These deferred tax assets relate to assessed losses of Group entities that suffered losses in the current and/or preceding years. The losses suffered in the current and/or previous period arose from identifiable causes that are unlikely to recur. These entities have a strong earnings potential and future profitability is expected against which unrecognised tax losses can be utilised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
16. PROVISIONS FOR OTHER LIABILITIES AND CHARGES		
Long-service awards	7 718	7 608
16.1 Long-service awards		
Balance at beginning of year	7 608	7 176
Interest	562	592
Actuarial loss	(347)	125
Current service costs	1 020	935
Payments	(1 125)	(1 220)
	7 718	7 608
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	7 718	7 608
Unrecognised actuarial loss	–	–
	7 718	7 608
Existing provisions are based on the following important assumptions:		
Discount rate	8.9% p.a.	8% p.a.
Salary increases	6.5% p.a.	6.5% p.a.
Normal retirement age	60 years	60 years
The date of the most recent actuarial valuation is:	30 September 2018	30 September 2017
17. TRADE AND OTHER PAYABLES		
Trade payables	336 004	259 148
Accrued expenses	24 446	14 782
Related parties (refer to note 33)	4 776	4 964
Accrued leave-pay	20 058	17 331
Accrued 13th cheque	11 053	9 668
Accrued short-term incentive bonus	19 616	9 551
Value-added tax	373	308
Dividends payable	189	67
Other payables	8 146	5 730
	424 661	321 549
The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.		
The carrying amount of the Group's trade payables are denominated in the following currencies:		
Covered by means of foreign exchange contracts:	–	1 225
US dollar	–	1 225
Uncovered:	336 004	257 923
Euro	371	–
US dollar	1 794	3 008
Zambian kwacha (functional currency of a subsidiary)	3 066	2 316
Ugandan shilling (functional currency of a subsidiary)	1 694	1 262
Mozambican metical (functional currency of a subsidiary)	2 207	1 885
South African rand	326 872	249 452
Total	336 004	259 148
Other payables are mostly denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.		

	2018 R'000	2017 R'000
18. OTHER INCOME		
Rental income	7 142	8 233
Sundry income	3 843	6 937
Insurance claims	22 163	4 605
	33 148	19 775
19. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	74 063	40 810
Unrealised – reflected in carrying amount of biological assets	(775)	17 425
Realised – reflected in cost of goods sold	74 838	23 385
Agricultural produce fair value adjustment	344 783	143 754
Unrealised – reflected in carrying amount of inventory	1 142	2 325
Realised – reflected in cost of goods sold	343 641	141 429
Foreign exchange differences	4 413	1 891
Financial instruments fair value adjustments	(1 243)	(3 563)
Foreign exchange contract cash flow hedging ineffective loss	(2 873)	(3 601)
Profit on disposal of property, plant and equipment	929	20 619
	420 072	199 910

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 CONSOLIDATED  
FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
20. EXPENSE BY NATURE		
Cost of raw materials	2 551 826	2 874 479
Fair value adjustment on biological assets and agricultural produce	418 479	164 814
Inventory written off	5 751	19 793
Research and laboratory costs	19 022	13 880
Staff costs	403 393	374 039
Wages and salaries	349 789	324 577
Other personnel costs	26 604	25 482
Pension costs	21 818	20 807
Share-based payments expense (refer to note 12)	5 182	3 173
Non-executive directors' remuneration	1 596	1 419
Technical services from non-employees	6 598	6 937
Auditors' remuneration	3 838	3 208
Audit – current year	3 758	3 015
Tax-related services	80	56
Other consulting services	–	137
Internal audit fees	1 324	1 202
Rental of premises, machinery and vehicles	28 590	37 817
Travel and entertainment	8 775	8 184
Energy costs	103 472	95 557
Maintenance	91 239	85 748
Depreciation and amortisation	70 887	62 074
Insurance	16 003	12 792
Cleaning	32 318	28 725
Office expenses	55 360	49 099
Marketing costs	11 504	10 395
Security	25 066	21 467
Change in provision for trade receivables	(2 421)	2 079
Change in allowance for credit notes	(185)	(581)
Bad debts – net	5 973	2 915
Transport and distribution costs	239 699	223 442
B-BBEE socio-economic and enterprise development	3 735	1 976
Total cost of sales, sales and distribution costs, marketing, administrative and other operating expenses	4 101 842	4 101 460
21. INVESTMENT INCOME		
Interest income on financial assets: loans and receivables		
– Call accounts and other	24 919	8 066
	24 919	8 066
22. FINANCE COSTS		
Interest expense on financial liabilities measured at amortised cost		
– Call loans	–	138
– Finance lease	524	531
– Provision for unwinding of discount	562	592
– Other	30	404
	1 116	1 665

	2018 R'000	2017 R'000
23. INCOME TAX EXPENSE		
Current income tax	130 662	58 673
Current year	130 715	58 673
Overprovision previous years	(53)	–
Deferred taxation	4 899	(8 679)
Current year	4 899	(8 679)
	135 561	49 994
The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory rate as follows:	%	%
Standard rate for companies*	28.00	28.00
Increase/(decrease) in rate:		
Exempt income	(0.07)	(0.17)
Non-deductible expenditure	0.79	1.65
Underprovision previous years	(0.01)	–
Effect of capital gains tax	(0.02)	(0.25)
Effect of different tax rates*	(0.99)	(0.76)
Other differences	(0.47)	(0.32)
Effective rate	27.23	28.15
* The standard tax rate for foreign subsidiaries differ from the income tax rate of 28%. Quantum Foods Zambia Ltd's agricultural profits are taxed at 10% and other income is taxed at 35%. Quantum Foods Uganda Ltd's profits are taxed at 30%. Quantum Foods Mozambique S.A.'s profits are taxed at 16% (lower rate for first five years after initial investment).		
Gross calculated tax losses of certain subsidiaries at the end of the reporting period available for utilisation against future taxable income of those companies	R'000	R'000
Less: Utilised in reduction of deferred tax	13 284	45 996
	(9 711)	(29 364)
	3 573	16 632
A current and deferred income tax charge of R1 937 673 is debited (2017: R1 570 996 debited) directly through other comprehensive income/(loss).		
24. EARNINGS PER ORDINARY SHARE		
Basic		
The calculation of basic earnings per share is based on earnings attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year:		
Profit for the year	362 227	127 617
Weighted average number of ordinary shares in issue ('000)	220 468	229 124
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 in issue during the year:		
Profit for the year	362 227	127 617
Diluted weighted average number of ordinary shares in issue ('000)	222 821	229 124





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
<b>24. EARNINGS PER ORDINARY SHARE (CONTINUED)</b>		
Headline earnings is calculated based on Circular 4/2018 issued by the South African Institute of Chartered Accountants.		
<b>Reconciliation between profit attributable to owners of the parent and headline earnings</b>		
Profit for the year	362 227	127 617
Remeasurement of items of a capital nature		
Profit on disposal of property, plant and equipment	(782)	(15 314)
Gross	(929)	(20 619)
Tax effect	147	5 305
Headline earnings for the year	361 445	112 303
Earnings per share (cents)	164	56
Diluted earnings per share (cents)	163	56
Headline earnings per share (cents)	164	49
Diluted headline earnings per share (cents)	162	49
<b>25. CASH PROFIT FROM OPERATING ACTIVITIES</b>		
Reconciliation of profit before tax and cash profit from operating activities:		
Profit before income tax	497 788	177 611
Adjustment for:		
Depreciation and amortisation	70 887	62 074
Biological assets fair value adjustment	775	(17 425)
Agricultural produce fair value adjustment	(1 142)	(2 325)
Net profit on sale of property, plant and equipment	(929)	(20 619)
Adjustment on fixed rate leases	(119)	22
Unrealised (profits)/losses on FEC, foreign exchange and future contracts	(4 171)	(115)
Change in provision for impairment of trade receivables	(2 421)	2 079
Change in provision for credit notes based on history	(185)	(581)
Bad debts	5 973	2 915
Share-based payments expense	5 182	3 173
Changes in provisions for long-service awards	673	1 060
Interest received	(24 919)	(8 066)
Interest paid	1 116	1 665
Share of profit of associate company	(706)	(1 095)
	547 802	200 373

	2018 R'000	2017 R'000
<b>26. WORKING CAPITAL CHANGES</b>		
(Increase)/decrease in inventory	(38 607)	105 635
(Increase)/decrease in trade and other receivables	(17 396)	65 672
Increase/(decrease) in trade and other payables	97 153	(95 422)
(Increase)/decrease in current biological assets	(32 346)	44 355
Changes to derivative financial instruments	5 210	(3 788)
Decrease in provisions	(1 125)	(1 220)
	12 889	115 232
<b>27. DIVIDENDS PAID</b>		
Amounts unpaid at beginning of the year	(67)	(58)
As disclosed in statement of changes in equity	(119 855)	(13 829)
Dividends declared during the year	(119 909)	(13 829)
Dividends on treasury shares received by subsidiary	54	–
Amounts unpaid at end of the year	189	67
	(119 733)	(13 820)
<b>28. INCOME TAX PAID</b>		
Amounts unpaid at beginning of the year	(2 393)	(4 094)
Current tax charge in profit and loss	(130 662)	(58 673)
Hedging reserve – income tax current year	(2 488)	(956)
Amounts (prepaid)/unpaid at end of the year	(2 477)	2 393
	(138 020)	(61 330)
For the purposes of the statement of financial position, current income tax (receivable)/payable are presented as follows:		
Current assets	(2 477)	(1 943)
Current liabilities	–	4 336
	(2 477)	2 393
<b>29. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS</b>		
Book value of property, plant and equipment and intangible assets	2 829	11 609
Profit on disposal of property, plant and equipment	929	20 619
	3 758	32 228

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
<b>30. NET DEBT RECONCILIATION</b>		
This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.		
<b>Net debt</b>		
Cash and cash equivalents	422 461	261 469
Borrowings – repayable after one year (fixed interest rates)	(6 227)	(6 318)
	416 234	255 151
		<b>Borrowings due after 1 year R'000</b>
<b>Net debt as at 1 October 2016</b>	79 511	6 402
Cash flows	181 234	(94)
Foreign exchange adjustments	724	–
<b>Net debt as at 30 September 2017</b>	261 469	6 318
Cash flows	168 880	(91)
Foreign exchange adjustments	(7 888)	–
<b>Net debt as at 30 September 2018</b>	422 461	6 227
	2018 R'000	2017 R'000
<b>31. CONTINGENT LIABILITIES</b>	29 550	24 355

Guarantees in terms of loans by third parties to contracted service providers

Litigation

Customer claim

The Group received a summons in the 2016 reporting period in respect of a claim for performance of day-old pullets delivered to the customer. The matter will be defended in the High Court.

Management is of the view, based on legal advice regarding the merits of the claim against the Group, that the Group will not incur any material liability in this respect.

Allegations of anti-competitive trade practices – Zambia

The Group received a notice of investigation in the 2016 reporting period from the Zambian Competition and Consumer Protection Commission regarding alleged violation of the Competition and Consumer Protection Act ("the Act"). The investigation was finalised in March 2018, and Quantum Foods Zambia Ltd was found to be in contravention with certain provisions of the Act. An appeal has been lodged at the Competition and Consumer Protection Tribunal for Zambia. This previously disclosed contingent liability now meets the provision recognition criteria as per IAS 37. In accordance with IAS 37, a provision of R5.6 million was raised in this reporting period.

Dispute with egg contract producer

The Group has an outstanding trade receivable from a previous egg contract producer. The producer has filed a counterclaim against the Group for alleged breach of the terms of the terminated agreement. The claim of the Group and the counterclaim have been referred to arbitration.

Management is of the view that the Group will not incur any material liability in this respect.

	2018 R'000	2017 R'000
<b>32. COMMITMENTS</b>		
<b>32.1 Operating lease commitments</b>		
<b>Future minimum lease payments</b>		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
No later than one year	27 502	27 479
Later than one year, and no later than five years	24 464	39 095
	51 966	65 574
The 2017 operating lease commitments have been restated with operating lease commitments for distribution agreements not previously disclosed under this note.		
<b>32.2 Operating lease receivables</b>		
The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:		
No later than one year	4 468	4 431
Later than one year, and no later than five years	4 311	–
	8 779	4 431
<b>32.3 Capital commitments</b>		
Contractually committed	49 954	23 949
Approved by the Board, but not yet contractually committed – for the next financial year	95 318	42 453
	145 272	66 402
Allocated as follows:		
Property, plant and equipment	145 272	66 402
	145 272	66 402

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



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FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

33. RELATED-PARTY TRANSACTIONS

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

- Quantum Foods (Pty) Ltd
- Lohmann Breeding SA (Pty) Ltd – all assets and liabilities transferred to Quantum Foods (Pty) Ltd following an internal restructuring on 30 September 2018.
- Philadelphia Chick Breeders (Pty) Ltd
- Quantum Foods Uganda Ltd (incorporated in Uganda)
- Quantum Foods Zambia Ltd (incorporated in Zambia)
- Quantum Foods Mozambique, S.A. (incorporated in Mozambique)
- Bergsig Breeders (Pty) Ltd – associate company

The Group holds a 100% (2017: 100%) interest in Quantum Foods (Pty) Ltd, and this entity holds a 100% (2017: 100%) interest in all the other subsidiaries listed above. The subsidiaries are incorporated in South Africa unless indicated otherwise.

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

	2018 R'000	2017 R'000
33.1 Sale of goods		
Bergsig Breeders (Pty) Ltd	40 950	43 860
33.2 Purchase of goods		
Bergsig Breeders (Pty) Ltd	51 775	57 236
33.3 Key management personnel compensation		
Salaries and other short-term employee	16 312	14 887
Post-employment benefits	1 743	1 584
Bonuses and incentives	13 160	6 525
Other long-term benefits	–	162
Share-based payments	4 009	2 295
	35 224	25 453
Key management personnel include the executive directors of the Board and members of the Group's executive committee.		
33.4 Year-end balances arising from sales/purchases of goods		
Receivables from related parties	1 916	2 039
Bergsig Breeders (Pty) Ltd	1 916	2 039
Payables to related parties		
Bergsig Breeders (Pty) Ltd	(4 776)	(4 964)
	(4 776)	(4 964)
Receivables from related parties are unsecured and bear no interest.		

34. FINANCIAL INSTRUMENTS BY CATEGORY

30 September 2018

Assets as per statement of financial position

Trade and other receivables\*

Cash and cash equivalents

Total

30 September 2017

Assets as per statement of financial position

Derivative financial instruments

Trade and other receivables\*

Cash and cash equivalents

Total

Loans and receivables R'000

Assets at fair value through profit and loss R'000

Total R'000

	403 978	–	403 978
	422 461	–	422 461
	826 439	–	826 439

Liabilities at fair value through profit and loss R'000

Other financial liabilities R'000

Total R'000

30 September 2018

Liabilities as per statement of financial position

Interest-bearing liability

Derivative financial instruments

Trade and other payables^

Total

30 September 2017

Liabilities as per statement of financial position

Interest-bearing liability

Trade and other payables^

Total

\* Financial assets do not include prepaid expenses and VAT amounts receivable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

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

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

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

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

(a) Market risk

(i) Cash flow interest rate risk

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

Financial liabilities exposed to interest rate risk include interest-bearing short and long-term borrowings. At year-end, the Group had minimal borrowings.

Financial assets exposed to cash flow interest rate risk include cash and short-term bank deposits.

Changes in the prime interest rate will result in a minimal impact on profit after tax.

(ii) Foreign exchange risk

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

Instruments used by Group

The Group manages short-term foreign exchange exposure relating to raw material imports (primarily US dollar based), in terms of formal hedging policies. Foreign exchange risk arising from capital imports is hedged in total. The Group uses a foreign exchange forward contract to hedge its exposure to foreign currency risk. Only the spot component of forward contracts is designated as a hedging instrument. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is the forward element, which is recognised in profit or loss.

Refer to note 9 for material forward foreign exchange contracts. Refer to notes on trade and other receivables, trade payables for financial exposure to foreign currency risk.

Refer to note 19 – other gains/(losses) – net for foreign exchange-related amounts recognised in profit or loss for the year.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Price risk

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

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

(iv) Sensitivity analysis

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

	2018 R'000	2017 R'000
<b>Change in foreign currency</b>		
Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 3% (2017: 3%), British pound of 3% (2017: 3%), Euro of 3% (2017: 3%), Zambian kwacha of 3% (2017: 3%), Ugandan shilling of 3% (2017: 3%) and Mozambican metical 3% (2017: 3%), with all other variables held constant.		
Rand depreciates against foreign currencies		
– Increase/(decrease) in profit after income tax	259	474
Trade receivables	1 351	1 147
Cash and cash equivalents	(141)	(225)
Trade payables	35	51
Derivative financial instruments not earmarked for hedging		
– Increase/(decrease) in equity after income tax	898	1 088
Derivative financial instruments earmarked for hedging	2 402	2 535
<b>Change in commodity prices</b>		
Derivative financial instruments affected by changes in the commodity prices relate to futures. The summary below reflects the results of an expected change in the maize price of 2% (2017: 2%), with all other variables held constant.		
Commodity price increase		
– Increase in equity after income tax	1 194	2 833
Derivative financial instruments earmarked for hedging	1 194	2 833

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 Financial risk factors (continued)

(b) Credit risk

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

The Group's credit risk exposure relating to derivative financial instruments is managed on a Group level and are placed with a limited group of creditable financial institutions, all of which have Moody's P-3 short-term credit ratings. A short-term rating of P-3 indicates that the issuer has a strong ability to re-pay short-term debt obligations.

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

The Group insures its South African debtors with Credit Guarantee Insurance. In 2018, 53% (2017: 54%) of the Group's total unimpaired trade debtors have been covered by credit insurance. National customers have a limited risk profile and a national geographical representation. The credit quality of the national customers is considered to be good based on historical default rates. These customers include large national customers in the formal retail sector. The large retail customers as well as other listed companies are assessed as being a low risk of default, and are thus not insured. These customers amounted to approximately 45% (2017: 43%) of trade receivables – net in the reporting period. Of the remaining other customers, 96% (2017: 94%) of the Group's trade receivables – net were insured.

Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for credit worthiness before delivery and payment terms are offered. The Group's risk is limited to 10% of the net invoiced sales to insured debtors. The Group's review includes external ratings where available and, in some cases, bank references. Limits are established for each customer, which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis.

Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

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

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

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

The credit quality of trade debtors that are neither past due nor impaired, is as follows:

	2018 R'000	2017 R'000
External customer (history of more than six months) – not previously impaired	367 190	353 686
External customer (history of more than six months) – previously impaired – debt repaid	1 126	322
New customers (history less than six months)	5 973	6 250
Total	374 289	360 258
The Group deposits cash surpluses with financial institutions of high quality and standing. The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.		
P-3 short-term credit rating	421 784	261 136
Not rated	228	144
Cash on hand	450	189
	422 461	261 469

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

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

At year-end the Group has a borrowing facility in the form of a debtors, finance facility at one of the major South African banks. Sufficient collateral in the form of trade receivables is provided as security for the debt.

	2018 R'000	2017 R'000
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	242 286	243 957

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

	Not later than 1 year R'000	Between 1 and 2 years R'000	More than 2 years R'000
Maturity analysis of financial liabilities			
30 September 2018			
Capital and interest – total	(615)	(615)	(12 561)
Borrowings excluding bank overdrafts and call loans	(368 003)	–	–
Trade and other payables	(1 127)	–	–
Other derivative financial instruments	(369 745)	(615)	(12 561)
30 September 2017			
Capital and interest – total	(615)	(615)	(13 176)
Borrowings excluding bank overdrafts and call loans	(283 184)	–	–
Trade and other payables	(283 799)	(615)	(13 176)

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.2 Capital risk management

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

	2018 R'000	2017 R'000
Net debt*	6 227	6 318
Total equity (as shown in the statement of financial position)	1 854 391	1 691 645
	0.34%	0.37%

\* Cash and cash equivalents exceed borrowings. Cash and cash equivalents are not deducted for ratio calculation.

35.3 Fair value measurement

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

Level 1

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

Level 2

Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>30 September 2018</b>				
<b>Assets measured at fair value</b>				
Biological assets				
- Livestock	-	-	332 058	332 058
<b>Total</b>	-	-	332 058	332 058
<b>Liabilities measured at fair value</b>				
Derivative financial instruments				
- Foreign exchange contracts	-	1 127	-	1 127
<b>Total</b>	-	1 127	-	1 127
<b>30 September 2017</b>				
<b>Assets measured at fair value</b>				
Derivative financial instruments				
- Foreign exchange contracts	-	1 876	-	1 876
Biological assets				
- Livestock	-	-	299 345	299 345
<b>Total</b>	-	1 876	299 345	301 221

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

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.3 Fair value measurement (continued)

Financial instruments in level 2

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

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

Financial instruments in level 3: Biological assets

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

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

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

Changes in the fair value are included in profit or loss, with a profit of R774 698 (2017: profit of R17 425 724) being recognised as the unrealised fair value adjustment in profit or loss in the current period to adjust the biological asset livestock to fair value.

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

Unobservable input		2018	2017
Layer livestock			
Market price of day-old chicks		<b>R8.16 to R8.36</b>	R7.95 to R8.15
Market price of point-of-lay hens		<b>R63.38 to R65.95</b>	R56.61 to R58.74
Market price of culls		<b>R24.00 to R34.40</b>	R27.10 to R35.80
Broiler livestock			
Market price of day-old chicks		<b>R4.58 to R4.78</b>	R4.30 to R4.50
Market price of live birds		<b>R22.84 to R23.24</b>	R20.98 to R21.66
<b>Sensitivity analysis</b>			
A sensitivity analysis of a 2% change in the market price, is shown for the significant unobservable inputs below:			
Input	Sensitivity		
Day-old chick market prices	A change in market price would result in a R0.6 million (2017: R0.6 million) change in the fair value of poultry livestock.		
Point-of-lay hens market price	A change in the market price would result in a R2.3 million (2017: R2.4 million) change in the fair value of laying hens.		
Cull market prices	A change in the market price would result in a R0.8 million (2017: R0.6 million) change in the fair value of laying hens.		
Live bird market prices	A change in the market price would result in a R1.0 million (2017: R0.7 million) change in the fair value of broiler livestock.		
The effect of an increase in market prices will result in an increase in the fair value of the livestock.			

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

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36. SEGMENT INFORMATION

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

Reportable segments are divided into the following:

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

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

The nature of the Quantum Foods Zambia, Quantum Foods Uganda and Quantum Foods Mozambique businesses operations are predominantly the production of animal feeds and the production and sale of commercial eggs and day-old chicks. These three entities are aggregated for segmental reporting as these entities are similar in nature.

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

The layer farming business includes the layer livestock and commercial layer farms. The Broiler farming business includes the broiler livestock and commercial broiler farms.

The broiler farming and layer farming operating segments are aggregated for segment reporting. Both operations have similar risk profiles, being the production risk inherent to live bird farming. The exposure of these operations to market risk is very low.

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

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

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

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

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

36. SEGMENT INFORMATION (CONTINUED)

Segment revenue

Eggs			
Farming			
Animal feeds			
Other African countries			

Segment results

Eggs			
Farming			
Animal feeds			
Other African countries			
Head office costs			

A reconciliation of the segment results to operating profit before income tax is provided below:

Segment results			
Adjusted for:			
Investment income			
Finance costs			
Share of profit of associate company			
Profit before income tax per statement of comprehensive income			

Segment assets

Eggs			
Farming			
Animal feeds			
Other African countries			
Head office costs			

A reconciliation of the segments' assets to the Group's assets is provided below:

Segment assets per segment report			
Adjusted for:			
Investment in associate			
Current and deferred income tax assets			
Cash and cash equivalents			
Total assets per statement of financial position			

Total segment liabilities

Eggs			
Farming			
Animal feeds			
Other African countries			
Head office costs			

A reconciliation of the segments' liabilities to the Group's liabilities is provided below:

Segment liabilities per segment report			
Adjusted for:			
Current and deferred income tax liabilities			

Total liabilities per statement of financial position

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
36. SEGMENT INFORMATION (CONTINUED)		
Total segment capital expenditure (excluding business combinations)	116 032	73 039
Eggs	9 158	20 432
Farming	46 194	19 997
Animal feeds	20 451	14 292
Other African countries	39 797	16 840
Head office costs	432	1 478
Total segment depreciation and amortisation	70 887	62 074
Eggs	9 315	7 977
Farming	30 552	28 802
Animal feeds	14 537	12 109
Other African countries	16 483	13 186
Items of a capital nature per segment included in other gains/(losses) – net	929	20,619
Profit/(loss) on disposal of property, plant and equipment and intangible assets before income tax		
Eggs	1 943	(1 457)
Farming	(504)	18 422
Animal feeds	(510)	3 441
Other African countries	–	213
Geographical information		
The Group mainly operates in South Africa. Other operations are located in other Africa countries. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.		
Revenue derived by Group companies domiciled in South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.		
Segment revenue	4 121 901	4 051 890
South Africa	3 899 674	3 847 537
Other African countries	222 227	204 353
Total segment non-current assets	1 091 867	1 076 838
South Africa	859 660	839 953
Other African countries	232 207	236 885
Total segment capital expenditure (excluding business combinations)	116 032	73 039
South Africa	76 235	56 199
Other African countries	39 797	16 840
Information regarding major customers		
During the period under review, revenue from certain customers exceeded 10% of Group revenue:		
Customer A	613 538	673 091
Customer B	502 792	387 967

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

## 37. RETIREMENT BENEFITS

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

## 38. EVENTS AFTER THE REPORTING PERIOD

### Dividend

A final dividend of 70 cents (2017: 34 cents) per ordinary share has been approved and declared by the Board for the year ended 30 September 2018, on 28 November 2018. This will only be reflected in the statement of changes in equity in the next reporting period.

An interim dividend of 20 cents per ordinary shares was declared and paid during the year.

Additional information disclosed:

These dividends are declared from income reserves and qualify as a dividend as defined in the Income Tax Act, Act 58 of 1962.

Dividends will be paid net of dividends tax of 20%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as a result of the double taxation agreement between South Africa and the country of domicile of such owner.

The net dividend amounts to 56 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 70 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 210 529 716 as at the date of this declaration.

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

## 39. GOING CONCERN STATEMENT

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

NOTES TO THE CONSOLIDATED  
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for the year ended 30 September 2018

40. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS

	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Retirement fund contributions R'000	Long-term incentives R'000	Directors' fees R'000	Total R'000
<b>30 September 2018</b>							
<i>Executive directors</i>							
HA Lourens	2 995	62	3 121	327	375	–	6 880
AH Muller	1 862	88	1 491	207	254	–	3 902
Total executive directors	4 857	150	4 612	534	629	–	10 782
<i>Non-executive directors</i>							
WA Hanekom	–	–	–	–	–	402	402
N Celliers	–	–	–	–	–	266	266
Prof. ASM Karaan	–	–	–	–	–	318	318
PE Burton	–	–	–	–	–	344	344
GG Fortuin	–	–	–	–	–	266	266
Total non-executive directors	–	–	–	–	–	1 596	1 596
<b>Total directors</b>	<b>4 857</b>	<b>150</b>	<b>4 612</b>	<b>534</b>	<b>629</b>	<b>1 596</b>	<b>12 378</b>
<i>Prescribed officers</i>							
HE Pether	1 092	78	922	185	–	–	2 277
<b>30 September 2017</b>							
<i>Executive directors</i>							
HA Lourens	2 698	62	1 516	294	–	–	4 570
AH Muller	1 635	88	707	183	–	–	2 613
Total executive directors	4 333	150	2 223	477	–	–	7 183
<i>Non-executive directors</i>							
WA Hanekom	–	–	–	–	–	338	338
N Celliers	–	–	–	–	–	247	247
Prof. ASM Karaan	–	–	–	–	–	293	293
PE Burton	–	–	–	–	–	294	294
GG Fortuin	–	–	–	–	–	247	247
Total non-executive directors	–	–	–	–	–	1 419	1 419
<b>Total directors</b>	<b>4 333</b>	<b>150</b>	<b>2 223</b>	<b>477</b>	<b>–</b>	<b>1 419</b>	<b>8 602</b>
<i>Prescribed officers</i>							
HE Pether	1 013	78	475	173	–	–	1 739

40. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS (CONTINUED)

Directors' share appreciation rights ("SARs")

	Number of SARs initially allocated	Date awarded	Exercisable up to date	Strike price Cents	Fair value per SAR at grant date* Cents	Fair value of total SARs granted during the year R'000	Number of SARs redeemed in current year	Share price at date of redemption Cents	Value increase from strike price to price at redemption R'000	Number of SARs not redeemed
<b>30 September 2018</b>										
<i>Executive directors</i>										
HA Lourens	774 376	2015/02/27	2021/02/27	315	–	–	258 126	460	375	516 250
	634 240	2016/02/18	2022/02/18	266	–	–	–	–	–	634 240
	2 280 786	2017/02/23	2023/02/23	309	–	–	–	–	–	2 280 786
	2 267 972	2018/02/22	2024/02/22	391	102	2 313	–	–	–	2 267 972
AH Muller	477 854	2015/02/27	2021/02/27	315	–	–	159 284	474	254	318 570
	187 902	2016/02/18	2022/02/18	266	–	–	–	–	–	187 902
	510 736	2017/02/23	2023/02/23	309	–	–	–	–	–	510 736
	656 978	2018/02/22	2024/02/22	391	102	670	–	–	–	656 978
<i>Prescribed officers</i>										
HE Pether	224 410	2015/02/27	2021/02/27	315	–	–	–	–	–	224 410
	122 190	2016/02/18	2022/02/18	266	–	–	–	–	–	122 190
	402 570	2017/02/23	2023/02/23	309	–	–	–	–	–	402 570
	345 174	2018/02/22	2024/02/22	391	102	352	–	–	–	345 174
<b>30 September 2017</b>										
<i>Executive directors</i>										
HA Lourens	774 376	2015/02/27	2021/02/27	315	–	–	–	–	–	774 376
	634 240	2016/02/18	2022/02/18	266	–	–	–	–	–	634 240
	2 280 786	2017/02/23	2023/02/23	309	91	2 076	–	–	–	2 280 786
AH Muller	477 854	2015/02/27	2021/02/27	315	–	–	–	–	–	477 854
	187 902	2016/02/18	2022/02/18	266	–	–	–	–	–	187 902
	510 736	2017/02/23	2023/02/23	309	91	465	–	–	–	510 736
<i>Prescribed officers</i>										
HE Pether	224 410	2015/02/27	2021/02/27	315	–	–	–	–	–	224 410
	122 190	2016/02/18	2022/02/18	266	–	–	–	–	–	122 190
	402 570	2017/02/23	2023/02/23	309	91	366	–	–	–	402 570

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

41. DIRECTORS' INTEREST IN SHARES

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

	Number of shares <sup>#</sup>		Total	% of issued ordinary share capital
	Direct	Indirect		
<b>30 September 2018</b>				
HA Lourens	648 113	-	648 113	0.308
AH Muller	228 364	-	228 364	0.108
WA Hanekom	-	7 524 758	7 524 758	3.574
N Celliers	-	-	-	-
Prof. ASM Karaan	-	86 147	86 147	0.041
PE Burton	-	3 000	3 000	0.001
GG Fortuin	-	-	-	-
	876 477	7 613 905	8 490 382	4.033
<b>30 September 2017</b>				
HA Lourens	580 005	-	580 005	0.261
AH Muller	171 079	-	171 079	0.077
WA Hanekom	-	7 250 048	7 250 048	3.261
N Celliers	-	-	-	-
Prof. ASM Karaan	-	86 147	86 147	0.039
PE Burton	-	3 000	3 000	0.001
GG Fortuin	-	-	-	-
	751 084	7 339 195	8 090 279	3.639

<sup>\*</sup> There has been no change in the directors' interest in shares from the end of the financial year to the date of the approval of the annual financial statements.

42. SHAREHOLDER INFORMATION

Shareholder spread

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
<b>Ordinary shares</b>				
Individuals	2 821	80.4	30 363 152	14.4
Nominees and trusts	326	9.3	9 568 001	4.6
Investment companies and corporate bodies	361	10.3	170 598 563	81.0
	3 508	100.0	210 529 716	100.0
<b>Non-public/public shareholders</b>				
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2018, is as follows: Analysis of shareholding – ordinary shares				
<b>Public shareholding</b>				
Major shareholding				
Allan Gray (on behalf of clients)	1	0.0	30 800 857	14.6
Other shareholders	3 500	99.9	109 283 974	51.9
<b>Non-public shareholding</b>				
Major shareholding				
Zeder Investments Ltd	1	0.0	61 620 084	29.3
Other shareholders				
Directors	5	0.1	8 490 382	4.0
Quantum Foods (Pty) Ltd	1	0.0	334 419	0.2
	3 508	100.0	210 529 716	100.0
<b>Distribution of ordinary shareholders</b>				
Number of shares				
1 – 1 000 shares	1 469	41.9	517 107	0.2
1 001 – 10 000 shares	1 171	33.3	4 721 661	2.2
10 001 – 100 000 shares	697	19.9	23 119 697	11.0
100 001 – 1 000 000 shares	136	3.9	34 222 265	16.3
1 000 001 shares and over	35	1.0	147 948 986	70.3
	3 508	100.0	210 529 716	100.0






# COMPANY STATEMENT OF FINANCIAL POSITION

as at 30 September 2018

	Notes	2018 R'000	2017 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1 585 386</b>	1 585 386
Investment in subsidiary	3	<b>1 585 386</b>	1 585 386
<b>Current assets</b>		<b>302</b>	94
Cash and cash equivalents		<b>302</b>	94
<b>Total assets</b>		<b>1 585 688</b>	1 585 480
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>		<b>1 578 866</b>	1 581 510
Share capital	4	<b>1 500 248</b>	1 552 670
Retained earnings		<b>78 618</b>	28 840
<b>Total equity</b>		<b>1 578 866</b>	1 581 510
<b>Current liabilities</b>		<b>6 822</b>	3 970
Dividends payable	5	<b>189</b>	67
Trade and other payables		<b>356</b>	135
Borrowings from related party		<b>6 277</b>	3 768
<b>Total liabilities</b>		<b>6 822</b>	3 970
<b>Total equity and liabilities</b>		<b>1 585 688</b>	1 585 480

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# COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2018

	Notes	2018 R'000	2017 R'000
Revenue	6	172 633	42 908
Other income	7	1 276	1 134
Administrative expenses		(2 615)	(1 531)
Other operating expenses		(1 672)	(1 432)
Operating profit	8	169 622	41 079
Investment income	9	65	144
Profit before income tax		169 687	41 223
Income tax expense	10	–	–
<b>Profit for the year</b>		169 687	41 223
<b>Other comprehensive income for the year</b>		–	–
<b>Total comprehensive income for the year</b>		169 687	41 223
Profit for the year attributable to owners of the parent		169 687	41 223
Total comprehensive income for the year attributable to owners of the parent		169 687	41 223

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2018

	Share capital R'000	Retained earnings R'000	Total R'000
<b>Balance as at 1 October 2016</b>	1 581 402	1 446	1 582 848
Shares repurchased and cancelled	(28 732)	–	(28 732)
Comprehensive income:			
Profit for the year	–	41 223	41 223
Dividends paid – net	–	(13 829)	(13 829)
<b>Balance as at 30 September 2017</b>	1 552 670	28 840	1 581 510
<b>Balance as at 1 October 2017</b>	1 552 670	28 840	1 581 510
Shares repurchased and cancelled	(52 422)	–	(52 422)
Comprehensive income:			
Profit for the year	–	169 687	169 687
Interim dividend for 2018	–	(44 322)	(44 322)
Final dividend for 2017	–	(75 587)	(75 587)
<b>Balance as at 30 September 2018</b>	1 500 248	78 618	1 578 866

4

Note

# COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2018

	Notes	2018 R'000	2017 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash loss from operating activities	12	(2 790)	(1 694)
Working capital changes	13	(3 011) 221	(1 829) 135
		172 698	43 052
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest received	9	65	144
Dividends received	6	172 633	42 908
Cash surplus		169 908	41 358
		(169 700)	(41 341)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loan received from related party	5	3 970	2 587
Loan repaid to related party	5	(1 461)	(1 376)
Shares repurchased	4	(52 422)	(28 732)
Dividends paid to ordinary shareholders	14	(119 787)	(13 820)
		208	17
Increase in cash and cash equivalents		94	77
Cash and cash equivalents at beginning of year			
		302	94
Cash and cash equivalents at end of year			

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30 September 2018

	2018 R'000	2017 R'000
1. ACCOUNTING POLICIES		
The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to note 1 of the Group financial statements.		
2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS		
The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.		
3. INTEREST IN SUBSIDIARIES		
Cost of shares	1 585 386	1 585 386
Quantum Foods (Pty) Ltd	1 585 386	1 585 386
The Company holds a 100% interest in the subsidiary listed above.		
The subsidiary is incorporated in South Africa.		
4. SHARE CAPITAL		
Authorised – ordinary shares		
400 000 000 (2017: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares		
210 529 716 (2017: 222 314 657) ordinary no par value shares	1 500 248	1 552 670
During the reporting period 11 784 941 (2017: 9 488 659) ordinary shares were repurchased by the Company and cancelled. The shares were repurchased at an average price of R4.45 (2017: R3.03) per share.		
5. BORROWINGS FROM RELATED PARTY		
Loan from Quantum Foods (Pty) Ltd	3 768	2 557
Beginning of year	3 970	2 587
Loans advanced during the year	(1 461)	(1 376)
Loans repaid during the year		
End of year	6 277	3 768
Unsecured interest-free loan with no fixed terms of repayment.		
6. REVENUE		
Dividends received from Quantum Foods (Pty) Ltd	172 633	42 908
7. OTHER INCOME		
Administration fees received from Quantum Foods (Pty) Ltd	1 276	1 134
8. OPERATING PROFIT		
The operating profit is calculated after taking into account other income (refer to note 7), as well as the following:		
Auditors' remuneration	15	12
Listing fees and shareholder communication	2 566	1 119
Directors' remuneration	1 596	1 427
9. INVESTMENT INCOME		
Interest income on call accounts and other	65	144
	65	144





# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
<b>10. INCOME TAX EXPENSE</b>		
Current income tax		
Current year	–	–
	%	%
Standard rate for companies	28.0	28.0
Exempt income	(28.5)	(29.1)
Non-deductible expenditure	0.5	1.1
	–	–
<b>11. DIVIDEND PER ORDINARY SHARE</b>		
Interim 20.0 cents (2017: Nil cents) per ordinary share	44 322	–
Final 70.0 cents (2017: 34.0 cents) per ordinary share	147 371	75 587
	191 693	75 587
<p>Dividends payable are not accounted for until they have been declared by the board of directors. The statement of changes in equity does not reflect the final dividend payable. The final dividend will be accounted for as an appropriation of retained earnings in the following year. Withholding tax on dividends ("DWT") became effective from 1 April 2012 at a rate of 15%, which rate was increased to 20% from 22 February 2017.</p> <p>The total rand value of the final dividend for the year is an approximate amount. The exact amount is dependent on the number of shares in issue at the record date.</p>		
<b>12. CASH LOSS FROM OPERATING ACTIVITIES</b>		
Reconciliation of profit before tax and cash loss from operating activities:		
Profit before income tax	169 687	41 223
Adjusted for:		
Dividends received	(172 633)	(42 908)
Interest received	(65)	(144)
	(3 011)	(1 829)
<b>13. WORKING CAPITAL CHANGES</b>		
Increase in trade and other payables	221	135
<b>14. DIVIDENDS PAID</b>		
Amounts unpaid at beginning of year	(67)	(58)
As disclosed in statement of changes in equity	(119 909)	(13 829)
Amounts unpaid at end of year	189	67
	(119 787)	(13 820)







Consolidated financial statements  
for the year ended 30 September 2019

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## Quantum Foods

is the largest producer of eggs  
in South Africa.



## Directors' responsibility

In accordance with the requirements of the Companies Act, Act 71 of 2008, as amended ("Companies Act"), the Board is responsible for the preparation of the annual financial statements and the consolidated annual financial statements of Quantum Foods Holdings Ltd ("Quantum Foods" or the "Company"). These conform to International Financial Reporting Standards ("IFRS") and fairly present the state of Quantum Foods Holdings Ltd and its subsidiaries (the "Group") at the reporting date.

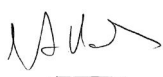
It is the responsibility of the independent external auditors to report on the fair presentation of the financial statements.

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

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

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

The annual financial statements which appear on pages 10 to 78 were approved by the Board on 27 November 2019 and are signed on its behalf by:



**WA Hanekom**  
Chairman



**HA Lourens**  
Chief Executive Officer

## Notice in terms of section 29 of the Companies Act

These annual financial statements have been audited in compliance with the Companies Act. These annual financial statements have been prepared under the supervision of Mr. AH Muller, CA(SA), chief financial officer.

## Company secretary certificate

In accordance with section 88 of the Companies Act, for the year ended 30 September 2019, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.



**MO Gibbons**  
Company Secretary

# Audit and risk committee report

The audit and risk committee (“the committee”) is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act and responsibilities highlighted in the King IV Report on Corporate Governance™ for South Africa, 2016<sup>1</sup> (“King IV”).

## AUDIT AND RISK COMMITTEE CHARTER

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

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

## MEMBERS OF THE AUDIT AND RISK COMMITTEE

As at 30 September 2019, the committee comprised three independent non-executive directors namely, Prof. ASM Karaan and Mr. GG Fortuin and is chaired by Mr. PE Burton.

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

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

## MEETINGS

The committee held three meetings during the year. Attendance of the meetings is shown on page 60 of the integrated report. The internal and external auditors attended the committee meetings in their capacity as assurance providers.

## FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

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

- Reviewed the interim, preliminary and summary results as well as the year-end financial statements, culminating in a recommendation to the Board of Directors (“Board”) for approval. In the course of its review, the committee:
  - took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act;
  - considered and, when appropriate, made recommendations on internal financial controls; and
  - ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, Act 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year
- Reviewed the external audit reports on the consolidated annual financial statements
- Oversaw the integrated reporting process. The committee considered the Group’s information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.
- Reviewed and confirmed that the non-audit services provided by the external auditors were not material. Any non-audit services to be performed above R500 000 must be approved by the Board
- Reviewed and confirmed the suitability and independence of PricewaterhouseCoopers Inc. (“PwC”) as audit firm and Mr. RJ Jacobs as the designated auditor of the Group as stated in paragraph 22.15(h) of the JSE Listings Requirements
- Recommended the re-appointment of PwC as the external auditor and Mr. RJ Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 49(8) of the Companies Act. 2020 will be Mr. RJ Jacobs’ second year as designated auditor of the Company. The re-appointment of PwC as the recommended external auditor will be formally proposed to the shareholders at the AGM
- Confirmed that PwC and the designated auditor are accredited by the JSE
- Confirmed and approved the internal audit charter and annual risk-based internal audit year plan
- Reviewed the internal audit risk reports and tip-offs anonymous reports
- Reviewed and approved the risk management policy and plan
- Reviewed business continuity capability, disaster management plans and insurance cover
- Provided oversight over the combined assurance arrangements, including the external and internal auditors and satisfied itself of the effectiveness of the combined assurance model implemented by the Group
- Reviewed the effectiveness of the internal audit function and the head of internal audit

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

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

The committee is satisfied with the assurance of the internal and external auditors, with the effectiveness of the design and implementation of internal financial controls. There were no significant weaknesses noted which resulted in material financial loss, fraud, corruption or error.

## INTERNAL AUDIT

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

## CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

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

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

The committee has ensured that the Company has established appropriate financial reporting procedures and that those procedures are satisfactory.

## GOING CONCERN

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

## SIGNIFICANT AUDIT MATTERS AND QUALITY OF EXTERNAL AUDIT

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

**PE Burton**  
Chairman: Audit and risk committee  
Wellington  
27 November 2019

# Independent auditor's report

To the shareholders of Quantum Foods Holdings Ltd

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Quantum Foods Holdings Ltd ("the Company") and its subsidiaries (together "the Group") as at 30 September 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

Quantum Foods Holdings Ltd's consolidated and separate financial statements set out on pages 12 to 78 comprise:

- the consolidated and company statements of financial position as at 30 September 2019;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended;
- the accounting policies for the year then ended; and
- the notes to the consolidated and company financial statements.

### Basis for opinion

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

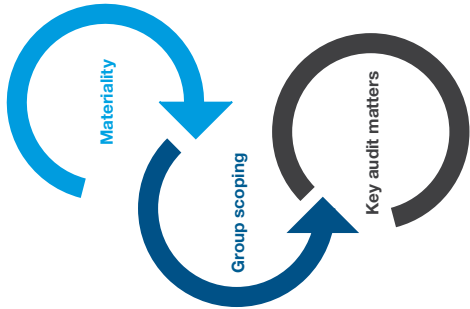
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

### Our audit approach

#### Overview



#### Overall Group materiality

R12 294 000, which represents 5% of five-year average consolidated profit before tax.

#### Group audit scope

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and an equity accounted associate. Full scope audits were performed on Quantum Foods (Pty) Ltd due to its financial significance, and the ultimate parent company (Quantum Foods Holdings Ltd) and a subsidiary of the Group, Philadelphia Chick Breeders (Pty) Ltd, due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

#### Key audit matters

- Valuation of biological assets
- Impairment considerations

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

### Materiality

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

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

Overall Group materiality	R12 294 000
How we determined it	5% of five-year average consolidated profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We used a five year average profit before tax figure to take into account the cyclical nature of Group profits. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

### How we tailored our Group audit scope

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

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and an equity accounted associate (together "the components"). Quantum Foods (Pty) Ltd, the subsidiary in which most of the Group's trading operations take place, is the only financially significant component in the Group. All other components are considered financially insignificant.

In order to ensure sufficient work was performed over material line items in the consolidated financial statements, a full scope audit was performed on Quantum Foods (Pty) Ltd due to its financial significance. We also performed full scope audits on the ultimate parent company (Quantum Foods Holdings Ltd) and a subsidiary of the Group (Philadelphia Chick Breeders (Pty) Ltd) due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

These additional procedures performed at the Group level, provided us with sufficient evidence to express an opinion on the Group as a whole.



# Independent auditor's report (continued)

To the shareholders of Quantum Foods Holdings Ltd

### KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matters	
<b>Valuation of biological assets</b> Biological assets of the Group consist of livestock. Livestock comprises of poultry which includes broiler and layer stock. Broiler stock includes breeding stock, day-old-chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old-chicks and hatching eggs. These assets are measured at fair value less cost to sell. At year end the carrying value of the Group's biological assets was R380 million (Refer to Note 7 to the Consolidated Financial Statements).  Biological assets are measured at the end of each reporting period at fair value less cost to sell (refer to note 7 of the accounting policies). Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. In determining the fair value, management used unobservable inputs as disclosed in note 36.3 to the financial statements.  The valuation of biological assets was considered to be a matter of most significance to the current year audit due to the magnitude of the biological asset balance in relation to the financial statements as a whole and the degree of estimation applied by management in determining the fair value of the biological assets.  This key audit matter relates to the consolidated financial statements.	<p>We obtained an understanding of management's valuation approach, including the identification of unobservable inputs used and estimates applied. We found management's approach to the valuation and estimates applied, to be consistent with those of the prior year.</p> <p>We obtained management's valuation of livestock which included the quantities and values of all livestock and tested the mathematical accuracy of the valuation, noting no material exceptions.</p> <p>We performed the following procedures over the quantities used in the valuation:</p> <ul style="list-style-type: none"><li>• We obtained an understanding and tested controls relating to the safeguarding of livestock;</li><li>• On a sample basis we physically inspected livestock to ensure the accuracy of the quantities used in the valuation and noted no exceptions; and</li><li>• For livestock in the custody of third parties, we obtained confirmations of the quantities held directly from third parties, noting no exceptions.</li></ul> <p>In addition, we tested the unobservable inputs used by management in determining the value of livestock as follows:</p> <ul style="list-style-type: none"><li>• The market prices of day-old chicks, point- of- lay hens, culls, hatching eggs and broiler live birds used in management's calculations were agreed to a sample of sales invoices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds in the market close to year-end; and</li><li>• The age of biological assets, at the different stages in the lifecycle, at year-end used in management's calculations to determine fair value were agreed to a sample of internal transfer documents.</li></ul> <p>We found the unobservable inputs used by management to be in line with our expectations set.</p> <p><b>Value-in-use calculations:</b></p> <p>We tested the accuracy of the calculation for the model used for each CGU and we tested key assumptions in the calculations prepared by management. These were all done with reference to the board approved budget and market data, which consisted of data external to the Group.</p> <p>We utilised our valuation expertise when we considered the appropriateness of the discount rate used by management. We independently calculated a discount rate and compared that to the discount rate calculated by management and found management's rate to be within an acceptable range.</p> <p>In addition to the testing of inputs described above, we assessed management's future cash flows by considering the historical accuracy with which management set the budgets. The actual results for the current year was compared to the budget as approved by the board for that period. No significant variances were noted.</p>	
	<p>In their impairment tests, management identified three CGUs within the Group for which impairment assessments were performed, namely the feeds business, the layers business and the broiler business.</p> <p>In determining the recoverable amount of the CGUs, management used value in use calculations for two of the CGUs and fair value less cost to sell for the other CGUs.</p> <p>To determine the value in use, management used the budget as approved by the Board to determine future cash flows for the CGUs. These cash flows were then discounted using the Group's weighted average cost of capital determined using the capital asset pricing model.</p> <p>The fair value less cost to sell used by management is based on valuation reports by an independent external valuation expert.</p>	

Key audit matters	How our audit addressed the key audit matters	
<b>Impairment consideration (continued)</b> Management's impairment tests performed indicate that the recoverable amounts of these CGUs are higher than the carrying values, resulting in no impairment.  We considered impairment tests to be a matter of most significance to our current year audit due to the judgement involved in management's impairment tests.  The disclosure of impairment tests is included in note 2 and 4 of the consolidated financial statements.  The key audit matter relates to the consolidated and separate financial statements.	<p><b>Value in use calculations: (continued)</b></p> <p>We performed independent sensitivity calculations on the impairment tests prepared by management, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed the results of our calculations with management and based on the evidence obtained we accepted management's conclusion that the key assumptions applied in the model were reasonable.</p> <p><b>Fair value less cost to sell calculation:</b></p> <p>For the CGU where the fair value less cost to sell method was used, we assessed the professional competence, objectivity, independence, and capabilities of management's expert and the adequacy of the work performed. The assessment was performed with reference to the Curriculum Vitae of the management's expert and discussions held, specifically assessing the expert's qualifications, registration with various valuation institutes and extensive work experience. Based on the assessment performed, the engagement team concluded that the expert has sufficient skills and competence to perform these valuations.</p> <p>We agreed to the fixed asset register, for the Group, a sample of the land, buildings and equipment included in the valuation. No exceptions were found.</p> <p>We performed the following procedures in relation to management's fair value assessment:</p> <ul style="list-style-type: none"><li>• We discussed with management's expert the assumptions used in determining the adjusted fair value for the current year. We determined that these assumptions were reasonable when compared to our expectation.</li><li>• The assumptions that were used in the 2018 report have been assessed by us for appropriateness and are consistent with those used by the expert in prior years based on various market indicators.</li></ul> <p>We obtained and inspected the updated valuation report prepared by management's expert and noted the fair value contained therein. We performed independent sensitivity calculations on the valuation performed by management's expert. Based on these calculations we identified that there was sufficient headroom available between the recoverable amount and the net asset value of the CGU.</p> <p><b>Company level:</b></p> <p>We also compared the carrying value of the investment in subsidiary to the recoverable amount of the underlying subsidiary that was tested by us in the impairment assessment of the CGUs. We noted that the recoverable amount exceeds the carrying value of the investment and therefore we concur with management's conclusion that no impairment was identified.</p>	

# Independent auditor's report (continued)

To the shareholders of Quantum Foods Holdings Ltd

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled “*Quantum Foods Holdings Ltd Annual financial statements for the year ended 30 September 2019*” which includes the Directors’ report, the Audit and risk committee report and the Company secretary certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor’s report, and the other sections of the document titled “*Quantum Foods Integrated report 2019*”, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

## AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Quantum Foods Holdings Ltd for 6 years. The business of Quantum Foods Holdings Ltd was previously transacted through Pioneer Food Group Ltd after the merger of Sasko (Pty) Ltd and Bokomo (Pty) Ltd in 1997, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 51 years.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.**

**Director: R Jacobs**

Registered Auditor

Stellenbosch

27 November 2019

# Directors' report

for the year ended 30 September 2019

1. **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

Quantum Foods Holdings Ltd (incorporated in South Africa) and its subsidiaries is a diversified feeds and poultry business providing quality animal protein to selected South African and African markets.  
Registered office – 11 Main Road, Wellington, 7655

2. **FINANCIAL RESULTS**

The annual financial statements on pages 12 to 78 set out fully the Group's financial position, financial performance and the cash flows for the year ended 30 September 2019.

3. **SHARE CAPITAL**

The authorised share capital consists of 400 000 000 (2018: 400 000 000) ordinary no par value shares. At year-end 200 024 716 (2018: 210 529 716) ordinary shares were in issue.  
During the reporting period 10 505 000 (2018: 11 784 941) ordinary shares were repurchased by the Company and cancelled.  
During the reporting period a subsidiary acquired treasury shares. This subsidiary held 7 107 946 (2018: 334 419) ordinary shares at year-end.

4. **DIVIDENDS**

A final gross dividend of 25 cents (2018: 70 cents) per ordinary share was declared. This is in addition to the interim gross dividend of 8 cents (2018: 20 cents) per ordinary share.

5. **DIRECTORS**

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

- Wouter André Hanekom – chairman
- Norman Celliers
- Hendrik Albertus Lourens
- André Hugo Muller
- Prof. Abdus Salam Mohammad Karaan
- Patrick Ernest Burton
- Geoffrey George Fortuin
- Tanya Golden (appointed 10 December 2018)

6. **SPECIAL RESOLUTIONS PASSED – ANNUAL GENERAL MEETING OF SHAREHOLDERS (“AGM”)**

At the AGM held at Rhebokskloof Estate, Agter Paarl, Windmeul on Friday, 15 February 2019 at 13:30 the following special resolutions were passed by the Company:  
Special resolution one, for approval of the remuneration payable by the Company to its non-executive directors for their services as directors for the period 1 April 2019 until the date of the next AGM, was passed.  
Special resolution two, for approval of the general authority of the Board and the Company's subsidiaries, to repurchase any of the shares issued by the Company on the basis reflected in the special resolution, was passed.  
Special resolution three, for approval of the general authority of the Board to grant direct and indirect financial assistance to any company forming part of the Company's group, including in the form of loans or the guaranteeing of their debts, was passed.  
Special resolution four, for the approval of the general authority of the Board to provide financial assistance to any person, by way of a loan, guarantee, the provision of security or otherwise, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, was passed.

7. **LITIGATION STATEMENT**

Refer to note 32 (contingent liabilities) of the annual financial statements for detail on the status of a customer claim, allegations of anti-competitive trade practices in Zambia and dispute with an egg contract producer. No litigation matters with potential material consequences exist at the reporting date.

8. **EVENTS AFTER THE REPORTING PERIOD**

Other than the matters raised in note 39 to the annual financial statements, no other events occurred after the reporting date that may have a material effect on the Group.

9. **AUDITORS**

PwC will continue in office in accordance with section 90(6) of the Companies Act.



# Accounting policies

for the year ended 30 September 2019

## 1. BASIS OF PREPARATION

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

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

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

### 1.1 New and amended accounting standards adopted by the Group

The following standards and amendments have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2018:

- *IFRS 9 – Financial Instruments*
- *IFRS 15 – Revenue from Contracts with Customers*
- *Amendments to IFRS 2 – Share-based Payment – clarification of share-based payment transactions*
- *Annual Improvements 2014 – 2016 cycle*
- *IFRIC 22 – Foreign Currency Transactions and Advance Considerations*
- *Annual Improvements 2015 – 2017 cycle*

The Group had to change its accounting policies following the adoption of IFRS 9 and IFRS 15. This is disclosed in note 26 of the accounting policies. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

- *IFRIC 23 – Uncertainty over Income Tax Treatments (effective 1 January 2019)*
- *IFRS 16 – Leases (effective 1 January 2019)*

The standard replaces IAS 17 – Leases and has a significant impact on the accounting treatment of leases for lessees. It will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the Group's operating leases. The Group leases various poultry houses, warehouses, machinery, equipment and vehicles under operating lease agreements. As at the reporting date, the Group has non-cancellable operating lease commitments of R52.5 million (refer to note 33 to the financial statements).

The Group expects to recognise right-of-use assets of approximately R62.5 million on 1 October 2019, and lease liabilities of R77.0 million.

The Group expects that net profit after tax will increase by approximately R0.5 million for 2020 as a result of adopting the new rules. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") is expected to increase by approximately R27.6 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

The difference between the non-cancellable operating lease commitments and lease liability on 1 October mainly relate to leases which has extension clauses which management has determined to be highly probable that extensions will be done.

The Group intends to apply the modified retrospective transition approach and will not restate comparative information.

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

The Group has considered all standards, interpretations and amendments that are in issue but not yet effective. Management has concluded that these standards do not, with the exception of amendments to IFRS 16 – Leases, have a significant impact on the Group's financial statements.

## 2. BASIS OF CONSOLIDATION

### Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

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

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

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

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

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

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

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

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

### Associates

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

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

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

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

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

# Accounting policies (continued)

for the year ended 30 September 2019

## 2. BASIS OF CONSOLIDATION (CONTINUED)

### Common control reserve

IFRS 3 excludes from its scope business combinations between entities under common control. The Group has made the policy choice to apply predecessor accounting.

The principles of predecessor accounting are that no assets or liabilities are restated to their fair values. The Group incorporates predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity.

No new goodwill arises. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Differences on consolidation are included in the common control reserve in equity.

## 3. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Land is not depreciated. Depreciation on buildings, poultry houses, machinery, vehicles, furniture and equipment is calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives.

The expected useful lives are as follows:

- Buildings20 – 25 years
- Poultry houses25 years
- Plant, machinery and equipment3 – 30 years
- Vehicles3 – 20 years

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

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

## 4. INTANGIBLE ASSETS

### Goodwill

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

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

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

### Trademarks

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

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

## 4. INTANGIBLE ASSETS (CONTINUED)

### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between two and five years.

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

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

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

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

## 5. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

## 6. FINANCIAL ASSETS

### Classification

From 1 October 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

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

### Recognition and derecognition

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

### Measurement

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

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

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

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

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



# Accounting policies (continued)

for the year ended 30 September 2019

6. FINANCIAL ASSETS (CONTINUED)

6.4 Impairment

From 1 October 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

6.5 Accounting policies applied until 30 September 2018

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 30 September 2018, the Group classified its financial assets in the following categories:

- At fair value through profit or loss
- Loans and receivables

The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. The Group's financial instruments at fair value through profit or loss comprise derivative financial instruments not earmarked for hedging. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Measurement

The measurement at initial recognition did not change on adoption of IFRS 9 (see description above).

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest rate method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value of financial assets at FVPL were recognised within other gains/(losses) – net, in profit or loss.

The fair values of quoted investments are based on current bid prices. The Group establishes fair value by using valuation techniques if the market for a financial asset is not active. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Loans and receivables

For the loans and receivables category, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

6. FINANCIAL ASSETS (CONTINUED)

6.5 Accounting policies applied until 30 September 2018 (continued)

Loans and receivables (continued)

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Impairment testing on trade receivables is described in note 9 of the accounting policies.

7. BIOLOGICAL ASSETS

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

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

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

8. INVENTORIES

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

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

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

9. TRADE AND OTHER RECEIVABLES

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

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

Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 8.

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

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments.

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



# Accounting policies (continued)

for the year ended 30 September 2019

11. SHARE CAPITAL

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

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

The Group values treasury shares on the weighted average cost basis.

12. BORROWINGS

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

13. PROVISIONS

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

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

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

14. TRADE AND OTHER PAYABLES

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

15. CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

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

16. REVENUE RECOGNITION

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

Income is recognised as follows:

Sale of goods

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

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

Revenue from sales is based on the price specified in the sales contracts, net of value-added tax, estimated rebates and discounts and an adjustment for expected returns at the time of sale. Contract terms and accumulated experience are used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as sales are made with credit terms (0 – 45 days) which are consistent with market practice.

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

Sale of services

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided. The sale of services is included in other income in profit or loss. Sale of services includes rental income received.

Accounting policies applied until 30 September 2018

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income is recognised as follows:

Sale of goods

Sales of goods comprise the sale of animal feed, livestock and agricultural produce.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

17.

# Accounting policies (continued)

for the year ended 30 September 2019

## 17. FOREIGN CURRENCY TRANSLATION (CONTINUED)

### Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences resulting from changes in amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities, such as equities held at FVPL, are recognised in profit or loss as part of the fair value gain or loss.

### Group entities

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

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

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

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

## 18. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE

### Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges.

The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the lease term or the useful lives of the assets.

### Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The Group ensures that the following two requirements are met in order for an arrangement transacted by the Group to be classified as a lease:

- Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract, but rather implied.
- The arrangement in substance conveys a right to use the asset.

## 18. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE (CONTINUED)

### Operating leases (continued)

The Group's assessment of whether an arrangement contains a lease is made at the inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances.

Where the Group concludes that it is impracticable to separate payments for the lease from other payments required by the arrangement:

- In the case of a finance lease, the Group recognises an asset and a liability at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate of interest.
- In the case of an operating lease, all payments under the arrangement are treated as lease payments.

## 19. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSOR

### Operating leases

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

## 20. EMPLOYEE BENEFITS

### Retirement scheme arrangements

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

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

### Other long-term employee benefits

The Group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within other operating expenses in profit or loss.

### Termination benefits

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

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

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

### Bonus plans

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

### Leave pay

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

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



# Accounting policies (continued)

for the year ended 30 September 2019

## 21. SHARE-BASED PAYMENTS

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

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

## 22. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

At the inception of the hedge relationship, the Group documents the economic relationship between the hedging instruments and hedged items including whether changes in cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of various derivative instruments used for hedging purposes and detail on movements in the hedging reserve are disclosed in note 9 to the consolidated annual financial statements. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the reporting date and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months from this date. Trading derivatives are classified as current assets or liabilities.

### Cash flow hedges that qualify for hedge accounting

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

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

Cash flow hedging instruments are mainly used to manage operational exposure to foreign exchange and commodity price risks. Financial instruments designated as cash flow hedges include commodity futures and foreign exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately within other gains or losses – net in profit or loss.

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

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

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

### Derivatives that do not qualify for hedge accounting

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

## 23. DIVIDEND DISTRIBUTION

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

## 24. SEGMENT REPORTING

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

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The operating segments were identified and grouped together based mainly on the nature of their activities and the products offered by them.

## 25. AMORTISED COSTS

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

## 26. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers on the Group’s financial statements.

### (a) Impact on the financial statements

As explained below, IFRS 9 and IFRS 15 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 30 September 2018 but are recognised in the opening statement of financial position on 1 October 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)

	30 September 2018			
	As originally presented	IFRS 9 impact	1 October 2018	
	R'000	R'000	R'000	R'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Deferred income tax	1 091 867		1 091 878	
	572	11	583	
<b>Current assets</b>	1 422 816	(1 009)	1 421 807	
Trade and other receivables	425 424	(1 009)	424 415	
<b>Total assets</b>	2 514 683	(998)	2 513 685	
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves attributable to owners of the parent</b>				
Retained earnings	1 854 391	(795)	1 853 596	
	582 086	(795)	581 291	
<b>Non-current liabilities</b>	234 405	(203)	234 202	
Deferred income tax	220 559	(203)	220 356	
<b>Total liabilities</b>	660 292	(203)	660 089	
<b>Total equity and liabilities</b>	2 514 683	(998)	2 513 685	

There was no impact on the statement of comprehensive income.



# Accounting policies (continued)

for the year ended 30 September 2019

26. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 – Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 October 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 6 and 22. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 October 2018 is as follows:

	Retained earnings R'000
<b>Closed retained earnings 30 September 2018 – IAS 39</b>	
Increase in provision for trade receivables	582 086
Increase/decrease in deferred tax	(1 009) 214
<b>Opening retained earnings 1 October 2018 – IFRS 9</b>	581 291

(i) Classification and measurement

There has been no significant change to the classification and measurement of financial assets and financials liabilities of the Group, except for the impact of the new impairment requirements.

From 1 October 2018 the Group classifies financial assets in each of the IFRS 9 measurement categories based on the Group's business model for managing the financial assets and the cash flow characteristics of the financial asset.

	Carrying amount		
	Original (IAS 39)	New (IFRS 9)	1 October 2018 R'000
<b>Current financial assets</b>			
Trade receivables*	Loans and receivables	Amortised cost	400 909
Other receivables**	Loans and receivables	Amortised cost	13 493
	Loans and receivables	Amortised cost	422 461
	Loans and receivables	Amortised cost	422 461
<b>Current financial liabilities</b>			
Derivatives	FVPL	FVPL	1 127

\* The differences noted in the carrying amount is the result of applying the new expected credit loss ("ECL") model. The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements.

\*\* The balance of other receivables include amount for value-added tax receivable of R10.4 million.

(ii) Derivatives and hedging activities

The foreign currency forwards in place as at 30 September 2018 qualified as cash flow hedges under IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

For foreign currency forwards, the Group only designates the spot component of the change in fair value in cash flow hedge relationships. The spot component is determined with reference to the relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as forward points. It is discounted, where material. Changes in the fair value related to forward points were recognised in the statement of profit or loss prior to 1 October 2017. The Group continues to recognise the cost of hedging (forward points) immediately in profit and loss.

26. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments – Impact of adoption (continued)

(iii) Impairment of financial assets

The Group has the following types of financial assets that are subject to IFRS 9's new ECL model:

- trade receivables for sales of inventory
- other receivables, and
- cash and cash equivalents

The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table adjacent. While cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring ECL, which uses a lifetime expected loss allowance for all trade receivables. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to such trade receivable and the economic environment. Forward-looking information includes expected economic growth and employment rates and the potential impact thereof on our customers. Trade receivables have been grouped together based on shared characteristics and the days past due. Shared characteristics refer to type of product sold to the customer. The calculation of the ECL takes into account the insurance cover in place. Refer to note 8 for further detail regarding the Group's evaluation.

The Group has a history of minimal bad debt write-offs and has credit insurance in place over a large portion of its trade debtors.

The loss allowances for trade receivables and contract assets as at 30 September 2018 reconcile to the opening loss allowances on 1 October 2018 as follows:

	Trade receivable – impairment provision R'000
<b>At 30 September 2018 – calculated under IAS 39</b>	21 873
<b>Amount restated through opening retained earnings</b>	1 009
<b>Opening loss allowance as at 1 October 2018 – calculated under IFRS 9</b>	22 882

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due and/or when the legal process has not enabled recovery.

(c) IFRS 15 – Revenue from Contracts with Customers – Impact of adoption

The Group has adopted IFRS 15 – Revenue from Contracts with Customers from 1 October 2018. The Group's revenue consists mostly of the sale of animal feeds, livestock and eggs, delivered to customers at the customers' premises.

The adoption of IFRS 15 did not impact the Group's timing of revenue recognition since the point in time at which the control of goods are transferred (IFRS 15) agrees with the point in time which the relevant risks and rewards were transferred to the customer in terms of IAS 18 previously.

The adoption of IFRS 15 did not impact the Group's measurement of revenue as the Group already accounted for estimated returns, rebates and discounts previously.

There are no material changes to the revenue recognition for revenue from sale of goods under IFRS 15.

# Consolidated statement of financial position

as at 30 September 2019

	Notes	2019 R'000	2018 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1 181 521</b>	<b>1 091 867</b>
Property, plant and equipment	3	<b>1 160 768</b>	1 071 869
Intangible assets	4	<b>7 722</b>	10 637
Investment in associate	5	<b>8 998</b>	8 789
Trade and other receivables	8	<b>3 356</b>	–
Deferred income tax	15	<b>677</b>	572
<b>Current assets</b>		<b>1 332 808</b>	<b>1 422 816</b>
Inventories	6	<b>288 029</b>	240 396
Biological assets	7	<b>379 596</b>	332 058
Trade and other receivables	8	<b>433 280</b>	425 424
Derivative financial instruments	9	<b>4 658</b>	–
Current income tax	29	<b>7 651</b>	2 477
Cash and cash equivalents	10	<b>219 594</b>	422 461
<b>Total assets</b>		<b>2 514 329</b>	<b>2 514 683</b>
<b>EQUITY AND LIABILITIES</b>		<b>1 837 412</b>	<b>1 854 391</b>
<b>Capital and reserves attributable to owners of the parent</b>		<b>1 465 069</b>	<b>1 500 248</b>
Share capital	11	<b>(23 947)</b>	(1 541)
Treasury shares	11	<b>(210 432)</b>	(226 402)
Other reserves	13	<b>606 722</b>	582 086
Retained earnings		<b>1 837 412</b>	<b>1 854 391</b>
<b>Total equity</b>		<b>256 790</b>	<b>234 405</b>
<b>Non-current liabilities</b>		<b>6 021</b>	<b>6 128</b>
Interest-bearing liability	14	<b>242 843</b>	220 559
Deferred income tax	15	<b>7 926</b>	7 718
Provisions for other liabilities and charges	16	<b>420 127</b>	425 887
<b>Current liabilities</b>		<b>420 019</b>	<b>424 661</b>
Trade and other payables	17	<b>–</b>	1 127
Derivative financial instruments	9	<b>108</b>	99
Interest-bearing liability	14	<b>676 917</b>	660 292
<b>Total liabilities</b>		<b>2 514 329</b>	<b>2 514 683</b>

# Consolidated statement of comprehensive income

for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Revenue	18	<b>4 417 674</b>	4 121 901
Cost of sales		<b>(3 395 377)</b>	(3 187 855)
Gross profit		<b>1 022 297</b>	934 046
Other income	19	<b>9 915</b>	33 148
Other gains/(losses) – net	20	<b>149 517</b>	420 072
Sales and distribution costs		<b>(251 995)</b>	(232 391)
Marketing costs		<b>(13 278)</b>	(15 205)
Administrative expenses		<b>(126 517)</b>	(118 196)
Other operating expenses		<b>(544 706)</b>	(548 195)
Operating profit	21	<b>245 233</b>	473 279
Investment income	22	<b>15 102</b>	24 919
Finance costs	23	<b>(3 959)</b>	(1 116)
Share of profit of associate company	5	<b>209</b>	706
Profit before income tax		<b>256 585</b>	497 788
Income tax expense	24	<b>(67 390)</b>	(135 561)
<b>Profit for the year</b>		<b>189 195</b>	<b>362 227</b>
<b>Other comprehensive income for the year</b>		<b>(1 227)</b>	<b>4 982</b>
<b>Items that may subsequently be reclassified to profit or loss:</b>			
Fair value adjustments to cash flow hedging reserve		<b>26 178</b>	23 627
For the year		<b>(1 426)</b>	(18)
Deferred income tax effect		<b>(5 903)</b>	(6 598)
Current income tax effect		<b>(27 883)</b>	(16 707)
Realised to profit or loss		<b>18</b>	568
Deferred income tax effect		<b>7 789</b>	4 110
Current income tax effect			
Movement in foreign currency translation reserve		<b>13 080</b>	(36 299)
Currency translation differences		<b>201 048</b>	330 910
<b>Total comprehensive income for the year</b>		<b>189 195</b>	<b>362 227</b>
Profit for the year attributable to owners of the parent		<b>201 048</b>	330 910
Total comprehensive income for the year attributable to owners of the parent		<b>93</b>	164
Earnings per ordinary share (cents)	25	<b>91</b>	163
Diluted earnings per ordinary share (cents)	25		

# Consolidated statement of changes in equity

for the year ended 30 September 2019

	Share capital R'000	Treasury shares R'000	Common control reserve R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Total R'000
<b>Balance as at 1 October 2018</b>	1 500 248	(1 541)	(167 877)	7 772	(79 901)	13 604	(226 402)	582 086	1 854 391
Change in accounting policy*	-	-	-	-	-	-	-	(795)	(795)
Shares repurchased and cancelled	(35 179)	-	-	-	-	-	-	-	(35 179)
Comprehensive income:									
Profit for the year	-	-	-	-	-	-	-	189 195	189 195
Other comprehensive income for the year	-	-	-	(1 227)	13 080	-	11 853	-	11 853
Movement in foreign currency translation reserve	-	-	-	-	13 080	-	13 080	-	13 080
Cash flow hedging									
Fair value adjustments to cash flow hedging reserve									
For the year	-	-	-	26 178	-	-	26 178	-	26 178
Deferred income tax effect	-	-	-	(1 426)	-	-	(1 426)	-	(1 426)
Current income tax effect	-	-	-	(5 903)	-	-	(5 903)	-	(5 903)
Realised to profit or loss	-	-	-	(27 883)	-	-	(27 883)	-	(27 883)
Deferred income tax effect	-	-	-	18	-	-	18	-	18
Current income tax effect	-	-	-	7 789	-	-	7 789	-	7 789
Recognition of share-based payments	-	-	-	-	-	9 525	9 525	-	9 525
Deferred income tax on share-based payments	-	-	-	-	-	(1 435)	(1 435)	-	(1 435)
Dividends paid – final and interim net of treasury shares	-	-	-	-	-	-	-	(162 775)	(162 775)
Ordinary shares acquired by subsidiary	-	(27 368)	-	-	-	-	-	-	(27 368)
Ordinary shares transferred – share appreciation rights	-	4 962	-	-	-	(3 973)	(3 973)	(989)	-
<b>Balance as at 30 September 2019</b>	1 465 069	(23 947)	(167 877)	6 545	(66 821)	17 721	(210 432)	606 722	1 837 412
Notes	11	11							13

\* Refer to note 26 of the accounting policies for details regarding the restatement of the opening balance of retained earnings on 1 October 2018.

<b>Balance as at 1 October 2017</b>	1 552 670	-	(167 877)	2 790	(43 602)	7 698	(200 991)	339 966	1 691 645
Shares repurchased and cancelled	(52 422)	-	-	-	-	-	-	-	(52 422)
Comprehensive income:									
Profit for the year	-	-	-	-	-	-	-	362 227	362 227
Other comprehensive income for the year	-	-	-	4 982	(36 299)	-	(31 317)	-	(31 317)
Movement in foreign currency translation reserve	-	-	-	-	(36 299)	-	(36 299)	-	(36 299)
Cash flow hedging									
Fair value adjustments to cash flow hedging reserve									
For the year	-	-	-	23 627	-	-	23 627	-	23 627
Deferred income tax effect	-	-	-	(18)	-	-	(18)	-	(18)
Current income tax effect	-	-	-	(6 598)	-	-	(6 598)	-	(6 598)
Realised to profit or loss	-	-	-	(16 707)	-	-	(16 707)	-	(16 707)
Deferred income tax effect	-	-	-	568	-	-	568	-	568
Current income tax effect	-	-	-	4 110	-	-	4 110	-	4 110
Recognition of share-based payments	-	-	-	-	-	5 182	5 182	-	5 182
Deferred income tax on share-based payments	-	-	-	-	-	1 451	1 451	-	1 451
Dividends paid – final and interim net of treasury shares	-	-	-	-	-	-	-	(119 855)	(119 855)
Ordinary shares acquired by subsidiary	-	(2 520)	-	-	-	-	-	-	(2 520)
Ordinary shares transferred – share appreciation rights	-	979	-	-	-	(727)	(727)	(252)	-
<b>Balance as at 30 September 2018</b>	1 500 248	(1 541)	(167 877)	7 772	(79 901)	13 604	(226 402)	582 086	1 854 391
Notes	11	11							13



# Consolidated statement of cash flows

for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash profit from operating activities	26	162 706	431 555
Working capital changes	27	329 847 (109 244)	547 802 12 889
Cash effect of hedging activities		(6 736)	8 884
Cash generated from operations	29	213 867 (51 161)	569 575 (138 020)
Income tax paid		(140 946)	(87 355)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	3	(152 587)	(115 749)
Additions to intangible assets	4	(4)	(283)
Proceeds on disposal of property, plant and equipment	30	3 271	3 758
Additional interest in existing subsidiaries disposed/(acquired)			
Advance of non-interest-bearing loan	8	(6 728)	–
Interest received	22	15 102	24 919
Cash surplus		21 760	344 200
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of interest-bearing liability		(225 941)	(175 320)
Shares repurchased	11	(98)	(91)
Treasury shares acquired by subsidiary	11	(35 179) (27 368)	(52 422) (2 520)
Interest paid		(724)	(554)
Dividends paid to ordinary shareholders	28	(162 572)	(119 733)
(Decrease)/increase in cash and cash equivalents		(204 181)	168 880
Effects of exchange rate changes		1 314	(7 888)
Cash and cash equivalents at beginning of year		422 461	261 469
Cash and cash equivalents at end of year	10	219 594	422 461

# Notes to the consolidated financial statements

for the year ended 30 September 2019

## 1. ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these historical financial information are set out on pages 12 to 25.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### Property, plant and equipment

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

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

To determine the value-in-use, management uses the budget as approved by the Board to determine future cash flows for the CGUs. These cash flows are then discounted using the Group's weighted average cost of capital.

The fair value less cost to sell is based on valuations performed by an independent external valuation expert. Refer to note 3.

At year-end, the Group's net asset value exceeded its market capitalisation. Significant headroom exists for all CGUs assessed by management. Consequently, management has not identified any impairment losses to be included in the Group's consolidated financial statements.

### Fair value measurement of biological assets

In measuring fair value of biological assets, management estimates and judgements are required for determination of fair value. Refer to note 36 for key assumptions used.

### Assessment of control over contract growers

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

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

### Impairment of financial assets

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement the Group evaluates, among other factors, the expected loss rates based on historical information and adjusted to reflect current and forward-looking information and macro-economic factors. Refer to note 8.

## 3. PROPERTY, PLANT AND EQUIPMENT

Land and buildings	325 889	301 854
Plant, machinery and equipment	806 904	744 653
Vehicles	27 975	25 362
Net book value	1 160 768	1 071 869

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
<b>30 September 2019</b>				
<b>Cost</b>				
At 1 October 2018	410 507	1 264 701	51 348	1 726 556
Additions	29 953	111 773	10 861	152 587
Foreign exchange adjustment	2 369	9 838	404	12 611
Disposals	(354)	(13 031)	(3 408)	(16 793)
At 30 September 2019	442 475	1 373 281	59 205	1 874 961
<b>Accumulated depreciation and impairment</b>				
At 1 October 2018	(108 653)	(520 048)	(25 986)	(654 687)
Depreciation charge	(7 846)	(55 769)	(6 946)	(70 561)
Foreign exchange adjustment	(327)	(2 512)	(250)	(3 089)
Depreciation on disposals	240	11 952	1 952	14 144
At 30 September 2019	(116 586)	(566 377)	(31 230)	(714 193)
<b>Net book value at 30 September 2019</b>	<b>325 889</b>	<b>806 904</b>	<b>27 975</b>	<b>1 160 768</b>
<b>30 September 2018</b>				
<b>Cost</b>				
At 1 October 2017	411 134	1 189 517	48 355	1 649 006
Additions	17 639	88 838	9 272	115 749
Transfers	(6 685)	6 590	95	–
Foreign exchange adjustment	(11 353)	(17 166)	(2 204)	(30 723)
Disposals	(228)	(3 078)	(4 170)	(7 476)
At 30 September 2018	410 507	1 264 701	51 348	1 726 556
<b>Accumulated depreciation and impairment</b>				
At 1 October 2017	(103 899)	(470 419)	(23 429)	(597 747)
Depreciation charge	(7 405)	(54 978)	(5 554)	(67 937)
Foreign exchange adjustment	2 523	2 771	1 056	6 350
Depreciation on disposals	128	2 578	1 941	4 647
At 30 September 2018	(108 653)	(520 048)	(25 986)	(654 687)
<b>Net book value at 30 September 2018</b>	<b>301 854</b>	<b>744 653</b>	<b>25 362</b>	<b>1 071 869</b>

	2019 R'000	2018 R'000
<b>3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
The property, plant and equipment balance includes assets in the course of construction amounting to: A register with full details of assets is available at the Group's registered office. Refer to note 33.3 for capital commitments for property, plant and equipment.		
Plant, machinery and equipment includes the following amounts where the Group is a lessee under a finance lease (refer to note 14 for further details):		
<b>Leased equipment</b>		
Cost	6 448	6 448
Accumulated depreciation	(924)	(666)
<b>Net book value at 30 September 2019</b>	<b>5 524</b>	<b>5 782</b>
<b>4. INTANGIBLE ASSETS</b>		
Computer software	2 114	4 720
Goodwill	5 428	5 428
Trademarks	180	489
Net book value	7 722	10 637

	Computer Software R'000	Goodwill R'000	Trademarks R'000	Total R'000
<b>30 September 2019</b>				
<b>Cost</b>				
At 1 October 2018	14 428	5 428	24 544	44 400
Additions	4	–	–	4
At 30 September 2019	14 432	5 428	24 544	44 404
<b>Accumulated amortisation and impairment</b>				
At 1 October 2018	(9 708)	–	(24 055)	(33 763)
Amortisation for the year	(2 610)	–	(309)	(2 919)
At 30 September 2019	(12 318)	–	(24 364)	(36 682)
<b>Net book value at 30 September 2019</b>	<b>2 114</b>	<b>5 428</b>	<b>180</b>	<b>7 722</b>
<b>30 September 2018</b>				
<b>Cost</b>				
At 1 October 2017	14 165	5 428	24 544	44 137
Additions	283	–	–	283
Disposals	(20)	–	–	(20)
At 30 September 2018	14 428	5 428	24 544	44 400
<b>Accumulated amortisation and impairment</b>				
At 1 October 2017	(7 087)	–	(23 746)	(30 833)
Amortisation for the year	(2 641)	–	(309)	(2 950)
Depreciation on disposals	20	–	–	20
At 30 September 2018	(9 708)	–	(24 055)	(33 763)
<b>Net book value at 30 September 2018</b>	<b>4 720</b>	<b>5 428</b>	<b>489</b>	<b>10 637</b>

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

## 4. INTANGIBLE ASSETS (CONTINUED)

The carrying value of the trademark above is included in the following CGUs:

	2019 R'000	2018 R'000
<b>Eggs</b>		
Safe Eggs	180	489
The trademark has a remaining useful life of seven months.		
<b>Impairment test for goodwill</b>		
Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.		
<b>Animal feeds</b>		
– Ollifantskop feed mill	5 428	5 428
The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets approved by the Board. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the agricultural industry in which the CGU operates.		
<b>Key assumptions used for value-in-use calculation:</b>		
Growth rate	5.5%	5.5%
Discount rate	22.3%	24.2%

These assumptions have been used for the analysis of this CGU. The budgeted gross margin is based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The pre-tax discount rates as disclosed above reflect specific risk relating to the relevant CGU.

No impairment was recognised at the end of the reporting period presented.

## 5. INVESTMENT IN ASSOCIATE

	2019 R'000	2018 R'000
Unlisted shares at cost	1 700	1 700
Interest in retained earnings and reserves	7 298	7 089
Balance beginning of year	7 089	6 383
Share of profit of associated company	209	706
	8 998	8 789
Cost of shares		
Bergsig Breeders (Pty) Ltd	1 700	1 700
	1 700	1 700
Effective interest 29.9% (2018: 29.9%)		
The following is the summarised statement of financial position of the abovementioned associate company:		
Non-current assets	17 188	17 679
Current assets	18 275	17 765
<b>Total assets</b>	<b>35 463</b>	<b>35 444</b>
Non-current liabilities	2 247	4 194
Current liabilities	5 215	3 947
<b>Total liabilities</b>	<b>7 462</b>	<b>8 141</b>
Capital and reserves	28 001	27 303
<b>Total equity and liabilities</b>	<b>35 463</b>	<b>35 444</b>

## 5. INVESTMENT IN ASSOCIATE

The following is the summarised statement of comprehensive income of the associated company for the year:

	2019 R'000	2018 R'000
<b>Revenue</b>	<b>56 699</b>	<b>58 461</b>
<b>Operating profit</b>	<b>1 610</b>	<b>3 626</b>
<b>Net profit after income tax</b>	<b>698</b>	<b>2 364</b>

Bergsig Breeders (Pty) Ltd is a private company and there is no quoted market price available for its shares. The company operates in the poultry industry in South Africa and supplies the Group with broiler hatching eggs.

## 6. INVENTORIES

Raw material  
Manufactured products  
Packing materials and consumables

Inventory carried at net realisable value	2 889	197
Cost of inventories included in cost of sales	3 237 937	2 763 625

The cost of inventories above excludes inventory written off and biological assets fair value adjustments.

## 7. BIOLOGICAL ASSETS

Livestock – poultry

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

Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

	Broiler stock R'000	Layer stock R'000	Total R'000
Fair value at 1 October 2018	121 631	210 427	332 058
Increase due to establishment cost	861 782	946 070	1 807 852
Decrease due to harvest/sales	(870 989)	(891 384)	(1 762 373)
Fair value adjustment recorded in profit and loss	(1 125)	1 915	790
Foreign exchange adjustment	334	935	1 269
<b>Fair value at 30 September 2019</b>	<b>111 633</b>	<b>267 963</b>	<b>379 596</b>
Fair value at 1 October 2017	95 145	204 200	299 345
Increase due to establishment cost	811 722	837 944	1 649 666
Decrease due to harvest/sales	(784 960)	(827 861)	(1 612 821)
Fair value adjustment recorded in profit and loss	304	(1 079)	(775)
Foreign exchange adjustment	(580)	(2 777)	(3 357)
<b>Fair value at 30 September 2018</b>	<b>121 631</b>	<b>210 427</b>	<b>332 058</b>



# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

7.	BIOLOGICAL ASSETS (CONTINUED)			2019	2018
	Biological assets at fair value less cost to sell consist of the following:			R'000	R'000
	Chickens – grandparents and other breeding stock				
	Chickens – laying	50 793		48 887	
	Chickens – broilers	262 586		207 179	
	Hatching eggs	38 015		48 673	
	Game	26 996		26 180	
		1 206		1 139	
		379 596		332 058	
		Quantity		Quantity	

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

## 8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the Group's loss allowance are as follows:

At 1 October	
Amounts restated through opening retained earnings	
Decrease in general loss allowance recognised in profit or loss during the year	
Increase in specific loss allowance recognised in profit or loss during the year	
Receivables written off during the year as uncollectible	
Unused amounts reversed	
Foreign exchange translation adjustment	
At 30 September	

Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amount of fully performing financial assets included in trade and other receivables at year-end equals:

National customers	
Other customers	

2019 R'000	2018 R'000
21 873	24 653
1 009	–
(142)	–
922	3 865
(1 302)	(6 135)
(813)	(151)
87	(359)
21 634	21 873
148 988	174 953
238 456	199 336
387 444	374 289

### Credit risk disclosure for comparative figures under IAS 39

Financial assets included in trade and other receivables that are outside their normal payment terms are considered to be past due. The following represents an analysis of the past due number of days of financial assets that are past due but not impaired:

<b>National customers</b>	
Within 30 days*	2 769
Between 30 and 60 days*	1 139
Between 60 and 90 days*	305
Between 90 and 120 days*	102
More than 120 days*	235
	4 550
<b>Other customers</b>	
Within 30 days*	2 714
Between 30 and 60 days*	841
Between 60 and 90 days*	2 206
Between 90 and 120 days*	26
More than 120 days*	19 352
	25 139
Total	29 689

\* Represents the days exceeding credit terms

## 8. TRADE AND OTHER RECEIVABLES (CONTINUED)

The past due but not impaired balances more than 120 days overdue for 2018 (R19.4 million) include debtors insured with Credit Guarantee Insurance of R18.9 million.

Individually impaired receivables where indicators of impairment are present comprise of a number of customers. The following trade receivables were impaired at year-end:

National customers	–	21 873
Other customers	20 767	
Total customers	20 767	21 873
A summary of the Group's trade receivable covered by insurance or secured by collateral is as follows:		
Trade receivable balances covered by Credit Guarantee Insurance (excluding specifically provided debtors balances)	219 292	212 685
Mortgage bonds – registered value	8 300	11 700
Notorial bonds – registered value	8 400	5 000
Cessions – book value	11 520	8 820
Bank guarantees – actual value	6 500	6 500
Fair value of collateral held on past due and/or impaired trade receivables:	26 450	25 221

The carrying amount of the Group's trade receivables are denominated in the following currencies which, except for the Euro balance, are the functional currencies of the relevant subsidiaries:

Euro	865	–
Zambian kwacha	5 492	4 189
Ugandan shilling	2 016	2 011
Mozambican metical	5 100	5 778
South African rand	411 492	413 472
Total	424 965	425 450

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

### Loan to Chamomile Farming Enterprises (Pty) Ltd ("Chamomile")

The Group granted a long-term loan to Chamomile during the reporting period. Chamomile is a black-owned egg supplier of the Group. The loan was provided to increase Chamomile's layer hen capacity. The loan is unsecured, interest free and repayable in monthly instalments over 10 years.

Loans advanced during the year	6 728
Less discounting of loan	(2 495)
Loans at the end of year – included in other debtors' balance	4 233
Current portion of loan	(878)
Non-current portion of loan	3 355

No amount of the loan is currently past due, nor has there been any indication that Chamomile will default. No ECL was recognised on the loan receivable from Chamomile based on the assessment performed.

## for the year ended 30 September 2019

Trading derivatives are classified as a current asset or liability. The carrying values of derivative financial instruments are measured at their fair values at the reporting date.

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

The futures not earmarked for hedging related to purchased maize contracts on the Chicago board of trade, to hedge the raw material input price. Instruments revalued to fair value at year-end.

Refer to note 36 for the Group's exposure to financial risks and how these risks are managed.

<b>Futures*</b>			
Currency forward contracts			
30 September 2019			
Purchases of foreign exchange contracts			
US dollar	6 526	98 883	4 626
30 September 2018			
Purchases of foreign exchange contracts			
US dollar	2 183	30 935	391
Euro	628	10 301	(459)
			(68)
			7 596

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

\* Disclosed within cash and cash equivalents (restricted cash). Consists of 387 yellow maize (2018: 394) futures bought.

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

Cash and cash equivalents include restricted balances of R7.0 million (2018: R7.6 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the Group when the related derivative positions are closed.

During the reporting period the subsidiary repurchased 8 083 426 (2018: 546 815) shares at an average price of R3.39 (2018: R4.61) per share.



# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

12.

## SHARE-BASED PAYMENTS

### Management share appreciation rights scheme (equity-settled)

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

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

### Number of share appreciation rights made available

Number at beginning of year	22 866	2018 Number '000
New allocation at R4.25 per share	6 049	
New allocation at R3.91 per share	–	
Redeemed	(3 752)	
Expired/forfeited	–	
Number at end of year	25 163	

### Number of share appreciation rights

At R3.15 per share, exercisable up to 27 February 2021  
At R2.66 per share, exercisable up to 18 February 2022  
At R3.09 per share, exercisable up to 23 February 2023  
At R3.91 per share, exercisable up to 22 February 2024  
At R4.25 per share, exercisable up to 11 February 2025

Share appreciation rights were granted on 11 February 2019 at a strike price of R4.25. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 11 February 2022 subject to certain time and performance-based criteria.

The net estimated weighted average fair value at grant date per share appreciation right for share appreciation rights outstanding at 30 September 2019 is R1.14. The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based Payment. The cost accounted for in the current year amounts to R9 624 400 (2018: R5 182 200). The scheme rules were changed in 2019 to include the aggregate of any special dividends declared during the period between the grant date and the vesting date, in the exercise price of the share appreciation rights.

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

The principal assumptions were as follows:

Weighted average share price at grant date (cents per share)	
Expected volatility	344
Expected dividend yield	20.9% – 31.9%
Risk-free rate	3.0%
Expected life (years)	6.5% – 8.6%
	3 to 5

Expected volatility was determined by calculating the volatility of the share price of a similar JSE-listed entity in the agricultural industry.

The shareholders initially approved a maximum number of 14 500 000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2019, 12 977 705 ordinary shares (2018: 14 287 604) were still available for issue.

13.

## OTHER RESERVES

Common control reserve	(167 877)	2018 R'000
Share-based payment reserve	17 721	(167 877)
Foreign currency translation reserve	(66 821)	13 604
Hedging reserve	6 545	(79 901)
	(210 432)	7 772
		(226 402)

The Group acquired its businesses from Pioneer Foods Group Ltd during the 2014 reporting period as part of the restructuring from Pioneer Foods Group Ltd. The acquisition was an acquisition of businesses under common control. The acquisition was accounted for using predecessor accounting at the carrying value of the asses/liabilities at the acquisition date. The difference between the consideration given and the book values of net assets acquired was recorded in the common control reserve in equity.

The fair value of share appreciation rights issued to qualifying management are accounted for in the share-based payment reserve over the respective vesting periods. The reserve is adjusted at each reporting date when the entity revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to this reserve in equity for the equity-settled plan. Refer to note 12 for further detail.

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

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

14.

## INTEREST-BEARING LIABILITY

### Non-current

Finance lease liability	6 021	2018 R'000
	6 021	6 128

### Current

Finance lease liability	108	2018 R'000
	108	99
	6 129	6 227

The finance lease liability bears interest at a rate of 8.35%. The finance lease liability is effectively secured as the rights to the leased assets revert to the lessor in the event of default. The carrying amount of the finance lease liability approximates its fair value.

The Group entered an arrangement to purchase electricity generated by solar panels at one of its units. The 25-year agreement constitutes a finance lease for accounting purposes.

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

15. DEFERRED INCOME TAX

Balance at beginning of year  
Change in accounting policy – IFRS 9\*  
Charge in profit or loss  
Foreign exchange translation adjustment  
Deferred income tax on hedging reserve charged to equity  
Deferred income tax on share-based payment reserve

Due to the following temporary differences:  
Capital allowances, including trademarks  
Inventories  
Biological assets  
Assessed loss utilised  
Prepaid expenses  
Provision for long-service awards  
Leave accrual  
Bonus accrual  
Provision for impairment of trade receivables  
Rebates, growth incentives and settlement discount accruals  
Allowance for credit notes  
Deferred income  
Derivative financial instruments  
Share-based payments  
Accruals personnel costs  
Other

For the purposes of the statement of financial position, deferred income tax is presented as follows:

Non-current assets  
Non-current liabilities

During the year, deferred income tax assets of R677 493 (2018: R571 726) have been recognised of which the utilisation thereof depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

These deferred tax assets relate to assessed losses of Group entities that suffered losses in the current and/or preceding years. The losses suffered in the current and/or previous period arose from identifiable causes that are unlikely to recur. These entities have a strong earnings potential and future profitability is expected against which unrecognised tax losses can be utilised.

\* Deferred tax on amounts restated through opening retained earnings due to the implementation of IFRS 9. Refer note 26 of the accounting policies for further details.

	2019 R'000	2018 R'000
219 987	219 007	
(214)	–	
19 517	4 899	
33	(1 918)	
1 408	(550)	
1 435	(1 451)	
242 166	219 987	
183 618	171 922	
9 131	7 713	
83 175	70 794	
(5 543)	(3 398)	
1 514	2 277	
(2 219)	(2 161)	
(5 742)	(5 290)	
(5 743)	(6 822)	
(4 203)	(4 498)	
(2 480)	(3 701)	
(605)	(747)	
(771)	(633)	
1 318	(440)	
(5 802)	(4 448)	
(2 662)	(818)	
(820)	237	
242 166	219 987	
(677)	(572)	
242 843	220 559	
242 166	219 987	

16. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Long-service awards

16.1 Long-service awards

Balance at beginning of year  
Interest  
Actuarial loss/(profit)  
Current service costs  
Payments

The amount recognised in the statement of financial position was determined as follows:  
Present value of unfunded obligations  
Unrecognised actuarial loss

Existing provisions are based on the following important assumptions:

Discount rate  
Salary increases  
Normal retirement age  
The date of the most recent actuarial valuation is:

17. TRADE AND OTHER PAYABLES

Trade payables  
Accrued expenses  
Related parties (refer to note 34)  
Accrued leave pay  
Accrued 13th cheque  
Accrued short-term incentive bonus  
Value-added tax  
Dividends payable  
Other payables

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

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

Uncovered:

Euro  
UK pound  
US dollar  
Zambian kwacha (functional currency of a subsidiary)  
Ugandan shilling (functional currency of a subsidiary)  
Mozambican metical (functional currency of a subsidiary)  
South African rand

Total

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

	2019 R'000	2018 R'000
7 926	7 718	
7 718	7 608	
625	562	
426	(347)	
1 030	1 020	
(1 873)	(1 125)	
7 926	7 718	
7 926	7 718	
–	–	
7 926	7 718	
8% p.a. 6% p.a. 60 years 30 September 2019	8.9% p.a. 6.5% p.a. 60 years 30 September 2018	
337 673	336 004	
21 944	24 446	
3 087	4 776	
21 305	20 058	
9 094	11 053	
19 988	19 616	
48	373	
392	189	
6 488	8 146	
420 019	424 661	
337 673	336 004	
243	371	
81	–	
1 274	1 794	
3 400	3 066	
1 674	1 694	
2 909	2 207	
328 092	326 872	
337 673	336 004	

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time.

Revenue	2019 R'000	2018 R'000
Disaggregation of revenue from contracts with customers	4 417 674	4 121 901
Eggs	1 095 195	1 206 489
Layer farming*	197 058	183 901
Broiler farming**	1 128 094	1 048 897
Animal feeds	1 758 627	1 460 387
Zambia***	144 538	128 522
Uganda***	48 966	49 263
Mozambique****	45 196	44 442
	4 417 674	4 121 901

\* Layer farming sales include the sale of day-old pullets and point-of-lay hens.  
\*\* Broiler farming sales include the sales of day-old broilers and live birds.  
\*\*\* Includes the sale of animal feeds, commercial eggs and day-old chicks.  
\*\*\*\* Includes the sale of commercial eggs.

Information regarding major customers

During the period under review, revenue from the Group's top three customers is as follows:

Customer A	679 457	613 538
Customer B	464 862	502 792
Customer C	337 744	270 082
Revenue from these customers is reported within all operating segments except other African countries.		

19. OTHER INCOME

Rental income	6 186	7 142
Sundry income	2 783	3 843
Insurance claims	946	22 163
	9 915	33 148

20. OTHER GAINS/(LOSSES) – NET

Biological assets fair value adjustment	105 091	74 063
Unrealised – reflected in carrying amount of biological assets	790	(775)
Realised – reflected in cost of goods sold	104 301	74 838
Agricultural produce fair value adjustment	40 015	344 783
Unrealised – reflected in carrying amount of inventory	(2 891)	1 142
Realised – reflected in cost of goods sold	42 906	343 641
Foreign exchange differences	339	4 413
Financial instruments fair value adjustments	3 003	(1 243)
Foreign exchange contract cash flow hedging ineffective gain/(loss)	447	(2 873)
Profit on disposal of property, plant and equipment	622	929
	149 517	420 072

20. OTHER GAINS/(LOSSES) – NET (CONTINUED)

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.

	2019 R'000	2018 R'000
EXPENSE BY NATURE		
Cost of raw materials	2 997 185	2 551 826
Fair value adjustment on biological assets and agricultural produce	147 207	418 479
Inventory written off	10 233	5 751
Research and laboratory costs	15 610	19 022
Staff costs	440 253	403 393
Wages and salaries	373 232	349 789
Other personnel costs	33 400	26 604
Pension costs	24 097	21 818
Share-based payments expense (refer to note 12)	9 524	5 182
Non-executive directors' remuneration	1 895	1 596
Technical services from non-employees	7 159	6 598
Auditors' remuneration	4 001	3 838
Audit – current year	4 001	3 758
Tax-related services	–	80
Internal audit fees	1 891	1 324
Rental of premises, machinery and vehicles	28 366	28 590
Travel and entertainment	10 448	8 775
Energy costs	112 950	103 472
Maintenance	88 348	91 239
Depreciation and amortisation	73 480	70 887
Insurance	18 599	16 003
Cleaning	31 709	32 318
Office expenses	48 760	55 360
Marketing costs	10 742	11 504
Security	26 164	25 066
Change in loss allowance for trade receivables	(1 335)	(2 421)
Change in allowance for credit notes	(506)	(189)
Bad debts – net	933	5 973
Transport and distribution costs	254 767	239 699
B-BBEE socio-economic and enterprise development	3 014	3 735
Total cost of sales, sales and distribution costs, marketing, administrative and other operating expenses	4 331 873	4 101 842

22. INVESTMENT INCOME

Interest income on financial assets: loans and receivables

– Call accounts and other

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



# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

23.

FINANCE COSTS

Interest expense on financial liabilities measured at amortised cost

- Finance lease 524
- Provision for unwinding of discount 562
- Other 30

	2019 R'000	2018 R'000
	516	524
	3 235	562
	208	30
	3 959	1 116

24.

INCOME TAX EXPENSE

Current income tax

Current year

Under/(over)provision previous years

Deferred taxation

Current year

	47 873	130 662
	47 871	130 715
	2	(53)
	19 517	4 899
	19 517	4 899
	67 390	135 561

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

	%	%
Standard rate for companies*	28.00	28.00
Increase/(decrease) in rate:	(0.14)	(0.07)
Exempt income	1.01	0.79
Non-deductible expenditure	–	(0.01)
Under/(over) provision previous years	(0.05)	(0.02)
Effect of capital gains tax	(1.38)	(0.99)
Effect of different tax rates*	(1.18)	(0.47)
Other differences		
Effective rate	26.26	27.23

\* The standard tax rate for foreign subsidiaries differs from the income tax rate of 28%. Quantum Foods Zambia Ltd's agricultural profits are taxed at 10% and other income is taxed at 35%. Quantum Foods Uganda Ltd's profits are taxed at 30%. Quantum Foods Mozambique SA's profits are taxed at 16% (lower rate for first five years after initial investment).

Non-deductible expenditure consists mainly of depreciation on assets which are not deductible for tax (e.g. poultry houses bought). These create a permanent tax difference. Other differences include the unwinding of deferred tax balances recognised as part of business combinations – 0.62% (2018: 0.31%)

Gross calculated tax losses of certain subsidiaries at the end of the reporting period available for utilisation against future taxable income of those companies

Less: Utilised in reduction of deferred tax

	R'000	R'000
	20 689	13 284
	(16 455)	(9 711)
	4 234	3 573

A current and deferred income tax charge of R477 549 is credited (2018: R1 937 673 debited) directly through other comprehensive income/(loss).

25.

EARNINGS PER ORDINARY SHARE

Basic

The calculation of basic earnings per share is based on earnings attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year:

Profit for the year

Weighted average number of ordinary shares in issue ('000)

	2019 R'000	2018 R'000
	189 195	362 227
	204 298	220 468

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 year

Diluted weighted average number of ordinary shares in issue ('000)

	189 195	362 227
	207 185	222 821

Headline earnings is calculated based on Circular 4/2018 issued by the South African Institute of Chartered Accountants.

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

Profit for the year

Remeasurement of items of a capital nature

Profit on disposal of property, plant and equipment

Gross

Tax effect

	(554)	(782)
	(622)	(929)
	68	147
	188 641	361 445
	93	164
	91	163
	92	164
	91	162

Headline earnings for the year

Earnings per share (cents)

Diluted earnings per share (cents)

Headline earnings per share (cents)

Diluted headline earnings per share (cents)

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

	2019 R'000	2018 R'000
26. <b>CASH PROFIT FROM OPERATING ACTIVITIES</b>		
Reconciliation of profit before tax and cash profit from operating activities:		
Profit before income tax	256 585	497 788
<b>Adjustment for:</b>		
Depreciation and amortisation	73 480	70 887
Biological assets fair value adjustment	(790)	775
Agricultural produce fair value adjustment	2 891	(1 142)
Net profit on sale of property, plant and equipment	(622)	(929)
Adjustment on fixed rate leases	(326)	(119)
Unrealised (profits)/losses on FECs, foreign exchange and future contracts	(91)	(4 171)
Change in loss allowance for trade receivables	(1 335)	(2 421)
Change in provision for credit notes based on history	(506)	(185)
Bad debts	933	5 973
Share-based payments expense	9 524	5 182
Changes in provisions for long-service awards	1 456	673
Interest received	(15 102)	(24 919)
Interest paid	3 959	1 116
Share of profit of associate company	(209)	(706)
	329 847	547 802
27. <b>WORKING CAPITAL CHANGES</b>		
Increase in inventory	(47 633)	(38 607)
Increase in trade and other receivables	(7 080)	(17 396)
(Decrease)/increase in trade and other payables	(2 241)	97 153
Increase in current biological assets	(49 639)	(32 346)
Changes to derivative financial instruments	(663)	5 210
Decrease in provisions	(1 988)	(1 125)
	(109 244)	12 889
28. <b>DIVIDENDS PAID</b>		
Amounts unpaid at beginning of the year	(189)	(67)
As disclosed in statement of changes in equity	(162 775)	(119 855)
Dividends declared during the year	(163 373)	(119 909)
Dividends on treasury shares received by subsidiary	598	54
Amounts unpaid at end of year	392	189
	(162 572)	(119 733)
29. <b>INCOME TAX PAID</b>		
Amounts unpaid at beginning of the year	2 477	(2 393)
Current tax charge in profit and loss	(47 873)	(130 662)
Hedging reserve – income tax current year	1 886	(2 488)
Amounts prepaid at end of the year	(7 651)	(2 477)
	(51 161)	(138 020)
For the purposes of the statement of financial position, current income tax receivable is presented as follows:		
Current assets	(7 651)	(2 477)
	(7 651)	(2 477)
30. <b>PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS</b>		
Book value of property, plant and equipment and intangible assets disposed	2 649	2 829
Profit on disposal of property, plant and equipment	622	929
	3 271	3 758
31. <b>NET DEBT RECONCILIATION</b>		
This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.		
<b>Net debt</b>		
Cash and cash equivalents	219 594	422 461
Borrowings – repayable after one year (fixed interest rates)	(6 129)	(6 227)
	213 465	416 234
<b>Borrowings due after 1 year</b>		
Cash		
261 469		6 318
168 880		(91)
(7 888)		–
422 461		6 227
<b>(204 181)</b>		<b>(98)</b>
<b>1 314</b>		<b>–</b>
<b>219 594</b>		<b>6 129</b>

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

	2019 R'000	2018 R'000
<b>32. CONTINGENT LIABILITIES</b>		
Guarantees in terms of loans by third parties to contracted service providers	23 861	29 550
<b>Litigation</b>		
<b>Customer claim</b>		
The Group received a summons in the 2016 reporting period in respect of a claim for performance of day-old pullets delivered to the customer. The claim was withdrawn as part of a settlement agreement. The settlement had no adverse financial impact on the Group.		
<b>Allegations of anti-competitive trade practices – Zambia</b>		
The Group received a notice of investigation in the 2016 reporting period from the Zambian Competition and Consumer Protection Commission ("ZCCPC") regarding alleged violation of the Competition and Consumer Protection Act ("CCPA"). The investigation was finalised in March 2018, and Quantum Foods Zambia Ltd was found to be in contravention with certain provisions of the CCPA. An appeal was lodged at the Competition and Consumer Protection Tribunal for Zambia. The matter was settled with the ZCCPC within the reporting period and the majority of the provision previously recognised was reversed. The settlement had no adverse financial impact on the Group.		
<b>Dispute with egg contract producer</b>		
The Group has an outstanding trade receivable from a previous egg contract producer. The producer had filed a counterclaim against the Group for alleged breach of the terms of the terminated agreement. The claim was withdrawn as part of a settlement agreement. The settlement had no adverse financial impact on the Group.		
<b>33. COMMITMENTS</b>	2019 R'000	2018 R'000
<b>33.1 Operating lease commitments</b>		
<b>Future minimum lease payments</b>		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
No later than one year	26 450	27 502
Later than one year, and no later than five years	26 079	24 464
	52 529	51 966
<b>Operating lease receivables</b>		
The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:		
No later than one year	4 658	4 468
Later than one year, and no later than five years	–	4 311
	4 658	8 779
<b>Capital commitments</b>		
Contractually committed	14 622	49 954
Approved by the Board, but not yet contractually committed – for the next financial year	85 984	95 318
	100 606	145 272
Allocated as follows:		
Property, plant and equipment	100 606	145 272
	100 606	145 272

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

	2019 R'000	2018 R'000
<b>34. RELATED-PARTY TRANSACTIONS</b>		
Quantum Foods Holdings Ltd is the ultimate holding company of the Quantum Foods group of companies. The Group consist of:		
– Quantum Foods (Pty) Ltd		
– Philidelphia Chick Breeders (Pty) Ltd		
– Quantum Foods Uganda Ltd (incorporated in Uganda)		
– Quantum Foods Zambia Ltd (incorporated in Zambia)		
– Quantum Foods Mozambique, S.A. (incorporated in Mozambique)		
– Bergsig Breeders (Pty) Ltd – associate company		
The Group holds a 100% (2018: 100%) interest in Quantum Foods (Pty) Ltd, and this entity holds a 100% (2018: 100%) interest in all the other subsidiaries listed above. The subsidiaries are incorporated in South Africa unless indicated otherwise.		
During the reporting period the Company and its subsidiaries conducted the following transactions with its associate company and key management personnel:		
<b>34.1 Sale of goods</b>	55 295	40 950
Bergsig Breeders (Pty) Ltd		
<b>34.2 Purchase of goods</b>	54 477	51 775
Bergsig Breeders (Pty) Ltd		
<b>34.3 Key management personnel compensation</b>		
Salaries and other short-term employee benefits	17 540	16 312
Post-employment benefits	1 940	1 743
Bonuses and incentives	13 386	13 160
Other long-term benefits	133	–
Share-based payments	7 478	4 009
	40 477	35 224
Key management personnel include the executive directors of the Board and members of the Group's executive committee.		
<b>34.4 Year-end balances arising from sales/purchases of goods</b>		
<b>Receivables from related parties</b>	7 185	1 916
Bergsig Breeders (Pty) Ltd	7 185	1 916
<b>Payables to related parties</b>	(3 087)	(4 776)
Bergsig Breeders (Pty) Ltd	(3 087)	(4 776)

Receivables from related parties are unsecured and bear no interest.



# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

35. FINANCIAL INSTRUMENTS BY CATEGORY			
30 September 2019			
Assets as per statement of financial position			
Derivative financial instruments	–	4 658	4 658
Trade and other receivables*	412 844	–	412 844
Cash and cash equivalents	219 594	–	219 594
Total	632 438	4 658	637 096

Assets as per statement of financial position			
30 September 2018			
Assets as per statement of financial position			
Trade and other receivables*	403 978	–	403 978
Cash and cash equivalents	422 461	–	422 461
Total	826 439	–	826 439

Liabilities as per statement of financial position			
30 September 2019			
Liabilities as per statement of financial position			
Interest-bearing liability	–	6 129	6 129
Trade and other payables^	–	369 584	369 584
Total	–	375 713	375 713

Liabilities as per statement of financial position			
30 September 2018			
Liabilities as per statement of financial position			
Interest-bearing liability	–	6 227	6 227
Derivative financial instruments	1 127	–	1 127
Trade and other payables^	–	373 561	373 561
Total	1 127	379 788	380 915

\* Financial assets do not include prepaid expenses and VAT amounts receivable.  
^ Financial liabilities do not include accruals for 13th cheque, leave, short-term incentive bonus and VAT amounts payable.

## 36. FINANCIAL RISK MANAGEMENT

### 36.1 Financial risk factors

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

Risk	Exposure arising from	Measurement	Management
<b>Market risk – foreign exchange</b>	<ul style="list-style-type: none"><li>Future commercial transactions</li><li>Recognised assets and liabilities denominated in foreign currency</li></ul>	<ul style="list-style-type: none"><li>Cash flow forecasting</li><li>Sensitivity analysis</li></ul>	Forward foreign exchange contracts for future commercial transactions
<b>Market risk – price risk</b>	Fluctuations in prices of feed raw materials, mainly maize and soya bean meal	Sensitivity analysis	<ul style="list-style-type: none"><li>Futures contracts</li><li>Contracting at fixed delivery prices</li></ul>
<b>Market risk – interest rate</b>	Deposits at variable rates	Sensitivity analysis	Treasury function based on a rolling cash flow forecast
<b>Credit risk</b>	<ul style="list-style-type: none"><li>Cash and cash equivalents</li><li>Trade receivables</li><li>Derivative financial instruments</li></ul>	<ul style="list-style-type: none"><li>Ageing analysis</li><li>Credit ratings</li><li>Sensitivity analysis</li></ul>	<ul style="list-style-type: none"><li>Deposits placed at banks with high credit rating</li><li>Credit limits, credit control, letters of credit and insurance for trade receivables</li></ul>
<b>Liquidity risk</b>	<ul style="list-style-type: none"><li>Unused credit facilities</li><li>Minimal borrowings existed at reporting date</li></ul>	Rolling cash flow forecasts	Committed working capital facility

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

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

#### (a) Market risk

##### (i) Cash flow interest rate risk

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

Financial liabilities exposed to interest rate risk include interest-bearing short and long-term borrowings. At year-end the Group had minimal borrowings.

Financial assets exposed to cash flow interest rate risk include cash and short-term bank deposits.

Changes in the prime interest rate will result in a minimal impact on profit after tax.

##### (ii) Foreign exchange risk

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

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

Instruments used by Group

The Group manages short-term foreign exchange exposure relating to raw material imports (primarily US dollar based), in terms of formal hedging policies. Foreign exchange risk arising from capital imports is hedged in total. The Group uses a foreign exchange forward contract to hedge its exposure to foreign currency risk. Only the spot component of forward contracts is designated as a hedging instrument. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is the forward element, which is recognised in profit or loss.

Refer to note 9 for material forward foreign exchange contracts. Refer to notes on trade and other receivables, trade payables for financial exposure to foreign currency risk.

Refer to note 20 – other gains/(losses) – net for foreign exchange-related amounts recognised in profit or loss for the year.

(iii) Price risk

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

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

(iv) Sensitivity analysis

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

	2019 R'000	2018 R'000
<b>Change in foreign currency</b>		
Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 3% (2018: 3%), British pound of 3% (2018: 3%), Euro of 3% (2018: 3%), Zambian Kwacha of 3% (2018: 3%), Ugandan shilling of 3% (2018: 3%) and Mozambique metical 3% (2018: 3%), with all other variables held constant.		
Rand depreciates against foreign currencies		
- Increase/(decrease) in profit after income tax		
Trade receivables	286	259
Cash and cash equivalents	828	1 351
Trade payables	(154)	(141)
Derivative financial instruments not earmarked for hedging	35	35
- Increase/(decrease) in equity after income tax		
Derivative financial instruments earmarked for hedging	2 147	898
	3 142	2 402
<b>Change in commodity prices</b>		
Derivative financial instruments affected by changes in the commodity prices relate to futures. The summary below reflects the results of an expected change in the maize price of 2% (2018: 2%), with all other variables held constant.		
<b>Commodity price increase</b>		
- Increase in equity after income tax	1 534	1 194
Derivative financial instruments earmarked for hedging	1 534	1 194

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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 Financial risk factors (continued)

(b) Credit risk

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

The Group's credit risk exposure relating to derivative financial instruments is managed on a Group level and are placed with a limited number of creditable financial institutions, all of which have Moody's P-3 short-term credit ratings. A short-term rating of P-3 indicates that the issuer has a strong ability to repay short-term debt obligations.

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

The Group insures its South African debtors with Credit Guarantee Insurance. In 2019, 55% (2018: 53%) of the Group's total unimpaired trade debtors have been covered by credit insurance. National customers have a limited risk profile and a national geographical representation. The credit quality of the national customers is considered to be good based on historical default rates. These customers include large national customers in the formal retail sector. The large national customers and other listed companies are assessed as being a low risk of default, and are thus not insured. These customers amounted to approximately 37% (2018: 45%) of trade receivables – net in the reporting period. Of the remaining other customers, 87% (2018: 96%) of the Group's trade receivables – net were insured.

Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for credit worthiness before delivery and payment terms are offered. The Group's risk is limited to 20% (2018: 10%) of the net invoiced sales to insured debtors. The Group's review includes external ratings where available and, in some cases, bank references. Limits are established for each customer, which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

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

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

The amount of the provision for impairment of trade receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss within other operating expenses. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, they are written off as other operating expenses in profit or loss. Subsequent recoveries of amounts previously written off are credited against other operating expenses in profit or loss.

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 Financial risk factors (continued)

(b) Credit risk (continued)

The credit quality of trade debtors that are neither past due nor impaired, is as follows:

External customer (history of more than six months) – not previously impaired  
External customer (history of more than six months) – previously impaired – debt repaid  
New customers (history less than six months)

Total

The Group deposits cash surpluses with financial institutions of high quality and standing. The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.

P-3 short-term credit rating  
Not rated  
Cash on hand

	2019 R'000	2018 R'000
	382 589	367 190
	–	1 126
	4 855	5 973
	387 444	374 289
	218 417	421 784
	687	228
	490	449
	219 594	422 461
	242 512	242 286

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

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

At year-end the Group had a borrowing facility in the form of a debtors, finance facility at one of the major South African banks. Sufficient collateral in the form of trade receivables is provided as security for the debt.

The Group's unutilised borrowing facilities are as follows:

Total borrowing facilities	242 286
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36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

Maturity analysis of financial liabilities

30 September 2019

Capital and interest – total

Borrowings excluding bank overdrafts and call loans  
Trade and other payables

30 September 2018

Capital and interest – total

Borrowings excluding bank overdrafts and call loans  
Trade and other payables  
Other derivative financial instruments

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

36.2 Capital risk management

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

	2019 R'000	2018 R'000
Net debt *	6 129	6 227
Total equity (as shown in the statement of financial position)	1 837 412	1 854 391
	0.33%	0.34%

\* Cash and cash equivalents exceed borrowings. Cash and cash equivalents are not deducted for ratio calculation.

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



# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 Fair value measurement

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

Level 1:

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

Level 2:

Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 September 2019				
Assets measured at fair value				
Derivative financial instruments	-	4 658	-	4 658
- Foreign exchange contracts				
Biological assets	-	-	379 596	379 596
- Livestock				
Total	-	4 658	379 596	384 254
30 September 2018				
Assets measured at fair value				
Biological assets	-	-	332 058	332 058
- Livestock				
Total	-	-	332 058	332 058
Liabilities measured at fair value				
Derivative financial instruments	-	1 127	-	1 127
- Foreign exchange contracts				
Total	-	1 127	-	1 127

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

Financial instruments in level 2

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

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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 Fair value measurement (continued)

Financial instruments in level 3: Biological assets

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

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

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

The market prices used in the valuation is based on actual selling prices realised by the Group.

Changes in the fair value are included in profit or loss, with a profit of R790 003 (2018: loss of R774 698) being recognised as the unrealised fair value adjustment in profit or loss in the current period to adjust the biological asset livestock to fair value.

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

	Range of unobservable inputs	
	2019	2018
Unobservable input		
Layer livestock		
Market price of day-old chicks	R8.61 to R8.81	R8.16 to R8.36
Market price of point-of-lay hens	R65.82 to R69.54	R63.38 to R65.95
Market price of culls	R24.91 to R38.93	R24.00 to R34.40
Broiler livestock		
Market price of day-old chicks	R4.76 to R4.96	R4.58 to R4.78
Market price of live birds	R23.08 to R23.48	R22.84 to R23.24

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 Fair value measurement (continued)

Financial instruments in level 3: Biological assets (continued)

Sensitivity analysis

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

Input	Sensitivity
Day-old chick market prices	A change in market price would result in a R0.6 million (2018: R0.6 million) change in the fair value of poultry livestock.
Point-of-lay hens market prices	A change in the market price would result in a R3.3 million (2018: R2.3 million) change in the fair value of laying hens.
Cull market prices	A change in the market price would result in a R0.7 million (2018: R0.8 million) change in the fair value of laying hens.
Live bird market prices	A change in the market price would result in a R0.7 million (2018: R1.0 million) change in the fair value of broiler livestock.

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

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

37. SEGMENT INFORMATION

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

Reportable segments are divided into the following:

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

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

The nature of the Quantum Foods Zambia, Quantum Foods Uganda and Quantum Foods Mozambique businesses' operations are predominantly the production and sale of animal feeds, commercial eggs and day-old chicks. These three entities are aggregated for segmental reporting as these entities are similar in nature.

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

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

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

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

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

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

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

37. SEGMENT INFORMATION (CONTINUED)

Segment revenue

Eggs	4 417 674	4 121 901
Farming	1 095 195	1 206 489
Animal feeds	1 325 152	1 232 798
Other African countries	1 758 627	1 460 387
	238 700	222 227

Segment results

Eggs	245 233	473 279
Farming	38 245	288 612
Animal feeds	113 140	97 960
Other African countries	88 674	68 903
Head office costs	14 317	31 036
	(9 143)	(13 232)

A reconciliation of the segment results to operating profit before income tax is provided below:

Segment results	245 233	473 279
Adjusted for:		
Investment income	15 102	24 919
Finance costs	(3 959)	(1 116)
Share of profit of associate company	209	706

Profit before income tax per statement of comprehensive income

Segment assets

Eggs	235 700	236 383
Farming	1 061 887	1 050 215
Animal feeds	580 680	466 655
Other African countries	379 619	297 413
Head office costs	19 523	29 718

A reconciliation of the segments' assets to the Group's assets is provided below:

Segment assets per segment report	2 277 409	2 080 384
Adjusted for:		
Investment in associate	8 998	8 789
Current and deferred income tax assets	8 328	3 049
Cash and cash equivalents	219 594	422 461

Total assets per statement of financial position

Segment liabilities	434 074	439 733
Eggs	65 022	71 328
Farming	70 015	83 708
Animal feeds	238 203	216 116
Other African countries	18 949	24 429
Head office costs	41 885	44 152

A reconciliation of the segments' liabilities to the Group's liabilities is provided below:

Segment liabilities per segment report	434 074	439 733
Adjusted for:		
Current and deferred income tax liabilities	242 843	220 559
Total liabilities per statement of financial position	676 917	660 292

# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

37.	<b>SEGMENT INFORMATION (CONTINUED)</b>	<b>2019</b>	<b>2018</b>
	<b>Total segment capital expenditure (excluding business combinations)</b>	<b>R'000</b>	<b>R'000</b>
	Eggs	152 591	116 032
	Farming	25 959	9 158
	Animal feeds	27 303	46 194
	Other African countries	41 550	20 451
	Head office costs	57 206	39 797
		573	432
	<b>Total segment depreciation and amortisation</b>	<b>73 480</b>	<b>70 887</b>
	Eggs	8 387	9 315
	Farming	31 912	30 552
	Animal feeds	13 785	14 537
	Other African countries	19 396	16 483
		622	929
	<b>Items of a capital nature per segment included in other gains/(losses) – net</b>	<b>(96)</b>	<b>1 943</b>
	Profit/(loss) on disposal of property, plant and equipment and intangible assets before income tax	1 053	(504)
	Eggs	(426)	(510)
	Farming	91	–
	Animal feeds		
	Other African countries		
	<b>Geographical information</b>		
	The Group mainly operates in South Africa. Other operations are located in other African countries. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.		
	Revenue derived by Group companies domiciled in South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.		
	<b>Segment revenue</b>	<b>4 417 674</b>	<b>4 121 901</b>
	South Africa	4 178 974	3 899 674
	Other African countries	238 700	222 227
	<b>Total segment non-current assets</b>	<b>1 181 521</b>	<b>1 091 867</b>
	South Africa	901 802	859 660
	Other African countries	279 719	232 207
	<b>Total segment capital expenditure (excluding business combinations)</b>	<b>152 591</b>	<b>116 032</b>
	South Africa	95 385	76 235
	Other African countries	57 206	39 797

38. RETIREMENT BENEFITS

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

39. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final dividend of 25 cents (2018: 70 cents) per ordinary share has been approved and declared by the Board for the year ended 30 September 2019, on 27 November 2019. This will only be reflected in the statement of changes in equity in the next reporting period. An interim dividend of 8 cents (2018: 20 cents) per ordinary shares was declared and paid during the year.

Additional information disclosed

These dividends are declared from income reserves and qualify as a dividend as defined in the Income Tax Act, Act 58 of 1962. Dividends will be paid net of dividends tax of 20%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as a result of the double taxation agreement between South Africa and the country of domicile of such owner.

The net dividend amounts to 20 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 25 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 200 024 716 as at the date of this declaration.

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

40. GOING CONCERN STATEMENT

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



# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

41. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS

30 September 2019

Executive directors

HA Lourens	3 234	62	3 143	351	640	-	7 430
AH Muller	2 019	88	1 502	224	292	-	4 125
Total executive directors	5 253	150	4 645	575	932	-	11 555

Non-executive directors

WA Hanekom	-	-	-	-	-	428	428
N Celliers	-	-	-	-	-	282	282
Prof. ASM Karaan	-	-	-	-	-	338	338
PE Burton	-	-	-	-	-	390	390
GG Fortuin	-	-	-	-	-	282	282
T Golden	-	-	-	-	-	175	175
Total non-executive directors	-	-	-	-	-	1 895	1 895
Total directors	5 253	150	4 645	575	932	1 895	13 450

Prescribed officer

HE Pether	1 149	78	928	211	252	-	2 618
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30 September 2018

Executive directors

HA Lourens	2 995	62	3 121	327	375	-	6 880
AH Muller	1 862	88	1 491	207	254	-	3 902
Total executive directors	4 857	150	4 612	534	629	-	10 782

Non-executive directors

WA Hanekom	-	-	-	-	-	402	402
N Celliers	-	-	-	-	-	266	266
Prof. ASM Karaan	-	-	-	-	-	318	318
PE Burton	-	-	-	-	-	344	344
GG Fortuin	-	-	-	-	-	266	266
Total non-executive directors	-	-	-	-	-	1 596	1 596

Total directors

	4 857	150	4 612	534	629	1 596	12 378
--	-------	-----	-------	-----	-----	-------	--------

Prescribed officer

HE Pether	1 092	78	922	185	-	-	2 277
-----------	-------	----	-----	-----	---	---	-------



# Notes to the consolidated financial statements (continued)

for the year ended 30 September 2019

42. DIRECTORS' INTEREST IN SHARES

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

	Number of shares <sup>#</sup>			% of issued ordinary share capital
	Direct	Indirect	Total	
30 September 2019				
HA Lourens	744 297	–	744 297	0.372
AH Muller	271 506	–	271 506	0.136
WA Hanekom	–	7 524 758	7 524 758	3.762
N Celliers	–	–	–	–
Prof. ASM Karaan	–	–	–	–
PE Burton	–	9 648	9 648	0.005
GG Fortuin	–	–	–	–
T Golden*	–	–	–	–
	1 015 803	7 534 406	8 550 209	4.275
30 September 2018				
HA Lourens	648 113	–	648 113	0.308
AH Muller	228 364	–	228 364	0.108
WA Hanekom	–	7 524 758	7 524 758	3.574
N Celliers	–	–	–	–
Prof. ASM Karaan	–	86 147	86 147	0.041
PE Burton	–	3 000	3 000	0.001
GG Fortuin	–	–	–	–
	876 477	7 613 905	8 490 382	4.033

\* Appointed during the year.  
<sup>#</sup> There has been no change in the directors' interest in shares from the end of the financial year to date of the approval of the annual financial statements.

43. SHAREHOLDER INFORMATION

Shareholder spread

Category

Ordinary shares

Individuals	2 843	83.1	29 079 834	14.5
Nominees and trusts	294	8.6	8 156 838	4.1
Investment companies and corporate bodies	285	8.3	162 788 044	81.4
	3 422	100.0	200 024 716	100.0

Non-public/public shareholders

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2019, is as follows:

Analysis of shareholding – ordinary shares

Public shareholding

Major shareholding

Allan Gray (on behalf of clients)	1	0.0	30 711 985	15.4
Old Mutual (on behalf of clients)	1	0.0	15 252 602	7.6

Other shareholders

3 414 99.9 76 781 890 38.4

Non-public shareholding

Major shareholding

1 0.0 61 620 084 30.8

Zeder Investments Ltd

Other shareholders

Directors	4	0.1	8 550 209	4.3
Quantum Foods (Pty) Ltd	1	0.0	7 107 946	3.5
	3 422	100.0	200 024 716	100.0

Distribution of ordinary shareholders

Number of shares	1 509	44.1	514 300	0.3
1 – 1 000 shares	1 132	33.0	4 559 993	2.3
1 001 – 10 000 shares	632	18.5	20 539 487	10.3
10 001 – 100 000 shares	125	3.7	33 071 003	16.5
100 001 – 1 000 000 shares	24	0.7	141 339 933	70.6
1 000 001 shares and over	3 422	100.0	200 024 716	100.0



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## Company statement of financial position

as at 30 September 2019

	Notes	2019 R'000	2018 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1 585 386</b>	<b>1 585 386</b>
Investment in subsidiary	3	<b>1 585 386</b>	<b>1 585 386</b>
<b>Current assets</b>		<b>585</b>	<b>302</b>
Cash and cash equivalents		<b>585</b>	<b>302</b>
<b>Total assets</b>		<b>1 585 971</b>	<b>1 585 688</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>		<b>1 576 390</b>	<b>1 578 866</b>
Share capital	4	<b>1 465 069</b>	<b>1 500 248</b>
Retained earnings		<b>111 321</b>	<b>78 618</b>
<b>Total equity</b>		<b>1 576 390</b>	<b>1 578 866</b>
<b>Current liabilities</b>		<b>9 581</b>	<b>6 822</b>
Dividends payable		<b>392</b>	<b>189</b>
Trade and other payables		<b>147</b>	<b>356</b>
Borrowings from related party	5	<b>9 042</b>	<b>6 277</b>
<b>Total liabilities</b>		<b>9 581</b>	<b>6 822</b>
<b>Total equity and liabilities</b>		<b>1 585 971</b>	<b>1 585 688</b>



# Company statement of comprehensive income

for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Revenue	6	198 156	172 633
Other income	7	1 515	1 276
Administrative expenses		(1 759)	(2 615)
Other operating expenses		(1 956)	(1 672)
Operating profit	8	195 956	169 622
Investment income	9	120	65
Profit before income tax		196 076	169 687
Income tax expense	10	–	–
Profit for the year		196 076	169 687
Other comprehensive income for the year		–	–
Total comprehensive income for the year		196 076	169 687
Profit for the year attributable to owners of the parent		196 076	169 687
Total comprehensive income for the year attributable to owners of the parent		196 076	169 687

# Company statement of changes in equity

for the year ended 30 September 2019

	Share capital R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2017	1 552 670	28 840	1 581 510
Shares repurchased and cancelled	(52 422)	–	(52 422)
Comprehensive income:			
Profit for the year	–	169 687	169 687
Interim dividend for 2018	–	(44 322)	(44 322)
Final dividend for 2017	–	(75 587)	(75 587)
Balance as at 30 September 2018	1 500 248	78 618	1 578 866
Balance as at 1 October 2018	1 500 248	78 618	1 578 866
Shares repurchased and cancelled	(35 179)	–	(35 179)
Comprehensive income:			
Profit for the year	–	196 076	196 076
Interim dividend for 2019	–	(16 002)	(16 002)
Final dividend for 2018	–	(147 371)	(147 371)
Balance as at 30 September 2019	1 465 069	111 321	1 576 390

Note 4

# Company statement of cash flows

for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
<strong>CASH FLOW FROM OPERATING ACTIVITIES</strong>			
Cash loss from operating activities	12	(2 409)	(2 790)
Working capital changes	13	(2 200) (209)	(3 011) 221
		198 276	172 698
<strong>CASH FLOW FROM INVESTING ACTIVITIES</strong>			
Interest received	9	120	65
Dividends received	6	198 156	172 633
Cash surplus		195 867	169 908
		(195 584)	(169 700)
<strong>CASH FLOW FROM FINANCING ACTIVITIES</strong>			
Loan received from related party	5	4 508	3 970
Loan repaid to related party	5	(1 743)	(1 461)
Shares repurchased	4	(35 179)	(52 422)
Dividends paid to ordinary shareholders	14	(163 170)	(119 787)
		283	208
Increase in cash and cash equivalents		302	94
Cash and cash equivalents at beginning of year			
<strong>Cash and cash equivalents at end of year</strong>		585	302

# Notes to the Company financial statements

for the year ended 30 September 2019

	2019 R'000	2018 R'000
<strong>1. ACCOUNTING POLICIES</strong>		
The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to the accounting policies on page 12.		
<strong>2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS</strong>		
The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.		
<strong>3. INTEREST IN SUBSIDIARIES</strong>		
<strong>Cost of shares</strong>		
Quantum Foods (Pty) Ltd	1 585 386	1 585 386
	1 585 386	1 585 386
The Company holds a 100% interest in the subsidiary listed above.		
The subsidiary is incorporated in South Africa.		
<strong>4. SHARE CAPITAL</strong>		
Authorised – ordinary shares		
400 000 000 (2018: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares		
200 024 716 (2018: 210 529 716) ordinary no par value shares		
	1 465 069	1 500 248
During the reporting period 10 505 000 (2018: 11 784 941) ordinary shares were repurchased by the Company and cancelled. The shares were repurchased at an average price of R3.35 (2018: R4.45) per share.		
<strong>5. BORROWINGS FROM RELATED PARTY</strong>		
Loan from Quantum Foods (Pty) Ltd		
Beginning of year	6 277	3 768
Loans advanced during the year	4 508	3 970
Loans repaid during the year	(1 743)	(1 461)
End of year	9 042	6 277
Unsecured interest-free loan with no fixed terms of repayment.		
<strong>6. REVENUE</strong>		
Dividends received from Quantum Foods (Pty) Ltd	198 156	172 633
<strong>7. OTHER INCOME</strong>		
Administration fees received from Quantum Foods (Pty) Ltd	1 515	1 276
<strong>8. OPERATING PROFIT</strong>		
The operating profit is calculated after taking into account other income (refer to note 7), as well as the following:		
Auditors' remuneration	14	15
Listing fees and shareholder communication	1 738	2 566
Directors' remuneration	1 895	1 596





# Notes to the Company financial statements

## (continued)

for the year ended 30 September 2019

	2019 R'000	2018 R'000
<b>9. INVESTMENT INCOME</b>		
Interest income on call accounts and other	120	65
	<b>120</b>	65
<b>10. INCOME TAX EXPENSE</b>		
Current income tax	–	–
Current year	%	%
Standard rate for companies	28.0	28.0
Exempt income	(28.3)	(28.5)
Non-deductible expenditure	0.3	0.5
	–	–
<b>11. DIVIDEND PER ORDINARY SHARE</b>		
Interim 8.0 cents (2018: 20.0 cents) per ordinary share	16 002	44 322
Final 25.0 cents (2018: 70.0 cents) per ordinary share	50 006	147 371
	<b>66 008</b>	191 693
<p>Dividends payable are not accounted for until they have been declared by the Board of Directors. The statement of changes in equity does not reflect the final dividend payable. The final dividend will be accounted for as an appropriation of retained earnings in the following year. Withholding tax on dividends became effective from 1 April 2012 at a rate of 15%, which rate was increased to 20% from 22 February 2017.</p> <p>The total rand value of the final dividend for the year is an approximate amount. The exact amount is dependent on the number of shares in issue at the record date.</p>		
<b>12. CASH LOSS FROM OPERATING ACTIVITIES</b>		
Reconciliation of profit before tax and cash loss from operating activities:		
Profit before income tax	196 076	169 687
<b>Adjusted for:</b>		
Dividends received	(198 156)	(172 633)
Interest received	(120)	(65)
	<b>(2 200)</b>	(3 011)
<b>13. WORKING CAPITAL CHANGES</b>		
(Decrease)/increase in trade and other payables	(209)	221
<b>14. DIVIDENDS PAID</b>		
Amounts unpaid at beginning of year	(189)	(67)
As disclosed in statement of changes in equity	(163 373)	(119 909)
Amounts unpaid at end of year	392	189
	<b>(163 170)</b>	(119 787)



# 2020

## ANNUAL FINANCIAL STATEMENTS

for the year ended  
30 September 2020





Consolidated financial statements  
for the year ended 30 September 2020

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Quantum Foods is the  
largest producer of eggs  
in South Africa.

Directors' responsibility

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

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

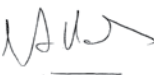
The Board is ultimately responsible for the internal control processes of Quantum Foods. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to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

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

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

Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation, which includes the evaluation and expected impact of the COVID-19 pandemic on the Group, 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.

The annual financial statements which appear on pages 2 to 68 were approved by the Board on 25 November 2020 and are signed on its behalf by:



WA Hanekom  
Chairman



HA Lourens  
Chief Executive Officer

Notice in terms of section 29 of the  
Companies Act

These annual financial statements have been audited in compliance with the Companies Act. These annual financial statements have been prepared under the supervision of Mr. AH Muller, CA(SA), chief financial officer.

Company Secretary certificate

In accordance with section 88 of the Companies Act, for the year ended 30 September 2020, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.



MO Gibbons  
Company Secretary



# Audit and risk committee report

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

## AUDIT AND RISK COMMITTEE CHARTER

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

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

## MEMBERS OF THE AUDIT AND RISK COMMITTEE

As at 30 September 2020, the committee comprised three independent non-executive directors namely, Prof. ASM Karaan, Mr. GG Fortuin and Mr. LW Riddle.

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

The chairman of the Board, Group chief executive officer (“CEO”) and the chief financial officer (“CFO”) are permanent invitees to the committee meetings. In addition, relevant senior managers are invited to attend meetings from time to time. The company secretary is the statutory secretary of the committee. The internal and external auditors attend the relevant meetings of the committee.

## MEETINGS

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

Status		ARC
WA Hanekom	Chairman, independent non-executive	3/3 <sup>^</sup>
PE Burton*	Lead independent non-executive director	3/3
Prof. ASM Karaan	Lead independent non-executive director	3/3
GG Fortuin	Independent non-executive director	3/3
HA Lourens	CEO	3/3 <sup>^</sup>
AH Muller	CFO	3/3 <sup>^</sup>

<sup>^</sup> WA Hanekom, HA Lourens and AH Muller attended the ARC meetings as invitees.

\* PE Burton resigned as a director and member of the ARC on 17 August 2020.

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

## FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

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

- Reviewed the interim, provisional and summary results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - Took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act.
  - Considered and, when appropriate, made recommendations on internal financial controls.
  - Ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, Act 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.
  - Considered the solvency and liquidity requirement of the Companies Act in recommending a proposed dividend to the Board.
- Reviewed the external audit reports on the consolidated annual financial statements.
- Reviewed the reports issued by the JSE on the proactive monitoring of financial statements.
- Oversaw the integrated reporting process. The committee considered the Group’s information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.
- Reviewed and confirmed that the non-audit services provided by the external auditor were not material. Any non-audit services to be performed above R500 000 must be approved by the committee.

- Reviewed and confirmed the suitability for re-appointment and independence of PricewaterhouseCoopers Inc. (“PwC”) as the audit firm and Mr. RJ Jacobs as the designated auditor of the Group in accordance with paragraph 22.15(h) of the Listings Requirements.
- Recommended the re-appointment of PwC as the external auditor and Mr. RJ Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 49(8) of the Companies Act. 2021 will be Mr. RJ Jacobs’s third year as the designated auditor of the Company. The re-appointment of PwC as the recommended external auditor will be formally proposed to the shareholders at the AGM.
- Confirmed that PwC and the designated auditor are accredited by the JSE.
- Approved the external auditor’s fees and terms of engagement.
- Approved the agreement with the external auditor for the provision of non-audit services.
- Confirmed and approved the internal audit charter and annual risk-based internal audit year plan.
- Reviewed the internal audit risk reports and fraud hotline reports.
- Reviewed and approved the risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.
- Provided oversight over the combined assurance arrangements, including the external and internal auditors and satisfied itself of the effectiveness of the combined assurance model implemented by the Group.
- Reviewed the effectiveness of the internal audit function and the head of internal audit.

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

The committee is satisfied with the assurance of the internal and external auditors, with the effectiveness of the design and implementation of internal financial controls. There were no significant weaknesses noted which resulted or could result in material financial loss, fraud, corruption or error.

## INTERNAL AUDIT

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

## CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

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

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

The committee has ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating satisfactorily.

## SIGNIFICANT AUDIT MATTERS AND QUALITY OF EXTERNAL AUDIT

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

## GOING CONCERN

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



**GG Fortuin**  
Chairman: audit and risk committee

Wellington  
25 November 2020

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

# Independent auditor's report

To the Shareholders of Quantum Foods Holdings Ltd

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Quantum Foods Holdings Ltd ("the Company") and its subsidiaries (together "the Group") as at 30 September 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

Quantum Foods Holdings Ltd's consolidated and separate financial statements set out on pages 12 to 68 comprise:

- the consolidated and company statements of financial position as at 30 September 2020;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

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

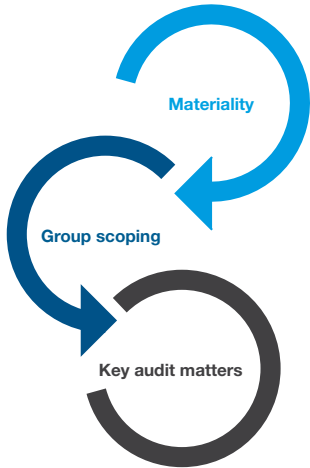
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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

### Our audit approach

#### Overview



#### Overall Group materiality

R12 780 000, which represents 5% of the five-year average consolidated profit before income tax.

#### Group audit scope

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and equity accounted associates. Full scope audits were performed on Quantum Foods (Pty) Ltd due to its financial significance, and the ultimate parent company (Quantum Foods Holdings Ltd) and a subsidiary of the Group, Philadelphia Chick Breeders (Pty) Ltd, due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

#### Key audit matters

- Valuation of biological assets; and
- Impairment considerations.

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

### Materiality

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

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

Overall Group materiality	R12 780 000
How we determined it	5% of the five-year average consolidated profit before income tax
Rationale for the materiality benchmark applied	We chose consolidated profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We used a five-year average consolidated profit before income tax figure to take into account the cyclical nature of Group profits. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

### How we tailored our Group audit scope

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

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and equity accounted associates (together "the components"). Quantum Foods (Pty) Ltd, the subsidiary in which most of the Group's trading operations take place, is the only financially significant component in the Group. All other components are considered financially insignificant.

In order to ensure sufficient work was performed over material line items in the consolidated financial statements, a full scope audit was performed on Quantum Foods (Pty) Ltd due to its financial significance. We also performed full scope audits on the ultimate parent company (Quantum Foods Holdings Ltd) and a subsidiary of the Group (Philadelphia Chick Breeders (Pty) Ltd) due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

The above, together with additional procedures performed at the Group level, including substantive procedures over the consolidation process, provided us with sufficient and appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matters
<p><b>Valuation of biological assets</b></p> <p>The biological assets of the Group consist of livestock. Livestock comprise poultry, which includes broiler and layer stock. Broiler stock includes breeding stock, day-old chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old chicks and hatching eggs. These assets are measured at fair value less cost to sell. At year-end the carrying value of the Group's biological assets was R355 million (refer to note 8 to the consolidated financial statements).</p> <p>Biological assets are measured at the end of each reporting period at fair value less cost to sell (refer to note 7 of the accounting policies). Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. In determining the fair value, management used unobservable inputs as disclosed in note 38.3 to the consolidated financial statements.</p> <p>The valuation of biological assets was considered to be a matter of most significance to the current year audit due to the magnitude of the biological asset balance in relation to the consolidated financial statements as a whole and the degree of estimation applied by management in determining the fair value of the biological assets.</p> <p>This key audit matter relates to the consolidated financial statements.</p> <p><b>Impairment consideration</b></p> <p>As at 30 September 2020, the net asset value of the Group exceeded its market capitalisation. This is an indicator of possible impairment. In terms of the applicable accounting standards, management was required to perform impairment tests for the underlying assets of the cash-generating units ("CGUs") of the Group, as well as the corresponding carrying value of the investment in subsidiary at a Company level.</p> <p>In their impairment assessment, management identified three CGUs within the Group for which impairment tests were performed, namely the feeds business, the layers business and the broiler business.</p> <p>In determining the recoverable amount of the CGUs, management used value-in-use calculations for the feeds and broiler business and fair value less cost to sell for the layer business.</p> <p>To determine the value-in-use, management used the budget as approved by the Board to determine future cash flows for the CGUs. These cash flows were then discounted using the CGUs weighted average cost of capital determined using the capital asset pricing model.</p> <p>The fair value less cost to sell used by management is based on valuation reports by an independent external valuation expert. Management based their fair value assessment on the property valuations performed on all material properties in the 2020 financial year. Fair values for all properties that were previously valued were determined based on valuations performed in prior years and, with the assistance of their expert, adjusted for changes in assumptions in the current year.</p>	<p>Through discussion with management, we obtained an understanding of management's valuation approach, including the identification of unobservable inputs used and estimates applied. We found management's approach to the valuation and the estimates applied to be consistent with those of the prior year.</p> <p>We obtained management's valuation of livestock which included the quantities and values of all livestock, and tested the mathematical accuracy of the valuation. No material exceptions were noted.</p> <p>We performed the following procedures over the quantities used in the valuation:</p> <ul style="list-style-type: none"><li>• We obtained an understanding and tested controls relating to the safeguarding of livestock;</li><li>• On a sample basis, we physically inspected livestock to assess the accuracy of the quantities used in the valuation and noted no exceptions; and</li><li>• For livestock in the custody of third parties, we obtained confirmations of the quantities held directly from third parties, noting no exceptions.</li></ul> <p>In addition, we tested the unobservable inputs used by management in determining the value of livestock as follows:</p> <ul style="list-style-type: none"><li>• The market prices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds used in management's calculations were agreed to a sample of sales invoices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds in the market close to year-end and we noted no exceptions; and</li><li>• The age of biological assets, at the different stages in the life cycle, used in management's year-end calculations were agreed to a sample of internal transfer documents. No exceptions were noted.</li></ul> <p>Our audit addressed the key audit matter as follows:</p> <p><b>Value-in-use calculations:</b></p> <p>We tested the mathematical accuracy of the calculation in the model used for each CGU and found no differences. We tested key assumptions in the calculations prepared by management with reference to the Board approved budget and market data, which included data external to the Group. In our assessment, we considered the impact of the COVID-19 pandemic on the market data used and noted no material inconsistencies.</p> <p>We utilised our valuation expertise to consider the appropriateness of the discount rate used by management. We independently calculated a discount rate and compared that to the discount rate calculated by management and found management's rate to be within an acceptable range of our independently calculated rate.</p> <p>In addition to the testing of inputs described above, we assessed management's future cash flows by considering the historical accuracy with which management set the budgets. The actual results for the current year was compared to the budget as approved by the Board for that period. No significant variances were noted. In addition, we held discussions with management and inspected relevant documentation in order to assess the potential impact of COVID-19 and noted no aspects in this regard requiring further consideration.</p>

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment consideration (continued)</b></p> <p>Management's impairment tests performed indicated that the recoverable amounts of these CGUs are higher than the carrying values of both the CGUs and the investment in subsidiary, resulting in no impairment.</p> <p>We considered impairment considerations to be a matter of most significance to our current year audit due to the judgement involved in management's impairment tests.</p> <p>The disclosure of impairment tests is included in notes 2 and 5 to the consolidated financial statements.</p> <p>The key audit matter relates to the consolidated and separate financial statements.</p>	<p><b>Value-in-use calculations: (continued)</b></p> <p>We performed independent sensitivity calculations on the impairment tests prepared by management, to assess the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed the results of our calculations with management and based on the evidence obtained we accepted management's key assumptions.</p> <p><b>Fair value less cost to sell calculation:</b></p> <p>For the CGU where the fair value less cost to sell method was used, we assessed the professional competence, objectivity, independence and capabilities of management's expert and the adequacy of the work performed. The assessment was performed with reference to the curriculum vitae of the management's expert and discussions held, specifically assessing the expert's qualifications, registration with various valuation institutes and extensive work experience. Based on the assessment performed, the engagement team did not note any aspects in this regard requiring further consideration.</p> <p>For a sample of land, buildings and equipment of the Group used in the valuation, we agreed the assets to the fixed asset register. No exceptions were noted.</p> <p>We performed the following procedures in relation to management's fair value assessment:</p> <ul style="list-style-type: none"><li>• We discussed with management's expert the methodology and assumptions used in determining the fair value for the current year.</li><li>• We agreed the prior year assumptions as per the expert's current year report to the prior year assumptions as contained in the expert's prior year report. We also assessed the appropriateness of the adjustments made to the prior year assumptions in the current year report against various market indicators.</li></ul> <p>We obtained and inspected the updated valuation report prepared by management's expert and noted the fair value contained therein. We performed independent sensitivity calculations on the valuation performed by management's expert. Based on these calculations we identified that there was headroom available between the recoverable amount and the net asset value of the CGU.</p> <p><b>Investment in subsidiary:</b></p> <p>We also compared the carrying value of the investment in the subsidiary to the recoverable amount of the underlying subsidiary that was tested by us in the impairment assessment of the CGUs. We noted that the recoverable amount exceeds the carrying value of the investment.</p>



## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled “*Quantum Foods Holdings Ltd Annual financial statements for the year ended 30 September 2020*” which includes the Directors’ report, the Audit and risk committee report and the Company secretary certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor’s report, and the other sections of the document titled “*Quantum Foods Integrated report 2020*”, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor’s report thereon.

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

## AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Quantum Foods Holdings Ltd for 7 years. The business of Quantum Foods Holdings Ltd was previously transacted through Pioneer Food Group Ltd after the merger of Sasko (Pty) Ltd and Bokomo (Pty) Ltd in 1997, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 51 years.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.**

**Director: R Jacobs**

Registered Auditor

Stellenbosch

25 November 2020

# Directors' report

for the year ended 30 September 2020

## 1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Registered office – 11 Main Road, Wellington, 7655.

## 2. FINANCIAL RESULTS

The annual financial statements on pages 12 to 68 set out fully the Group's financial position, financial performance and the cash flows for the year ended 30 September 2020.

## 3. SHARE CAPITAL

The authorised share capital consists of 400 000 000 (2019: 400 000 000) ordinary no par value shares. At year-end 200 024 716 (2019: 200 024 716) ordinary shares were in issue.

During the reporting period nil (2019: 10 505 000) ordinary shares were repurchased by the Company and cancelled.

During the reporting period a subsidiary acquired treasury shares. This subsidiary held 5 761 455 (2019: 7 107 946) ordinary shares at year-end. During the reporting period 2 643 138 (2019: 1 309 899) treasury shares were utilised to settle obligations in terms of the share appreciation rights scheme of the Group.

## 4. DIVIDENDS

A final gross cash dividend of 10.0 cents (2019: 25.0 cents) per ordinary share was declared. This is in addition to the interim gross cash dividend of 6.0 cents (2019: 8.0 cents) per ordinary share declared.

## 5. DIRECTORS

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

- Wouter André Hanekom – chairman
- Norman Celliers (resigned 19 June 2020)
- Hendrik Albertus Lourens
- André Hugo Muller
- Prof. Abdus Salam Mohammad Karaan
- Patrick Ernest Burton (resigned 17 August 2020)
- Geoffrey George Fortuin
- Tanya Golden
- Larry Wilson Riddle (appointed 28 September 2020)

## 6. SPECIAL RESOLUTIONS PASSED – ANNUAL GENERAL MEETING OF SHAREHOLDERS (“AGM”)

At the AGM held at Rhebokskloof Estate, Agter Paarl, Windmeul on Friday, 21 February 2020 at 11:00 the following special resolutions were passed by the Company:

Special resolution one, for approval of the remuneration payable by the Company to its non-executive directors for their services as directors for the period 1 April 2020 until the date of the next AGM, was passed.

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

Special resolution three, for approval of the general authority of the Board to grant direct and indirect financial assistance to any company forming part of the Company's group, including in the form of loans or the guaranteeing of their debts, was passed.

Special resolution four, for the approval of the general authority of the Board to provide financial assistance to any person, by way of a loan, guarantee, the provision of security or otherwise, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, was passed.

## 7. LITIGATION STATEMENT

Refer to note 34 (contingent liabilities) of the annual financial statements for details on the contingent liabilities. No litigation matters with potential material consequences exist at the reporting date.

## 8. EVENTS AFTER THE REPORTING PERIOD

Other than the matters raised in note 41 to the annual financial statements, no other events occurred after the reporting date that may have a material effect on the Group.

## 9. AUDITORS

PwC will continue to act as the external auditors of the Company in accordance with section 90(6) of the Companies Act. The resolution for the reappointment of PwC as auditors will be presented to shareholders for approval at the next AGM.

## 10. MATERIAL RISKS

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

## 11. COVID-19 PANDEMIC

Due to the COVID-19 pandemic, South Africa and some of the other countries the Group operates in, implemented severe restrictions to combat the spread of the virus during the reporting period. These measures taken by various governments have negatively affected economic activity. The Group, however, provides an essential service due to the nature of the Group's activities, and was impacted minimally and was able to operate throughout the lockdown period.

The impact of the COVID-19 pandemic has been considered throughout the financial statements specifically relating to items as mentioned in note 2, critical accounting estimates and judgements, to the financial statements. The COVID-19 pandemic had minimal impact on Quantum Foods' business and the financial statements.

# Accounting policies

for the year ended 30 September 2020

## 1. BASIS OF PREPARATION

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

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

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

### 1.1 New and amended accounting standards adopted by the Group

The following standards and amendments have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2019:

- *IFRS 16 – Leases*
- *Interpretation 23 – Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies following the adoption of IFRS 16. This is disclosed in note 26 of the accounting policies. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

- *Amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – the definition of material (effective 1 January 2020)*
- *Amendments to IFRS 3 Business Combinations – definition of a business (effective 1 January 2020)*

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

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

## 2. BASIS OF CONSOLIDATION

### Subsidiaries

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

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

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

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

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

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

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

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

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

### Associates

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

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

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

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

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

### Common control reserve

IFRS 3 excludes from its scope business combinations between entities under common control. The Group has made the policy choice to apply predecessor accounting.

The principles of predecessor accounting are that no assets or liabilities are restated to their fair values. The Group incorporates predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity.

No new goodwill arises. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Differences on consolidation are included in the common control reserve in equity.



### 3. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Land is not depreciated. Depreciation on buildings, poultry houses, machinery, vehicles, furniture and equipment are calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives.

The expected useful lives are as follows:

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

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

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

### 4. INTANGIBLE ASSETS

#### Goodwill

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

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

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

#### Trademarks

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

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

#### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between two and five years.

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

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

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

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

### 5. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

### 6. FINANCIAL ASSETS

#### 6.1 Classification

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

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

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

#### 6.2 Recognition and derecognition

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

#### 6.3 Measurement

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

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

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

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

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

#### 6.4 Impairment

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 7. BIOLOGICAL ASSETS

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

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

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

**8. INVENTORIES**

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

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

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

**9. TRADE AND OTHER RECEIVABLES**

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

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

Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 9.

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

**10. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments.

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

**11. SHARE CAPITAL**

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

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

**12. BORROWINGS**

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

**13. PROVISIONS**

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

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

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

**14. TRADE AND OTHER PAYABLES**

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

**15. CURRENT AND DEFERRED INCOME TAX**

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

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

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

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

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

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

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

**16. REVENUE RECOGNITION**

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

Income is recognised as follows:

**Sale of goods**

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

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

Revenue from sales is based on the price specified in the sales contracts, net of value-added tax, estimated rebates and discounts and an adjustment for expected returns at the time of sale. Contract terms and accumulated experience are used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as sales are made with credit terms (0 to 45 days) which are consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

**Sale of services**

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided. The sale of services is included in other income in profit or loss. Sale of services includes rental income received.

## 17. FOREIGN CURRENCY TRANSLATION

### Functional and presentation currency

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

### Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences resulting from changes in amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

### Group entities

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

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

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

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

## 18. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE

As explained in note 1 above, the Group has changed its accounting policy for leases where the Group is a lessee. The new policy is described below, and the impact of the change in note 26 of the accounting policies.

The Group leases various farms, equipment, warehouses and delivery vehicles. Lease agreements are typically made for fixed periods of 2 to 5 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

Payments associated with short-term leases, variable lease payments not based on an index or a rate in (i) below, and leases of low-value (below R75 000) assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT equipment.

### (i) Variable lease payments

#### Estimation uncertainty arising from variable lease payments

Variable lease payments relate to the lease of solar panels whereby the rental payments are 100% based on the energy generated by the solar panels. These variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

### (ii) Extension and termination options

Extension and termination options are included in a number of property, delivery vehicle, and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. None of the lease payments made in 2020 were optional.

### Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of R2.7 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, there were no revisions to lease terms resulting from changes in our view on extension or terminations options in lease contracts.

## 18.1 Accounting policies applied until 30 September 2019

The Group has applied IFRS 16 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

### Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, were classified as finance leases. Finance leases were capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment was allocated between the liability and the finance charges.

The corresponding rental obligations, net of finance charges, were included in borrowings. The interest element of the finance cost was charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts were depreciated over the shorter of the lease term or the useful lives of the assets.

### Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor, were classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease was terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty was recognised as an expense in the period in which termination takes place.

The Group ensured that the following two requirements were met in order for an arrangement transacted by the Group to be classified as a lease:

- Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract, but rather implied
- The arrangement in substance conveys a right to use the asset

The Group's assessment of whether an arrangement contained a lease was made at the inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances.



**18. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE (CONTINUED)****18.1 Accounting policies applied until 30 September 2019 (continued)****Operating leases (continued)**

Where the Group concluded that it was impracticable to separate payments for the lease from other payments required by the arrangement:

- In the case of a finance lease, the Group recognised an asset and a liability at an amount equal to the fair value of the underlying asset. Subsequently, the liability was reduced as payments were made and an imputed finance charge on the liability was recognised using the Group's incremental borrowing rate of interest.
- In the case of an operating lease, all payments under the arrangement were treated as lease payments.

**19. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSOR****Operating leases**

Operating lease assets are included in property, plant and equipment in the statement of financial position. These assets are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the period of the lease and included in other income in profit or loss. The Group did not make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

**20. EMPLOYEE BENEFITS****Retirement scheme arrangements**

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

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

**Other long-term employee benefits**

The Group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within other operating expenses in profit or loss.

**Termination benefits**

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

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

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

**Bonus plans**

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

**Leave pay**

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

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

**21. SHARE-BASED PAYMENTS**

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

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

**22. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

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

At the inception of the hedge relationship, the Group documents the economic relationship between the hedging instruments and hedged items including whether changes in cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

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

**Cash flow hedges that qualify for hedge accounting**

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

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

Cash flow hedging instruments are mainly used to manage operational exposure to foreign exchange and commodity price risks. Financial instruments designated as cash flow hedges include commodity futures and foreign exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately within other gains or losses – net in profit or loss.

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

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

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

**Derivatives that do not qualify for hedge accounting**

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

**23. DIVIDEND DISTRIBUTION**

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

**24. SEGMENT REPORTING**

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

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The operating segments were identified and grouped together based mainly on the nature of their activities and the products offered by them.

**25. AMORTISED COSTS**

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

## 26. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements.

As indicated in note 1.1 above, the Group has adopted IFRS 16 retrospectively from 1 October 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. The new accounting policies are disclosed in note 18 of the accounting policies.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 – Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 10.2%. On adoption the Group has elected to raise temporary timing differences between lease liabilities and right-of-use assets and recognise deferred taxation.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in a measurement adjustment of R6.1 million for variable lease payments not based on an index or rate. R5.5 million of this remeasurement to the lease liabilities was recognised as an adjustment to the related right-of-use asset immediately after the date of initial application, and an adjustment to profit and loss.

### (i) Measurement of lease liabilities

	R'000
<b>Operating lease commitments disclosed as at 30 September 2019</b>	52 529
Discounted using the lessee's incremental borrowing rate at the date of initial application	(20 461)
Add: finance lease liabilities recognised as at 30 September 2019	6 128
(Less): short-term leases recognised on a straight-line basis as expense	(1 155)
(Less): low-value leases recognised on a straight-line basis as expense	(209)
Add: lease extensions (highly likely to be exercised)	45 823
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	(179)
<b>Lease liability recognised as at 1 October 2019</b>	82 476
Of which are:	
Current lease liabilities	20 570
Non-current lease liabilities	61 906

### (ii) Measurement of right-of-use assets

Right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

### (iii) Adjustments recognised in the statement of financial position on 1 October 2019

The change in accounting policy affected the following items in the statement of financial position on 1 October 2019. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the amounts provided.

#### Consolidated statement of financial position (extract)

	30 September 2019 As originally presented R'000	IFRS 16 impact R'000	1 October 2019 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	1 181 521	62 023	1 243 544
Property, plant and equipment	1 160 768	(5 524)	1 155 244
Right-of-use assets	–	67 547	67 547
<b>Total assets</b>	2 514 329	62 023	2 576 352
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>	1 837 412	(9 864)	1 827 548
Retained earnings	606 722	(9 864)	596 858
<b>Non-current liabilities</b>	256 790	51 786	308 576
Interest-bearing liability	6 021	(6 021)	–
Lease liability	–	61 906	61 906
Deferred income tax	242 843	(4 099)	238 744
<b>Current liabilities</b>	420 127	20 101	440 228
Trade and other payables	420 019	(361)	419 658
Interest-bearing liability	108	(108)	–
Lease liability	–	20 570	20 570
<b>Total liabilities</b>	676 917	71 887	748 804
<b>Total equity and liabilities</b>	2 514 329	62 023	2 576 352

No impact on the statement of comprehensive income.

### (iv) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

### (v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

# Consolidated statement of financial position

as at 30 September 2020

	Notes	2020 R'000	2019 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1 222 063</b>	1 181 521
Property, plant and equipment	3	1 140 282	1 160 768
Right-of-use assets	4	57 909	–
Intangible assets	5	5 832	7 722
Investment in associates	6	13 679	8 998
Trade and other receivables	9	4 035	3 356
Deferred income tax	17	326	677
<b>Current assets</b>		<b>1 422 723</b>	1 332 808
Inventories	7	297 872	288 029
Biological assets	8	354 511	379 596
Trade and other receivables	9	518 043	433 280
Derivative financial instruments	10	–	4 658
Current income tax	31	516	7 651
Cash and cash equivalents	11	251 781	219 594
<b>Total assets</b>		<b>2 644 786</b>	2 514 329
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>		<b>1 885 642</b>	1 837 412
Share capital	12	1 465 069	1 465 069
Treasury shares	12	(19 338)	(23 947)
Other reserves	14	(85 089)	(210 432)
Retained earnings		525 000	606 722
<b>Total equity</b>		<b>1 885 642</b>	1 837 412
<b>Non-current liabilities</b>		<b>283 597</b>	256 790
Interest-bearing liability	15	–	6 021
Lease liabilities	16	53 692	–
Deferred income tax	17	221 475	242 843
Provisions for other liabilities and charges	18	8 430	7 926
<b>Current liabilities</b>		<b>475 547</b>	420 127
Trade and other payables	19	444 384	420 019
Derivative financial instruments	10	6	–
Current income tax	31	12 989	–
Interest-bearing liability	15	–	108
Lease liabilities	16	18 168	–
<b>Total liabilities</b>		<b>759 144</b>	676 917
<b>Total equity and liabilities</b>		<b>2 644 786</b>	2 514 329

# Consolidated statement of comprehensive income

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Revenue	20	5 095 085	4 417 674
Cost of sales		(3 945 221)	(3 395 377)
Gross profit		1 149 864	1 022 297
Other income	21	10 655	9 915
Other gains/(losses) – net	22	92 500	149 517
Sales and distribution costs		(263 434)	(251 995)
Marketing costs		(13 941)	(13 278)
Administrative expenses		(140 610)	(126 517)
Other operating expenses		(616 566)	(544 706)
Operating profit		218 468	245 233
Investment income	24	6 010	15 102
Finance costs	25	(8 579)	(3 959)
Share of (loss)/profit of associate companies	6	(432)	209
Profit before income tax		215 467	256 585
Income tax expense	26	(60 568)	(67 390)
<b>Profit for the year</b>		<b>154 899</b>	189 195
<b>Other comprehensive income for the year</b>			
<b>Items that may subsequently be reclassified to profit or loss:</b>			
Fair value adjustments to cash flow hedging reserve		(1 714)	(1 227)
For the year		41 349	26 178
Deferred income tax effect		1	(1 426)
Current income tax effect		(11 579)	(5 903)
Realised to profit or loss		(43 730)	(27 883)
Deferred income tax effect		1 427	18
Current income tax effect		10 818	7 789
Movement in foreign currency translation reserve			
Currency translation differences		(45 680)	13 080
<b>Total comprehensive income for the year</b>		<b>107 505</b>	201 048
Profit for the year attributable to owners of the parent		154 899	189 195
Total comprehensive income for the year attributable to owners of the parent		107 505	201 048
Earnings per ordinary share (cents)	27	80	93
Diluted earnings per ordinary share (cents)	27	78	91



# Consolidated statement of changes in equity

for the year ended 30 September 2020

	Share capital R'000	Treasury shares R'000	Common control reserve R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Total R'000
<b>Balance as at 1 October 2019</b>	<b>1 465 069</b>	<b>(23 947)</b>	<b>(167 877)</b>	<b>6 545</b>	<b>(66 821)</b>	<b>17 721</b>	<b>(210 432)</b>	<b>606 722</b>	<b>1 837 412</b>
Change in accounting policy*	-	-	-	-	-	-	-	(9 864)	(9 864)
Reserve reclassified to retained earnings	-	-	167 877	-	-	-	167 877	(167 877)	-
Comprehensive income:									
Profit for the year	-	-	-	-	-	-	-	154 899	154 899
Other comprehensive income for the year	-	-	-	(1 714)	(45 680)	-	(47 394)	-	(47 394)
Movement in foreign currency translation reserve	-	-	-	-	(45 680)	-	(45 680)	-	(45 680)
Cash flow hedging									
Fair value adjustments to cash flow hedging reserve									
For the year	-	-	-	41 349	-	-	41 349	-	41 349
Deferred income tax effect	-	-	-	1	-	-	1	-	1
Current income tax effect	-	-	-	(11 579)	-	-	(11 579)	-	(11 579)
Realised to profit or loss	-	-	-	(43 730)	-	-	(43 730)	-	(43 730)
Deferred income tax effect	-	-	-	1 427	-	-	1 427	-	1 427
Current income tax effect	-	-	-	10 818	-	-	10 818	-	10 818
Recognition of share-based payments	-	-	-	-	-	9 566	9 566	-	9 566
Deferred income tax on share-based payments	-	-	-	-	-	5 180	5 180	-	5 180
Dividends paid – final and interim net of treasury shares	-	-	-	-	-	-	-	(59 861)	(59 861)
Ordinary shares acquired by subsidiary	-	(4 296)	-	-	-	-	-	-	(4 296)
Ordinary shares transferred – share appreciation rights	-	8 905	-	-	-	(9 886)	(9 886)	981	-
<b>Balance as at 30 September 2020</b>	<b>1 465 069</b>	<b>(19 338)</b>	<b>-</b>	<b>4 831</b>	<b>(112 501)</b>	<b>22 581</b>	<b>(85 089)</b>	<b>525 000</b>	<b>1 885 642</b>
Notes	12	12					14		

\* Refer to note 26 of the accounting policies for details regarding the restatement of the opening balance of retained earnings on 1 October 2019.

<b>Balance as at 1 October 2018</b>	1 500 248	(1 541)	(167 877)	7 772	(79 901)	13 604	(226 402)	582 086	1 854 391
Change in accounting policy (IFRS 9 adoption)	-	-	-	-	-	-	-	(795)	(795)
Shares repurchased and cancelled	(35 179)	-	-	-	-	-	-	-	(35 179)
Comprehensive income:									
Profit for the year	-	-	-	-	-	-	-	189 195	189 195
Other comprehensive income for the year	-	-	-	(1 227)	13 080	-	11 853	-	11 853
Movement in foreign currency translation reserve	-	-	-	-	13 080	-	13 080	-	13 080
Cash flow hedging									
Fair value adjustments to cash flow hedging reserve									
For the year	-	-	-	26 178	-	-	26 178	-	26 178
Deferred income tax effect	-	-	-	(1 426)	-	-	(1 426)	-	(1 426)
Current income tax effect	-	-	-	(5 903)	-	-	(5 903)	-	(5 903)
Realised to profit or loss	-	-	-	(27 883)	-	-	(27 883)	-	(27 883)
Deferred income tax effect	-	-	-	18	-	-	18	-	18
Current income tax effect	-	-	-	7 789	-	-	7 789	-	7 789
Recognition of share-based payments	-	-	-	-	-	9 525	9 525	-	9 525
Deferred income tax on share-based payments	-	-	-	-	-	(1 435)	(1 435)	-	(1 435)
Dividends paid – final and interim net of treasury shares	-	-	-	-	-	-	-	(162 775)	(162 775)
Ordinary shares acquired by subsidiary	-	(27 368)	-	-	-	-	-	-	(27 368)
Ordinary shares transferred – share appreciation rights	-	4 962	-	-	-	(3 973)	(3 973)	(989)	-
<b>Balance as at 30 September 2019</b>	<b>1 465 069</b>	<b>(23 947)</b>	<b>(167 877)</b>	<b>6 545</b>	<b>(66 821)</b>	<b>17 721</b>	<b>(210 432)</b>	<b>606 722</b>	<b>1 837 412</b>
Notes	12	12					14		

# Consolidated statement of cash flows

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>216 311</b>	162 706
Cash profit from operating activities	28	<b>332 548</b>	329 847
Working capital changes	29	<b>(70 312)</b>	(109 244)
Cash effect of hedging activities		<b>2 718</b>	(6 736)
Cash generated from operations		<b>264 954</b>	213 867
Income tax paid	31	<b>(48 643)</b>	(51 161)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(85 413)</b>	(140 946)
Additions to property, plant and equipment	3	<b>(91 155)</b>	(152 587)
Additions to intangible assets	5	<b>–</b>	(4)
Proceeds on disposal of property, plant and equipment	32	<b>411</b>	3 271
Advance of non-interest-bearing loan	9	<b>–</b>	(6 728)
Interest received	24	<b>5 331</b>	15 102
Cash surplus		<b>130 898</b>	21 760
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(94 463)</b>	(225 941)
Principal elements of lease payments (2019: principal elements of finance lease payments)		<b>(22 441)</b>	(98)
Shares repurchased	12	<b>–</b>	(35 179)
Treasury shares acquired by subsidiary	12	<b>(4 296)</b>	(27 368)
Interest paid		<b>(7 909)</b>	(724)
Dividends paid to ordinary shareholders	30	<b>(59 817)</b>	(162 572)
Increase/(decrease) in cash and cash equivalents		<b>36 435</b>	(204 181)
Effects of exchange rate changes		<b>(4 248)</b>	1 314
Cash and cash equivalents at beginning of year		<b>219 594</b>	422 461
<b>Cash and cash equivalents at end of year</b>	11	<b>251 781</b>	219 594

# Notes to the consolidated financial statements

for the year ended 30 September 2020

## 1. ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of this historical financial information are set out on pages 12 to 23.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The impact of the COVID-19 pandemic was considered as part of the assessment of assumptions used below.

### Property, plant and equipment

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

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

At year-end, the Group's net asset value exceeded its market capitalisation. In their impairment tests, management identified three CGUs within the Group for which impairment assessments were performed, namely the animal feeds business, the layers business and the broiler business.

To determine the value-in-use, management uses the budget as approved by the Board to determine future cash flows for the CGUs, after taking into account the impact of the COVID-19 pandemic. These cash flows are then discounted using the Group's weighted average cost of capital. These calculations were performed for the animal feeds and broiler business.

The fair value less cost to sell is based on valuations performed by an independent external valuation expert for the layers business.

Management based its fair value assessment on the property valuations performed on all material properties during the year. Fair values on all other properties were determined based on prior years' valuations performed and adjusted accordingly.

Significant headroom exists for all CGUs assessed by management. Consequently, management has not identified any impairment losses to be included in the Group's consolidated financial statements.

### Fair value measurement of biological assets

In measuring fair value of biological assets, management estimates and judgements are required for determination of fair value. Refer to note 38 for key assumptions used.

### Assessment of control over contract growers

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

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

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

### Impairment of financial assets

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

**3. PROPERTY, PLANT AND EQUIPMENT**

	2020 R'000	2019 R'000
Land and buildings	331 592	325 889
Plant, machinery and equipment	785 714	806 904
Vehicles	22 976	27 975
Net book value	1 140 282	1 160 768

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
<b>30 September 2020</b>				
<b>Cost</b>				
At 1 October 2019	442 475	1 373 281	59 205	1 874 961
Change in accounting policy – IFRS 16*	–	(6 448)	–	(6 448)
Additions	21 839	65 256	4 060	91 155
Foreign exchange adjustment	(10 993)	(25 760)	(4 994)	(41 747)
Disposals	(93)	(3 162)	(1 470)	(4 725)
At 30 September 2020	453 228	1 403 167	56 801	1 913 196
<b>Accumulated depreciation and impairment</b>				
At 1 October 2019	(116 586)	(566 377)	(31 230)	(714 193)
Change in accounting policy – IFRS 16*	–	924	–	924
Depreciation charge	(8 646)	(59 073)	(6 584)	(74 303)
Foreign exchange adjustment	3 576	4 867	2 989	11 432
Depreciation on disposals	20	2 206	1 000	3 226
At 30 September 2020	(121 636)	(617 453)	(33 825)	(772 914)
<b>Net book value at 30 September 2020</b>	<b>331 592</b>	<b>785 714</b>	<b>22 976</b>	<b>1 140 282</b>

**30 September 2019**

<b>Cost</b>				
At 1 October 2018	410 507	1 264 701	51 348	1 726 556
Additions	29 953	111 773	10 861	152 587
Foreign exchange adjustment	2 369	9 838	404	12 611
Disposals	(354)	(13 031)	(3 408)	(16 793)
At 30 September 2019	442 475	1 373 281	59 205	1 874 961

**Accumulated depreciation and impairment**

At 1 October 2018	(108 653)	(520 048)	(25 986)	(654 687)
Depreciation charge	(7 846)	(55 769)	(6 946)	(70 561)
Foreign exchange adjustment	(327)	(2 512)	(250)	(3 089)
Depreciation on disposals	240	11 952	1 952	14 144
At 30 September 2019	(116 586)	(566 377)	(31 230)	(714 193)

**Net book value at 30 September 2019**

	325 889	806 904	27 975	1 160 768
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\* Adjustment due to the implementation of IFRS 16. Refer to note 26 of the accounting policies for further details.

	2020 R'000	2019 R'000
The property, plant and equipment balance includes assets in the course of construction amounting to:	35 509	10 746
A register with full details of assets is available at the Group's registered office. Refer to note 35.3 for capital commitments for property, plant and equipment. Plant, machinery and equipment includes the following amounts where the Group is a lessee under a finance lease (refer to note 15 for further details):		
<b>Leased equipment</b>		
Cost		6 448
Accumulated depreciation		(924)
<b>Net book value at for the year ended 30 September 2019</b>		5 524

**4. RIGHT-OF-USE ASSETS**

	2020 R'000
Land and buildings	22 849
Plant, machinery and equipment	8 600
Vehicles	26 460
Net book value	57 909

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
<b>Carrying value</b>				
At 1 October 2019*	21 817	16 149	29 581	67 547
Additions	6 013	1 156	8 370	15 539
Derecognitions	–	(5 524)	–	(5 524)
Reassessments	(1 257)	571	3 198	2 512
Depreciation charge	(3 612)	(3 752)	(14 689)	(22 053)
Foreign exchange adjustment	(112)	–	–	(112)
<b>At 30 September 2020</b>	<b>22 849</b>	<b>8 600</b>	<b>26 460</b>	<b>57 909</b>

\* Restated for adoption of IFRS 16. Refer to note 26 of the accounting policies for further details.

**5. INTANGIBLE ASSETS**

	2020 R'000	2019 R'000
Computer software	404	2 114
Goodwill	5 428	5 428
Trademarks	–	180
Net book value	5 832	7 722

	Computer Software R'000	Goodwill R'000	Trademarks R'000	Total R'000
<b>30 September 2020</b>				
<b>Cost</b>				
At 1 October 2019	14 432	5 428	24 544	44 404
At 30 September 2020	14 432	5 428	24 544	44 404
<b>Accumulated amortisation and impairment</b>				
At 1 October 2019	(12 318)	–	(24 364)	(36 682)
Amortisation for the year**	(1 710)	–	(180)	(1 890)
At 30 September 2020	(14 028)	–	(24 544)	(38 572)
<b>Net book value at 30 September 2020</b>	<b>404</b>	<b>5 428</b>	<b>–</b>	<b>5 832</b>

**30 September 2019**

<b>Cost</b>				
At 1 October 2018	14 428	5 428	24 544	44 400
Additions	4	–	–	4
At 30 September 2019	14 432	5 428	24 544	44 404

**Accumulated amortisation and impairment**

At 1 October 2018	(9 708)	–	(24 055)	(33 763)
Amortisation for the year**	(2 610)	–	(309)	(2 919)
At 30 September 2019	(12 318)	–	(24 364)	(36 682)

**Net book value at 30 September 2019**

	2 114	5 428	180	7 722
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\*\* Amortisation expenses are included in other operating expenses.



	2020 R'000	2019 R'000
<b>5. INTANGIBLE ASSETS (CONTINUED)</b>		
The carrying value of the trademark above is included in the following CGUs:		
<b>Eggs</b>		
Safe Eggs	–	180
The trademark has been fully amortised during the current reporting period.		
<b>Impairment test for goodwill</b>		
Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.		
<b>Animal feeds</b>		
Olifantskop feed mill	5 428	5 428
The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets approved by the Board. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the agricultural industry in which the CGU operates.		
<b>Key assumptions used for value-in-use calculation</b>		
Growth rate	5.5%	5.5%
Discount rate	23.2%	22.3%
These assumptions have been used for the analysis of this CGU. The budgeted gross margin is based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports, after taking into account the impact of the COVID-19 pandemic. The pre-tax discount rates as disclosed above reflect specific risk relating to the relevant CGU, as well as any impact from the COVID-19 pandemic.		
No impairment was recognised at the end of the reporting period presented.		
	2020 R'000	2019 R'000
<b>6. INVESTMENT IN ASSOCIATE</b>		
Unlisted shares at cost	6 813	1 700
Balance beginning of year	1 700	1 700
Acquisition during the year	5 113	–
Interest in retained earnings and reserves	6 866	7 298
Balance beginning of year	7 298	7 089
Share of (loss)/profit of associate companies	(432)	209
	13 679	8 998
Cost of shares		
Bergsig Breeders (Pty) Ltd	1 700	1 700
Effective interest 29.9% (2019: 29.9%)		
Klipvlei Broilers (Pty) Ltd*	5 113	–
Effective interest 20% (2019: nil)		
	6 813	1 700
The following is the summarised statement of financial position of the above mentioned associate companies:		
Non-current assets	36 224	17 188
Current assets	26 002	18 275
<b>Total assets</b>	<b>62 226</b>	<b>35 463</b>
Non-current liabilities	20 694	2 247
Current liabilities	20 587	5 215
Total liabilities	41 281	7 462
Capital and reserves	20 945	28 001
<b>Total equity and liabilities</b>	<b>62 226</b>	<b>35 463</b>
The following is the summarised statement of comprehensive income of the associated companies for the year:		
<b>Revenue</b>	<b>82 692</b>	<b>56 699</b>
<b>Operating (loss)/profit</b>	<b>(783)</b>	<b>1 610</b>
<b>Net (loss)/profit after income tax</b>	<b>(1 296)</b>	<b>698</b>

\* A 20% shareholding in Klipvlei Broilers (Pty) Ltd was acquired on 8 March 2020 at the stated cost.

Bergsig Breeders (Pty) Ltd and Klipvlei Broilers (Pty) Ltd are both private companies, and there is no quoted market price available for its shares. Both companies operate in the poultry industry in South Africa. Bergsig Breeders (Pty) Ltd supplies the Group with broiler hatching eggs and Klipvlei Broilers (Pty) Ltd supplies the Group with live broilers.

	2020 R'000	2019 R'000	
<b>7. INVENTORIES</b>			
Raw material	206 427	196 510	
Manufactured products	44 640	45 708	
Packing materials and consumables	46 805	45 811	
	297 872	288 029	
Inventory carried at net realisable value	718	2 889	
Cost of inventories included in cost of sales	3 835 698	3 237 937	
The cost of inventories above excludes inventory written off and biological assets fair value adjustments.			
The nature of the inventory held is raw materials used in production of animal feed and other food related products. The Group has considered the impact of the COVID-19 pandemic on the valuation of inventories. No material change to the valuation of inventory was considered necessary due to the nature of inventory held.			
<b>8. BIOLOGICAL ASSETS</b>			
Livestock – poultry	354 511	379 596	
Poultry includes broiler and layer stock. Broiler stock includes breeding stock, day-old chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old chicks and hatching eggs.			
Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. The fair value estimation of the Group's biological assets was not materially impacted by the COVID-19 pandemic due to the nature of the biological assets and its produce.			
	<b>Broiler stock R'000</b>	<b>Layer stock R'000</b>	<b>Total R'000</b>
Fair value at 1 October 2019	111 633	267 963	379 596
Increase due to establishment cost	804 987	1 078 141	1 883 128
Decrease due to harvest/sales	(806 861)	(1 091 036)	(1 897 897)
Fair value adjustment recorded in profit and loss	2 000	(6 598)	(4 598)
Foreign exchange adjustment	(434)	(5 284)	(5 718)
<b>Fair value at 30 September 2020</b>	<b>111 325</b>	<b>243 186</b>	<b>354 511</b>
Fair value at 1 October 2018	121 631	210 427	332 058
Increase due to establishment cost	861 782	946 070	1 807 852
Decrease due to harvest/sales	(870 989)	(891 384)	(1 762 373)
Fair value adjustment recorded in profit and loss	(1 125)	1 915	790
Foreign exchange adjustment	334	935	1 269
<b>Fair value at 30 September 2019</b>	<b>111 633</b>	<b>267 963</b>	<b>379 596</b>
	<b>2020 R'000</b>	<b>2019 R'000</b>	
Biological assets at fair value less cost to sell consist of the following:			
Chickens – grandparents and other breeding stock	56 509	50 793	
Chickens – laying	234 855	262 586	
Chickens – broilers	36 791	38 015	
Hatching eggs	25 195	26 996	
Game	1 161	1 206	
	354 511	379 596	
	<b>Quantity</b>	<b>Quantity</b>	
At 30 September, the Group held the following biological assets:			
Chickens – grandparents	33 595	36 617	
Hatching eggs	7 494 850	8 273 338	
Chickens – broilers	2 743 295	3 672 772	
Chickens – layers 39 weeks and younger	3 284 401	4 211 252	
Chickens – layers older than 39 weeks	2 768 712	2 259 632	
Game	581	581	

	2020 R'000	2019 R'000
<b>8. BIOLOGICAL ASSETS (CONTINUED)</b>		
The Group produced the following agricultural produce for the year ended 30 September:		
Eggs (dozens)	94 712 818	83 857 187
Live birds (kg)	61 256 928	70 683 994
Number of day-old chicks	78 695 849	77 392 412
Number of point-of-lay hens	6 278 127	5 738 401
Number of culls	3 385 002	2 952 453

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

	2020 R'000	2019 R'000
<b>9. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	503 512	429 671
Allowance for outstanding credit notes	(2 085)	(2 162)
Loss allowance	(28 636)	(26 340)
Trade receivables – net	472 791	401 169
Prepayments	16 212	11 880
Receivables from related parties (refer to note 36)	9 089	7 185
Other debtors	3 748	4 490
Receiver of revenue – VAT	20 238	11 912
	522 078	436 636
Interest charged and fully provided included in trade receivables in 2019, was reclassified in the current year as part of the loss allowance, as suspended interest.		
For the purposes of the statement of financial position trade and other receivables are presented as follows:		
Non-current assets	4 035	3 356
Current assets	518 043	433 280
	522 078	436 636

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

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

The Group applies the IFRS 9 simplified approach to measuring the ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped on shared characteristics and the days past due. Shared characteristics refer to type of product sold to the customer (similar to disaggregation of revenue note for these product lines – refer to note 20).

The expected loss rates applied are based on the payment profiles of sales over a period of 48 months and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. Forward-looking information includes expected economic growth and employment rates and the potential impact thereof on our customers. The COVID-19 pandemic in the current year has significantly impacted the South African economy, and consequently, the general operating environment of the Group. Based on a combined assessment of the above, the calculated loss rates were adjusted upwards by a forward-looking factor of 20% (2019: 10%).

	2020 R'000	2019 R'000
Trade receivables	503 512	429 671
Excluding:		
– Balances of national customers*	(203 012)	(149 275)
– Receivables specifically provided for	(27 615)	(25 473)
– Receivables with balances covered by insurance^	(173 242)	(188 017)
Remaining trade receivables balance subject to loss allowance based on matrix approach	99 643	66 906

\* Balances of national customers (customers with a limited risk profile and with a national geographical representation) with no history of default and long history of trading with the Group. These customers have no long outstanding amounts, nor has there been any indication that these customers will default. The Group calculates the ECL on national customers with reference to the probability of default model using external credit ratings in determining the default risk of counterparties. The expected credit rating range used was between BB and BB+ (for emerging markets). The Group used a loss given default rate of 45%. Forward-looking assessment for national customers includes specific economic growth and employment rates and the impact of the COVID-19 pandemic. Based on a combined assessment of the above, the calculated loss rates were adjusted upwards by a forward-looking factor of 20% (2019: 10%). The calculated ECL on these balances was not considered to be material.

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

#### 9. TRADE AND OTHER RECEIVABLES (CONTINUED)

##### ECL allowance

##### 30 September 2020

Current  
30 days  
60 days  
More than 90 days

Total

Specific provision for losses

Total

##### ECL allowance

##### 30 September 2019

Current  
30 days  
60 days  
More than 90 days

Total

Specific provision for losses

Total

	2020 R'000	2019 R'000
Movements on the Group's loss allowance are as follows:		
At 1 October	26 340	21 873
Amounts restated through opening retained earnings	–	1 009
Increase/(decrease) in general loss allowance recognised in profit or loss during the year	235	(142)
Increase in specific loss allowance recognised in profit or loss during the year	1 569	922
Suspended interest included in the expected loss allowance*	2 082	4 706
Receivables written off during the year as uncollectible	(180)	(1 302)
Unused amounts reversed	(1 095)	(813)
Foreign exchange translation adjustment	(315)	87
At 30 September	28 636	26 340
The ECL of receivables from related parties and other debtors were calculated as for trade receivables (refer above). The calculated ECL on these balances was not considered to be material.		
Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amount of fully performing financial assets included in trade and other receivables at year-end equals:		
National customers	194 609	148 988
Other customers	282 306	238 456
	476 915	387 444

\* Interest charged and fully provided for was classified as part of the trade receivables balance, subsequently it has been classified as part of the loss allowance balance.

**9. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Individually impaired receivables where indicators of impairment are present comprise of a number of customers. The following trade receivables were impaired at year-end:  
Other customers

A summary of the Group's trade receivables covered by insurance or secured by collateral is as follows:

	2020 R'000	2019 R'000
Trade receivable balances covered by Credit Guarantee Insurance (excluding specifically provided debtors balances)	213 761	219 292
Mortgage bonds – registered value	2 300	8 300
Notarial bonds – registered value	13 400	8 400
Cessions – book value	2 000	11 520
Bank guarantees – actual value	5 500	6 500

Fair value of collateral held on past due and/or impaired trade receivables:	13 047	26 450
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The carrying amount of the Group's trade receivables are denominated in the following currencies which, except for the Euro balance, are the functional currencies of the relevant subsidiaries:

Euro	–	865
Zambian kwacha	2 716	5 492
Ugandan shilling	2 880	2 016
Mozambican metical	6 095	5 100
South African rand	491 821	416 198
Total	503 512	429 671

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

**Loan to Chamomile Farming Enterprises (Pty) Ltd ("Chamomile")**

The Group granted a long-term loan to Chamomile during the previous reporting period. Chamomile is a black-owned egg supplier of the Group. The loan was provided to increase Chamomile's layer hen capacity through capital improvements. The loan is unsecured, interest free and repayable in monthly instalments over 10 years, starting from the date the capital improvements are ready for use. Delays caused by the COVID-19 pandemic on construction of the capital improvements resulted in the first payment being due only in the next reporting period.

Loans at the start of the year	4 233	–
Loans advanced during the year	–	6 728
Discounting of loan	679	(2 495)
Loans at the end of year – included in other debtors balance	4 912	4 233
Current portion of loan	(878)	(878)
Non-current portion of loan	4 034	3 355

The loan balance is not past due, nor has there been any indication that Chamomile will default. The calculated ECL of the loan receivable from Chamomile was not considered to be material, based on the assessment performed. The impact of the COVID-19 pandemic on the loan was considered as part of the ECL assessment.

**10. DERIVATIVE FINANCIAL INSTRUMENTS**

Foreign exchange contracts – not earmarked for hedge accounting	–	32
Foreign exchange contracts – cash flow hedges	(6)	4 626
	(6)	4 658

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

Current assets	–	4 658
Current liabilities	(6)	–
	(6)	4 658

Trading derivatives are classified as a current asset or liability. The carrying values of derivative financial instruments are measured at their fair values at the reporting date.

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

Refer to note 38 for the Group's exposure to financial risks and how these risks are managed.

**10. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)****10.1 Derivative instruments earmarked for hedging (cash flow hedges)****Commodity instruments****Commodity instruments**

30 September 2020

Futures\*

30 September 2019

Futures\*

\* Disclosed within cash and cash equivalents (restricted cash). Consists of 274 yellow maize (2019: 387) futures bought.

	Foreign amount '000	Rand amount R'000	Fair value R'000
<b>Currency forward contracts</b>			
<b>30 September 2020</b>			
Purchases of foreign exchange contracts			(6)
Euro	33	648	(6)
<b>30 September 2019</b>			
Purchases of foreign exchange contracts			4 626
US dollar	6 526	98 883	4 626

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

**10.2 Other derivative instruments – Currency forward contracts**

30 September 2019

Purchases of foreign exchange contracts

British pound	(88)	(1 653)	32
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**11. CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	251 781	219 594
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For the purposes of the statement of cash flows, the year-end cash and cash equivalents consist of cash at bank, on hand and restricted balances.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2020 R'000	2019 R'000
SA rand	205 556	187 122
US dollar	5 029	10 941
Zambian kwacha (functional currency of a subsidiary)	15 314	5 478
Ugandan shilling (functional currency of a subsidiary)	16 501	9 979
Mozambican metical (functional currency of a subsidiary)	9 381	6 074
<b>Total</b>	<b>251 781</b>	<b>219 594</b>

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

**Restricted balances**

Cash and cash equivalents include restricted balances of R2.6 million (2019: R7.0 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the Group when the related derivative positions are closed.



	2020 R'000	2019 R'000
<b>12. SHARE CAPITAL</b>		
Authorised – ordinary shares 400 000 000 (2019: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares 200 024 716 (2019: 200 024 716) ordinary no par value shares	1 465 069	1 465 069
<b>Reconciliation of movement in issued shares</b>		
Opening balance	1 465 069	1 500 248
Shares repurchased	–	(35 179)
	1 465 069	1 465 069
During the reporting period nil (2019: 10 505 000) ordinary shares were repurchased by the Company and cancelled. In 2019, the shares were repurchased at an average price of R3.35 per share and were subsequently cancelled.		
<b>Treasury shares held by subsidiary</b>		
At the beginning of the year: 7 107 946 (2019: 334 419) ordinary shares	23 947	1 541
1 296 647 (2019: 8 083 426) ordinary shares acquired during the year at an average price of R3.31 (2019: R3.39) per share	4 296	27 368
Issued to management in terms of share appreciation rights scheme: 2 643 138 (2019: 1 309 899) ordinary shares	(8 905)	(4 962)
	19 338	23 947

### 13. SHARE-BASED PAYMENTS

#### Management share appreciation rights scheme (equity-settled)

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

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

	2020 Number '000	2019 Number '000
<b>Number of share appreciation rights made available</b>		
Number at beginning of year	25 163	22 866
New allocation at R3.57 per share	7 501	–
New allocation at R4.25 per share	–	6 049
Redeemed	(6 318)	(3 752)
Expired/forfeited	–	–
Number at end of year	26 346	25 163
<b>Number of share appreciation rights</b>		
At R3.15 per share, exercisable up to 27 February 2021	–	2 065
At R2.66 per share, exercisable up to 18 February 2022	1 296	3 028
At R3.09 per share, exercisable up to 23 February 2023	5 040	7 561
At R3.91 per share, exercisable up to 22 February 2024	6 460	6 460
At R4.25 per share, exercisable up to 11 February 2025	6 049	6 049
At R3.57 per share, exercisable up to 17 February 2026	7 501	–
	26 346	25 163

Share appreciation rights were granted on 17 February 2020 at a strike price of R3.57. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 17 February 2023 subject to certain time and performance-based criteria.

The net estimated weighted average fair value at grant date per share appreciation right for share appreciation rights outstanding at 30 September 2020 is R1.16. The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based payment. The cost accounted for in the current year amounts to R9 564 100 (2019: R9 524 400).

### 13. SHARE-BASED PAYMENTS (CONTINUED)

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

The principal assumptions were as follows:

Weighted average share price at grant date (cents per share)

Expected volatility

Expected dividend yield

Risk-free rate

Expected life (years)

	2020	2019
	354	344
	26.1% – 32.9%	20.9% – 31.9%
	3.0%	3.0%
	6.5% – 8.6%	6.5% – 8.6%
	3 to 5	3 to 5
Expected volatility was determined by calculating the volatility of the share price of a similar JSE-listed entity in the agricultural industry.		
The shareholders initially approved a maximum number of 14 500 000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2020, 10 334 567 ordinary shares (2019: 12 977 705) were still available for issue.		
	2020 R'000	2019 R'000
<b>14. OTHER RESERVES</b>		
Common control reserve	–	(167 877)
Share-based payment reserve	22 581	17 721
Foreign currency translation reserve	(112 501)	(66 821)
Hedging reserve	4 831	6 545
	(85 089)	(210 432)

The Group acquired its businesses from Pioneer Foods Group Ltd during the 2014 reporting period as part of the restructuring from Pioneer Foods Group Ltd. The acquisition was an acquisition of businesses under common control. The acquisition was accounted for using predecessor accounting at the carrying value of the assets/liabilities at the acquisition date. The difference between the consideration given and the book values of net assets acquired was recorded in the common control reserve in equity. The common control reserve has been classified to retained earnings during the current period.

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

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

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

### 15. INTEREST-BEARING LIABILITY

#### Non-current

Finance lease liability

#### Current

Finance lease liability

	2020 R'000	2019 R'000
	–	6 021
	–	6 021
	–	108
	–	108
	–	6 129

The finance lease liability bore interest at a rate of 8.35%. The finance lease liability was effectively secured as the rights to the leased assets revert to the lessor in the event of default. The carrying amount of the finance lease liability approximated its fair value.

The Group entered an arrangement to purchase electricity generated by solar panels at one of its units. The 25-year agreement constituted a finance lease for accounting purposes until 30 September 2019.

Finance lease liabilities were included in borrowings until 30 September 2019, but were reclassified on 1 October 2019 to lease liabilities during adoption of the new leasing standard IFRS16. Refer to note 26 of the accounting policies for further details on the adoption of IFRS 16 and note 16 of the notes to the financial statements for further details on leases at 30 September 2020.

	2020 R'000	2019 R'000
<b>16. LEASES</b>		
This note provides information for leases where the Group is a lessee.		
<b>Lease liabilities*</b>		
Current	18 168	
Non-current	53 692	
	<b>71 860</b>	
* Restated for adoption of IFRS 16. Refer to note 26 of the accounting policies for further detail.		
The Group's leasing activities and accounting thereof are disclosed in note 18 of the accounting policies.		
Right-of-use assets recognised in the statement of financial position in relation to the Group's lease liabilities are disclosed in note 4.		
<b>The statement of comprehensive income includes the following amounts relating to leases</b>		
Depreciation charge of right-of-use assets	22 053	
Interest expense (included in finance cost note 25)	7 799	
Expense relating to short-term leases (included in sales and distribution costs and other operating expenses)	4 425	
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	5 513	
Expense relating to variable lease payments not included in lease liabilities (included in sales and distribution costs and other operating expenses)	2 043	
The cash outflows for leases amounted to R42 221 349 during the current period.		
<b>17. DEFERRED INCOME TAX</b>		
Balance at beginning of year	242 166	219 987
Change in accounting policy – IFRS 16* (2019: IFRS 9)	(4 099)	(214)
Balance at 1 October	238 067	219 773
Charge in profit or loss	(7 438)	19 517
Foreign exchange translation adjustment	(2 872)	33
Deferred income tax on hedging reserve charged to equity	(1 428)	1 408
Deferred income tax on share-based payment reserve	(5 180)	1 435
	<b>221 149</b>	242 166
* Deferred tax on amounts restated through opening retained earnings due to the implementation of IFRS 16. Refer to note 26 of the accounting policies for further details.		
Due to the following temporary differences:		
Capital allowances, including trademarks	184 111	183 618
Inventories	8 421	9 131
Biological assets	74 857	83 175
Assessed loss utilised	(7 450)	(5 543)
Prepaid expenses	1 939	1 514
Provision for long-service awards	(2 360)	(2 219)
Leave accrual	(6 700)	(5 742)
Bonus accrual	(5 449)	(5 743)
Provision for impairment of trade receivables	(4 703)	(4 203)
Rebates, growth incentives and settlement discount accruals	(4 000)	(2 480)
Allowance for credit notes	(584)	(605)
Deferred income	(1 966)	(771)
Derivative financial instruments	(24)	1 318
Share-based payments	(10 635)	(5 802)
Accruals personnel costs	(1 224)	(2 662)
Other	(3 084)	(820)
	<b>221 149</b>	242 166
For the purposes of the statement of financial position, deferred income tax is presented as follows:		
Non-current assets	(326)	(677)
Non-current liabilities	221 475	242 843
	<b>221 149</b>	242 166

During the year, deferred income tax assets of R326 000 (2019: R677 493) have been recognised of which the utilisation thereof depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

These deferred tax assets relate to assessed losses of Group entities that suffered losses in the current and/or preceding years. The losses suffered in the current and/or previous period arose from identifiable causes that are unlikely to recur. These entities have a strong earnings potential, and future profitability is expected against which unrecognised tax losses can be utilised.

	2020 R'000	2019 R'000
<b>18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES</b>		
Long-service awards	8 430	7 926
<b>18.1 Long-service awards</b>		
Balance at beginning of year	7 926	7 718
Interest	592	625
Actuarial loss	214	426
Current service costs	1 138	1 030
Payments	(1 440)	(1 873)
	<b>8 430</b>	7 926
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	8 430	7 926
Unrecognised actuarial loss	–	–
	<b>8 430</b>	7 926
Existing provisions are based on the following important assumptions:		
Discount rate	7.4% p.a.	8.0% p.a.
Salary increases	5% p.a.	6% p.a.
Normal retirement age	60 years	60 years
The date of the most recent actuarial valuation is:	30 September 2020	30 September 2019
<b>19. TRADE AND OTHER PAYABLES</b>		
Trade payables	357 089	337 673
Accrued expenses	22 386	21 944
Related parties (refer to note 36)	6 072	3 087
Accrued leave-pay	24 571	21 305
Accrued 13th cheque	8 014	9 094
Accrued short-term incentive bonus	18 718	19 988
Value-added tax	–	48
Dividends payable	436	392
Other payables	7 098	6 488
	<b>444 384</b>	420 019
The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.		
The carrying amount of the Group's trade payables are denominated in the following currencies:		
<b>Uncovered</b>	357 089	337 673
Euro	812	243
UK pound	–	81
US dollar	2 264	1 274
Zambian kwacha (functional currency of a subsidiary)	3 903	3 400
Ugandan shilling (functional currency of a subsidiary)	2 672	1 674
Mozambican metical (functional currency of a subsidiary)	1 010	2 909
South African rand	346 428	328 092
Total	<b>357 089</b>	337 673

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

	2020 R'000	2019 R'000
<b>20. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
Disaggregation of revenue from contracts with customers	5 095 085	4 417 674
The Group derives revenue from the transfer of goods at a point in time.		
<b>Revenue</b>		
Eggs	1 229 592	1 095 195
Layer farming*	237 671	197 058
Broiler farming**	1 112 372	1 128 094
Animal feeds	2 237 071	1 758 627
Zambia***	157 626	144 538
Uganda***	67 329	48 966
Mozambique****	53 424	45 196
	<b>5 095 085</b>	<b>4 417 674</b>
<p>* Layer farming sales include the sale of day-old pullets and point-of-lay hens.  ** Broiler farming sales include the sales of day-old broilers and live birds.  *** Includes the sale of animal feeds, commercial eggs and day-old chicks.  **** Includes the sale of commercial eggs.</p>		
<b>Information regarding major customers</b>		
During the period under review, revenue from the Group's top three customers was as follows:		
Customer A	819 576	679 457
Customer B	492 054	464 862
Customer C	366 926	337 744
Revenue from these customers is reported within all operating segments except other African countries.		
<b>21. OTHER INCOME</b>		
Rental income	6 326	6 186
Sundry income	3 424	2 783
Insurance claims	905	946
	<b>10 655</b>	<b>9 915</b>
<b>22. OTHER GAINS/(LOSSES) – NET</b>		
Biological assets fair value adjustment	70 265	105 091
Unrealised – reflected in carrying amount of biological assets	(4 598)	790
Realised – reflected in cost of goods sold	74 863	104 301
Agricultural produce fair value adjustment	25 813	40 015
Unrealised – reflected in carrying amount of inventory	248	(2 891)
Realised – reflected in cost of goods sold	25 565	42 906
Foreign exchange differences	(64)	339
Financial instruments fair value adjustments	(33)	3 003
Foreign exchange contract cash flow hedging ineffective (loss)/gain	(2 393)	447
(Loss)/profit on disposal of property, plant and equipment	(1 088)	622
	<b>92 500</b>	<b>149 517</b>

#### 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.

	2020 R'000	2019 R'000
<b>23. EXPENSE BY NATURE</b>		
Cost of raw materials	3 606 273	2 997 185
Fair value adjustment on biological assets and agricultural produce	100 428	147 207
Inventory written off	9 095	10 233
Research and laboratory costs	16 242	15 610
Staff costs	468 356	440 253
Wages and salaries	402 436	373 232
Other personnel costs	29 884	33 400
Pension costs	26 472	24 097
Share-based payments expense (refer to note 13)	9 564	9 524
Non-executive directors' remuneration	1 953	1 895
Technical services from non-employees	14 004	7 159
Auditors' remuneration	4 262	4 001
Audit – current year	4 240	4 001
Tax-related services	22	–
Internal audit fees	1 632	1 891
Rental of premises, machinery and vehicles	12 845	28 366
Travel and entertainment	5 900	10 448
Energy costs	121 504	112 950
Maintenance	90 835	88 348
Depreciation and amortisation	98 246	73 480
Insurance	24 025	18 599
Cleaning	38 322	31 709
Office expenses	57 371	48 760
Marketing costs	10 157	10 742
Security	28 792	26 164
Change in loss allowance for trade receivables	529	(1 335)
Change in allowance for credit notes	(77)	(506)
Bad debts	132	933
Transport and distribution costs	265 117	254 767
B-BBEE socio-economic and enterprise development	3 829	3 014
<b>Total cost of sales, sales and distribution costs, marketing, administrative and other operating expenses</b>	<b>4 979 772</b>	<b>4 331 873</b>
<b>24. INVESTMENT INCOME</b>		
Interest income on financial assets: loans and receivables	5 331	15 102
– Call accounts and other	679	–
– Unwinding of discount on receivables	6 010	15 102
Interest income is recognised on a time-proportion basis using the effective interest rate method. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as investment income in profit or loss where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.		
<b>25. FINANCE COSTS</b>		
Interest expense on financial liabilities measured at amortised cost	110	–
– Call loans	7 799	516
– Lease liability finance charges	670	3 235
– Provision for unwinding of discount	–	208
– Other	8 579	3 959



	2020 R'000	2019 R'000
<b>26. INCOME TAX EXPENSE</b>		
Current income tax	68 006	47 873
Current year	67 018	47 871
Underprovision previous years	988	2
Deferred taxation	(7 438)	19 517
Current year	(6 450)	19 517
Overprovision previous years	(988)	–
	<b>60 568</b>	67 390
The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory rate as follows:		
	%	%
Standard rate for companies*	28.00	28.00
Increase/(decrease) in rate:		
Exempt income	(0.38)	(0.14)
Non-deductible expenditure	2.17	1.01
Effect of capital gains tax	(0.10)	(0.05)
Effect of different tax rates*	(0.75)	(1.38)
Other differences	(0.83)	(1.18)
Effective rate	<b>28.11</b>	26.26
* The standard tax rate for foreign subsidiaries differs from the income tax rate of 28%. Quantum Foods Zambia Ltd's agricultural profits are taxed at 10%, other income and manufacturing activities (feed mill activities) are taxed at 35%. Quantum Foods Uganda Ltd's profits are taxed at 30%. Quantum Foods Mozambique S.A.'s profits are taxed at 16% (lower rate for first five years after initial investment).		
Non-deductible expenditure consist mainly of depreciation on assets (e.g. poultry houses bought) and expenses relating to corporate action which are not deductible for tax. Other differences include the unwinding of deferred tax balances recognised as part of business combinations of 0.59% (2019: 0.62%).		
	<b>R'000</b>	<b>R'000</b>
Gross calculated tax losses of certain subsidiaries at the end of the reporting period available for utilisation against future taxable income of those companies	25 254	20 689
Less: Utilised in reduction of deferred tax	(23 218)	(16 455)
	<b>2 036</b>	4 234

A current and deferred income tax charge of R666 579 relating to fair value adjustments on the cash flow hedging reserve is credited (2019: R477 549 credited) directly through other comprehensive income/(loss).

	2020 R'000	2019 R'000
<b>27. EARNINGS PER ORDINARY SHARE</b>		
<b>Basic</b>		
The calculation of basic earnings per share is based on profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	154 899	189 195
Weighted average number of ordinary shares in issue ('000)	193 291	204 298
<b>Diluted</b>		
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 year attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the period:		
Profit for the year	154 899	189 195
Diluted weighted average number of ordinary shares in issue ('000)	199 653	207 185
Headline earnings is calculated in accordance with Circular 1/2019 issued by the South African Institute of Chartered Accountants.		
<b>Reconciliation between profit attributable to owners of the parent and headline earnings</b>		
Profit for the year	154 899	189 195
Remeasurement of items of a capital nature		
Loss/(profit) on disposal of property, plant and equipment	752	(554)
Gross	1 088	(622)
Tax effect	(336)	68
Headline earnings for the year	<b>155 651</b>	188 641
Earnings per share (cents)	<b>80.1</b>	92.6
Diluted earnings per share (cents)	<b>77.6</b>	91.3
Headline earnings per share (cents)	<b>80.5</b>	92.3
Diluted headline earnings per share (cents)	<b>78.0</b>	91.0
<b>28. CASH PROFIT FROM OPERATING ACTIVITIES</b>		
Reconciliation of profit before tax and cash profit from operating activities:		
Profit before income tax	215 467	256 585
<b>Adjustment for:</b>		
Depreciation and amortisation	98 246	73 480
Biological assets fair value adjustment	4 598	(790)
Agricultural produce fair value adjustment	(248)	2 891
Net loss/(profit) on sale of property, plant and equipment	1 088	(622)
Adjustment on fixed rate leases	–	(326)
Unrealised (profits)/losses on FECs, foreign exchange and future contracts	(499)	(91)
Change in loss allowance for trade receivables	529	(1 335)
Change in provision for credit notes based on history	(77)	(506)
Bad debts	132	933
Share-based payments expense	9 564	9 524
Changes in provisions for long-service awards	1 352	1 456
Interest received	(6 010)	(15 102)
Interest paid	8 579	3 959
Share of loss/(profit) of associate companies	432	(209)
Leases derecognition included in operating profit	(605)	–
	<b>332 548</b>	329 847

	2020 R'000	2019 R'000
<b>29. WORKING CAPITAL CHANGES</b>		
Increase in inventory	(9 843)	(47 633)
Increase in trade and other receivables	(85 425)	(7 080)
Increase/(decrease) in trade and other payables	5 597	(2 241)
Decrease/(increase) in current biological assets	20 735	(49 639)
Changes to derivative financial instruments	64	(663)
Decrease in provisions	(1 440)	(1 988)
	<b>(70 312)</b>	<b>(109 244)</b>
<b>30. DIVIDENDS PAID</b>		
Amounts unpaid at beginning of the year	(392)	(189)
As disclosed in statement of changes in equity	(59 861)	(162 775)
Dividends declared during the year	(62 007)	(163 373)
Dividends on treasury shares received by subsidiary	2 146	598
Amounts unpaid at end of year	436	392
	<b>(59 817)</b>	<b>(162 572)</b>
<b>31. INCOME TAX PAID</b>		
Amounts unpaid at beginning of the year	7 651	2 477
Current tax charge in profit and loss	(68 006)	(47 873)
Hedging reserve – income tax current year	(761)	1 886
Amounts unpaid/(prepaid) at end of the year	12 473	(7 651)
	<b>(48 643)</b>	<b>(51 161)</b>
For the purposes of the statement of financial position, current income tax (receivable)/payable are presented as follows:		
Current assets	(516)	(7 651)
Current liabilities	12 989	–
	<b>12 473</b>	<b>(7 651)</b>
<b>32. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS</b>		
Book value of property, plant and equipment and intangible assets disposed	1 499	2 649
(Loss)/profit on disposal of property, plant and equipment	(1 088)	622
	<b>411</b>	<b>3 271</b>
<b>33. NET DEBT RECONCILIATION</b>		
This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.		
<b>Net debt</b>		
Cash and cash equivalents	251 781	219 594
Lease liabilities (2019: Borrowings)	(71 860)	(6 129)
	<b>179 921</b>	<b>213 465</b>
	<b>Cash</b>	<b>Lease</b>
	<b>R'000</b>	<b>liabilities</b>
		<b>(2019:</b>
		<b>Borrowings)</b>
		<b>R'000</b>
<b>Net debt as at 1 October 2018</b>	<b>422 461</b>	<b>6 227</b>
Cash flows	(204 181)	(98)
Foreign exchange adjustments	1 314	–
<b>Net debt as at 30 September 2019</b>	<b>219 594</b>	<b>6 129</b>
IFRS 16 adoption - lease liabilities	–	76 347
<b>Net debt as at 1 October 2019</b>	<b>219 594</b>	<b>82 476</b>
Movement in lease liabilities	–	11 923
Cash flows	36 435	(22 441)
Foreign exchange adjustments	(4 248)	(98)
<b>Net debt as at 30 September 2020</b>	<b>251 781</b>	<b>71 860</b>

	2020 R'000	2019 R'000
<b>34. CONTINGENT LIABILITIES</b>		
Guarantees in terms of loans by third parties to contracted service providers	23 231	23 861
No litigation matters with potential material consequences exist at the reporting date.		
<b>35. COMMITMENTS</b>		
<b>35.1 Operating lease commitments</b>		
<b>Future minimum lease payments</b>		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
No later than one year		26 450
Later than one year, and no later than five years		26 079
		<b>52 529</b>
<b>35.2 Operating lease receivables</b>		
The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:		
No later than one year	2 335	4 658
Later than one year, and no later than five years	–	–
	<b>2 335</b>	<b>4 658</b>
IFRS 16 was adopted on 1 October 2019. The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. Refer to note 26 of the accounting policies for further information on adoption. Lessor accounting has not been impacted.		
<b>35.3 Capital commitments</b>		
Contractually committed	27 039	14 622
Approved by the Board, but not yet contractually committed – for the next financial year	135 451	85 984
	<b>162 490</b>	<b>100 606</b>
Allocated as follows:		
Property, plant and equipment	162 490	100 606
The expenditure will be financed from operating income, cash reserves and borrowed funds, in accordance with a budget approved by the Board.		
<b>36. RELATED-PARTY TRANSACTIONS</b>		
Quantum Foods Holdings Ltd is the ultimate holding company of the Quantum Foods group of companies. The Group consists of:		
– Quantum Foods (Pty) Ltd		
– Philadelphia Chick Breeders (Pty) Ltd – all assets transferred to Quantum Foods (Pty) Ltd following an internal restructuring on 31 July 2020		
– Quantum Foods Uganda Ltd (incorporated in Uganda)		
– Quantum Foods Zambia Ltd (incorporated in Zambia)		
– Quantum Foods Mozambique, S.A. (incorporated in Mozambique)		
– Bergsig Breeders (Pty) Ltd – associate company		
– Klipvlei Broilers (Pty) Ltd – associate company (refer to note 6)		
The Group holds a 100% (2019: 100%) interest in Quantum Foods (Pty) Ltd, and this entity holds a 100% (2019: 100%) interest in all the other subsidiaries listed above. The subsidiaries are incorporated in South Africa unless indicated otherwise.		
During the reporting period the Company and its subsidiaries conducted the following transactions with its associate companies and key management personnel:		
<b>36.1 Sale of goods</b>		
Bergsig Breeders (Pty) Ltd	61 148	55 295
Klipvlei Broilers (Pty) Ltd	3	–
	<b>61 151</b>	<b>55 295</b>
<b>36.2 Purchase of goods/services</b>		
Bergsig Breeders (Pty) Ltd	63 185	54 477
Klipvlei Broilers (Pty) Ltd	3 175	–
	<b>66 360</b>	<b>54 477</b>

	2020 R'000	2019 R'000
<b>36. RELATED-PARTY TRANSACTIONS (CONTINUED)</b>		
<b>36.3 Key management personnel compensation</b>		
Salaries and other short-term employee benefits	19 713	17 540
Post-employment benefits	2 216	1 940
Bonuses and incentives	12 972	13 386
Other long-term benefits	187	133
Share-based payments	7 980	7 478
	<b>43 068</b>	<b>40 477</b>
Key management personnel include the executive directors of the Board and members of the Group's executive committee.		
<b>36.4 Year-end balances arising from sales/purchases of goods</b>		
<b>Receivables from related parties</b>		
Bergsig Breeders (Pty) Ltd	9 081	7 185
Klipvlei Broilers (Pty) Ltd	8	–
	<b>9 089</b>	<b>7 185</b>
<b>Payables to related parties</b>		
Bergsig Breeders (Pty) Ltd	(6 072)	(3 087)

Receivables from related parties are unsecured and bear no interest.

	Amortised cost R'000	Assets at fair value through profit and loss R'000	Total R'000
<b>37. FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>30 SEPTEMBER 2020</b>			
<b>Assets as per statement of financial position</b>			
Trade and other receivables <sup>1</sup>	485 628	–	485 628
Cash and cash equivalents	251 781	–	251 781
<b>Total</b>	<b>737 409</b>	<b>–</b>	<b>737 409</b>
<b>30 SEPTEMBER 2019</b>			
<b>Assets as per statement of financial position</b>			
Derivative financial instruments	–	4 658	4 658
Trade and other receivables <sup>1</sup>	412 844	–	412 844
Cash and cash equivalents	219 594	–	219 594
<b>Total</b>	<b>632 438</b>	<b>4 658</b>	<b>637 096</b>
	Liabilities at fair value through profit and loss R'000	Other financial liabilities R'000	Total R'000
<b>30 SEPTEMBER 2020</b>			
<b>Liabilities as per statement of financial position</b>			
Lease liabilities <sup>3</sup>	–	71 860	71 860
Derivative financial instruments	6	–	6
Trade and other payables <sup>2</sup>	–	393 081	393 081
<b>Total</b>	<b>6</b>	<b>464 941</b>	<b>464 947</b>
<b>30 SEPTEMBER 2019</b>			
<b>Liabilities as per statement of financial position</b>			
Interest-bearing liability	–	6 129	6 129
Trade and other payables <sup>2</sup>	–	369 584	369 584
<b>Total</b>	<b>–</b>	<b>375 713</b>	<b>375 713</b>

<sup>1</sup> Financial assets do not include prepaid expenses and VAT amounts receivable.

<sup>2</sup> Financial liabilities do not include accruals for 13th cheque, leave, short-term incentive bonus and VAT amounts payable.

<sup>3</sup> Refer to note 26 of the accounting policies for details on adoption of IFRS 16.

### 38. FINANCIAL RISK MANAGEMENT

#### 38.1 Financial risk factors

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

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

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

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

#### (a) Market risk

##### (i) Cash flow interest rate risk

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

Financial liabilities exposed to interest rate risk include interest-bearing short and long-term borrowings. At year-end the Group only had lease liabilities with no exposure to variable interest rates.

Financial assets exposed to cash flow interest rate risk include cash and short-term bank deposits.

Changes in the prime interest rate will result in a minimal impact on profit after tax.

##### (ii) Foreign exchange risk

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

#### Instruments used by Group

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

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

Refer to note 22 – other gains/(losses) – net for foreign exchange-related amounts recognised in profit or loss for the year.



**38. FINANCIAL RISK MANAGEMENT (CONTINUED)****38.1 Financial risk factors (continued)****(a) Market risk (continued)****(iii) Price risk**

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

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

**(iv) Sensitivity analysis**

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

	2020 R'000	2019 R'000
<b>Change in foreign currency</b>		
Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 3% (2019: 3%), British pound of 3% (2019: 3%), Euro of 3% (2019: 3%), Zambian kwacha of 3% (2019: 3%), Ugandan shilling of 3% (2019: 3%) and Mozambique metical 3% (2019: 3%), with all other variables held constant.		
Rand depreciates against foreign currencies		
– Increase/(decrease) in profit after income tax		
Trade receivables	219	286
Cash and cash equivalents	1 145	828
Trade payables	(172)	(154)
Derivative financial instruments not earmarked for hedging	–	35
– Increase/(decrease) in equity after income tax		
Derivative financial instruments earmarked for hedging	14	2 147
	<b>1 206</b>	<b>3 142</b>
<b>Change in commodity prices</b>		
Derivative financial instruments affected by changes in the commodity prices relate to futures. The summary below reflects the results of an expected change in the maize price of 2% (2019: 2%), with all other variables held constant.		
<b>Commodity price increase</b>		
– Increase in equity after income tax		
Derivative financial instruments earmarked for hedging	1 301	1 534

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

**(b) Credit risk**

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

The Group's credit risk exposure relating to derivative financial instruments is managed on a Group level and are placed with a limited number of creditable financial institutions, all of which have Moody's P-1 short-term credit ratings. A short-term rating of P-1 indicates that the issuer has a strong ability to repay short-term debt obligations.

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

The Group insures its South African debtors with Credit Guarantee Insurance. In 2020, 45% (2019: 55%) of the Group's total unimpaired trade debtors have been covered by credit insurance. National customers have a limited risk profile and a national geographical representation. The credit quality of the national customers is considered to be good based on historical default rates. These customers include large national customers in the formal retail sector. The large national customers and other listed companies are assessed as being a low risk of default, and are thus not insured. These customers amounted to approximately 41% (2019: 37%) of trade receivables – net in the reporting period. Of the remaining other customers, 77% (2019: 87%) of the Group's trade receivables – net were insured.

**38. FINANCIAL RISK MANAGEMENT (CONTINUED)****38.1 Financial risk factors (continued)****(b) Credit risk (continued)**

Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for credit worthiness before delivery and payment terms are offered. The Group's risk is limited to 30% (2019: 20%) of the net invoiced sales to insured debtors. The Group's review includes external ratings where available and, in some cases, bank references. Limits are established for each customer, which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

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

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

The impact from the COVID-19 pandemic was considered as part of the forward-looking adjustment included in the lifetime ECL allowance. Refer to note 9 for more details.

The amount of the specific provision for losses, included in the loss allowance, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss within other operating expenses. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, they are written off as other operating expenses in profit or loss. Subsequent recoveries of amounts previously written off are credited against other operating expenses in profit or loss.

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

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

The credit quality of trade debtors that are neither past due nor impaired, is as follows:

	2020 R'000	2019 R'000
External customer (history of more than six months) – not previously impaired	474 169	382 589
External customer (history of more than six months) – previously impaired – debt repaid	–	–
New customers (history less than six months)	2 746	4 855
Total	<b>476 915</b>	<b>387 444</b>
The Group deposits cash surpluses with financial institutions of high quality and standing. The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.		
P-1 short-term credit rating	250 936	218 417
Not rated	381	687
Cash on hand	464	490
	<b>251 781</b>	<b>219 594</b>

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

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

At year-end the Group had a borrowing facility in the form of a debtors, finance facility at one of the major South African banks. Sufficient collateral in the form of trade receivables is provided as security for the debt.

**38. FINANCIAL RISK MANAGEMENT (CONTINUED)****38.1 Financial risk factors (continued)****(c) Liquidity risk (continued)**

The Group's unutilised borrowing facilities are as follows:  
Total borrowing facilities

	2020 R'000	2019 R'000
	209 047	242 512

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

	Not later than 1 year R'000	Between 1 and 2 years R'000	More than 2 years R'000
<b>Maturity analysis of financial liabilities</b>			
<b>30 September 2020</b>			
<b>Capital and interest – total</b>			
Lease liabilities	(24 570)	(20 725)	(45 519)
Dividend payable	(436)	–	–
Trade and other payables	(392 329)	–	–
Other derivative financial instruments	(6)	–	–
	<b>(417 341)</b>	<b>(20 725)</b>	<b>(45 519)</b>
<b>30 September 2019</b>			
<b>Capital and interest – total</b>			
Borrowings excluding bank overdrafts and call loans	(615)	(615)	(12 561)
Trade and other payables	(368 886)	–	–
	<b>(369 501)</b>	<b>(615)</b>	<b>(12 561)</b>

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

**38.2 Capital risk management**

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

	2020 R'000	2019 R'000
Net debt*	71 860	6 129
Total equity (as shown in the statement of financial position)	1 885 642	1 837 412
	3.81%	0.33%

\* Cash and cash equivalents exceed borrowings. Cash and cash equivalents are not deducted for ratio calculation.

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

**38. FINANCIAL RISK MANAGEMENT (CONTINUED)****38.3 Fair value measurement**

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

Level 1:

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

Level 2:

Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable inputs, which reflect the market conditions, including that of the COVID-19 pandemic in their expectations of future cash flows for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>30 September 2020</b>				
<b>Assets measured at fair value</b>				
Biological assets	–	–	354 511	354 511
– Livestock	–	–	354 511	354 511
<b>Total</b>	–	–	354 511	354 511
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	–	6	–	6
– Foreign exchange contracts	–	6	–	6
<b>Total</b>	–	6	–	6
<b>30 September 2019</b>				
<b>Assets measured at fair value</b>				
Derivative financial instruments	–	4 658	–	4 658
– Foreign exchange contracts	–	–	379 596	379 596
Biological assets	–	–	379 596	379 596
– Livestock	–	–	379 596	379 596
<b>Total</b>	–	4 658	379 596	384 254

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

**Financial instruments in level 2**

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

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

**Financial instruments in level 3****Biological assets**

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

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

**38. FINANCIAL RISK MANAGEMENT (CONTINUED)****38.3 Fair value measurement (continued)****Financial instruments in level 3 (continued)**

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

The market prices used in the valuation is based on actual selling prices realised by the Group. The fair value estimation of the Group's biological assets was not materially impacted by the COVID-19 pandemic.

Changes in the fair value are included in profit or loss, with a loss of R4 597 774 (2019: profit of R790 003) being recognised as the unrealised fair value adjustment in profit or loss in the current period to adjust the biological asset livestock to fair value.

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

	Range of unobservable inputs	
	2020 R'000	2019 R'000
<b>Unobservable input</b>		
Layer livestock		
Market price of day-old chicks	<b>R9.08 to R9.28</b>	R8.61 to R8.81
Market price of point-of-lay hens	<b>R65.76 to R70.51</b>	R65.82 to R69.54
Market price of culls	<b>R24.76 to R29.27</b>	R24.91 to R38.93
Broiler livestock		
Market price of day-old chicks	<b>R5.08 to R5.28</b>	R4.76 to R4.96
Market price of live birds	<b>R26.18 to R26.58</b>	R23.08 to R23.48

**Sensitivity analysis**

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

Input	Sensitivity
Day-old chick market prices	A change in market price would result in a R0.6 million (2019: R0.6 million) change in the fair value of poultry livestock.
Point-of-lay hens market prices	A change in the market price would result in a R2.6 million (2019: R3.3 million) change in the fair value of laying hens.
Cull market prices	A change in the market price would result in a R0.9 million (2019: R0.7 million) change in the fair value of laying hens.
Live bird market prices	A change in the market price would result in a R0.7 million (2019: R0.7 million) change in the fair value of broiler livestock.

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

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

**39. SEGMENT INFORMATION**

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

Reportable segments are divided into the following:

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

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

The nature of the Quantum Foods Zambia, Quantum Foods Uganda and Quantum Foods Mozambique businesses operations are predominantly the production and sale of animal feeds, commercial eggs and day-old chicks. These three entities are aggregated for segmental reporting as these entities are similar in nature.

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

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

**39. SEGMENT INFORMATION (CONTINUED)**

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

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

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

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

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

	2020 R'000	2019 R'000
<b>Segment revenue</b>	<b>5 095 085</b>	4 417 674
Eggs	<b>1 229 592</b>	1 095 195
Farming	<b>1 350 043</b>	1 325 152
Animal feeds	<b>2 237 071</b>	1 758 627
Other African countries	<b>278 379</b>	238 700
<b>Segment results</b>	<b>218 468</b>	245 233
Eggs	<b>6 253</b>	38 245
Farming	<b>121 238</b>	113 140
Animal feeds	<b>98 299</b>	88 674
Other African countries	<b>6 068</b>	14 317
Head office costs	<b>(13 390)</b>	(9 143)
<b>A reconciliation of the segment results to operating profit before income tax is provided below:</b>		
Segment results	<b>218 468</b>	245 233
Adjusted for:		
Investment income	<b>6 010</b>	15 102
Finance costs	<b>(8 579)</b>	(3 959)
Share of profit of associate companies	<b>(432)</b>	209
<b>Profit before income tax per statement of comprehensive income</b>	<b>215 467</b>	256 585
<b>Segment assets</b>	<b>2 378 484</b>	2 277 409
Eggs	<b>278 228</b>	235 700
Farming	<b>1 075 813</b>	1 061 887
Animal feeds	<b>655 818</b>	580 680
Other African countries	<b>349 270</b>	379 619
Head office costs	<b>19 355</b>	19 523
<b>A reconciliation of the segments' assets to the Group's assets is provided below:</b>		
Segment assets per segment report	<b>2 378 484</b>	2 277 409
Adjusted for:		
Investment in associate	<b>13 679</b>	8 998
Current and deferred income tax assets	<b>842</b>	8 328
Cash and cash equivalents	<b>251 781</b>	219 594
<b>Total assets per statement of financial position</b>	<b>2 644 786</b>	2 514 329
<b>Segment liabilities</b>	<b>524 680</b>	434 074
Eggs	<b>111 582</b>	65 022
Farming	<b>100 177</b>	70 015
Animal feeds	<b>267 375</b>	238 203
Other African countries	<b>16 213</b>	18 949
Head office costs	<b>29 333</b>	41 885
<b>A reconciliation of the segments' liabilities to the Group's liabilities is provided below:</b>		
Segment liabilities per segment report	<b>524 680</b>	434 074
Adjusted for:		
Current and deferred income tax liabilities	<b>234 464</b>	242 843
<b>Total liabilities per statement of financial position</b>	<b>759 144</b>	676 917
<b>Total segment capital expenditure (excluding business combinations)</b>	<b>91 155</b>	152 591
Eggs	<b>11 153</b>	25 959
Farming	<b>19 952</b>	27 303
Animal feeds	<b>36 213</b>	41 550
Other African countries	<b>23 724</b>	57 206
Head office costs	<b>113</b>	573



	2020 R'000	2019 R'000
<b>39. SEGMENT INFORMATION (CONTINUED)</b>		
<b>Total segment depreciation and amortisation</b>	<b>98 246</b>	73 480
Eggs	16 464	8 387
Farming	37 852	31 912
Animal feeds	21 373	13 785
Other African countries	22 557	19 396
<b>Items of a capital nature per segment included in other gains/(losses) – net</b>		
Profit/(loss) on disposal of property, plant and equipment and intangible assets before income tax	(1 088)	622
Eggs	(1)	(96)
Farming	(267)	1 053
Animal feeds	(989)	(426)
Other African countries	169	91
<b>Geographical information</b>		
The Group mainly operates in South Africa. Other operations are located in other African countries. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.		
Revenue derived by Group companies domiciled in South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.		
<b>Segment revenue</b>	<b>5 095 085</b>	4 417 674
South Africa	4 816 706	4 178 974
Other African countries	278 379	238 700
<b>Total segment non-current assets</b>	<b>1 222 063</b>	1 181 521
South Africa	971 475	901 802
Other African countries	250 588	279 719
<b>Total segment capital expenditure (excluding business combinations)</b>	<b>91 155</b>	152 591
South Africa	67 431	95 385
Other African countries	23 724	57 206

**40. RETIREMENT BENEFITS**

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

**41. EVENTS AFTER THE REPORTING PERIOD****Dividend**

A final cash dividend of 10.0 cents (2019: 25.0 cents) per ordinary share has been approved and declared by the Board for the year ended 30 September 2020, on 26 November 2020. This will only be reflected in the statement of changes in equity in the next reporting period.

An interim dividend of 6.0 cents (2019: 8.0 cents) per ordinary shares was declared and paid during the year.

**Additional information disclosed**

These dividends are declared from income reserves and qualify as a dividend as defined in the Income Tax Act, Act 58 of 1962.

Dividends will be paid net of dividends tax of 20%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as a result of the double taxation agreement between South Africa and the country of domicile of such owner.

The net dividend amounts to 8.0 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 10.0 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 200 024 716 as at the date of this declaration.

The Group considered the impact of the COVID-19 pandemic post-30 September 2020 and concluded that the significant accounting judgements, estimates and assumptions applied in the preparation of these annual financial statements remain appropriate. Refer to note 2 for significant accounting judgements, estimates and assumptions applied.

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

**42. GOING CONCERN STATEMENT**

The Board evaluated the going concern assumption as at 30 September 2020, taking into account the current financial position and their best estimate of the cash flow forecasts in terms of their current knowledge and expectations of ongoing developments of the COVID-19 pandemic, and considered it to be appropriate in the presentation of these financial statements.

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

**43. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS****30 September 2020****Executive directors**

	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Retirement fund contributions R'000	Long-term incentives R'000	Directors' fees R'000	Total R'000
HA Lourens	3 418	62	2 910	370	1 538	–	8 298
AH Muller	2 130	88	1 390	235	822	–	4 665
<b>Total executive directors</b>	<b>5 548</b>	<b>150</b>	<b>4 300</b>	<b>605</b>	<b>2 360</b>	<b>–</b>	<b>12 963</b>

**Non-executive directors**

WA Hanekom	–	–	–	–	–	457	457
N Celliers (resigned 19 June 2020)	–	–	–	–	–	223	223
Prof. ASM Karaan	–	–	–	–	–	361	361
PE Burton (resigned 17 August 2020)	–	–	–	–	–	365	365
GG Fortuin	–	–	–	–	–	301	301
T Golden	–	–	–	–	–	246	246
LW Riddle (appointed 28 September 2020)	–	–	–	–	–	–	–
<b>Total non-executive directors</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 953</b>	<b>1 953</b>

**Total directors**

<b>5 548</b>	<b>150</b>	<b>4 300</b>	<b>605</b>	<b>2 360</b>	<b>1 953</b>	<b>14 916</b>
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**Prescribed officer**

HE Pether	1 195	78	860	243	688	–	3 064
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**30 September 2019****Executive directors**

HA Lourens	3 234	62	3 143	351	640	–	7 430
AH Muller	2 019	88	1 502	224	292	–	4 125
<b>Total executive directors</b>	<b>5 253</b>	<b>150</b>	<b>4 645</b>	<b>575</b>	<b>932</b>	<b>–</b>	<b>11 555</b>

**Non-executive directors**

WA Hanekom	–	–	–	–	–	428	428
N Celliers	–	–	–	–	–	282	282
Prof. ASM Karaan	–	–	–	–	–	338	338
PE Burton	–	–	–	–	–	390	390
GG Fortuin	–	–	–	–	–	282	282
T Golden	–	–	–	–	–	175	175
<b>Total non-executive directors</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 895</b>	<b>1 895</b>

**Total directors**

<b>5 253</b>	<b>150</b>	<b>4 645</b>	<b>575</b>	<b>932</b>	<b>1 895</b>	<b>13 450</b>
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**Prescribed officer**

HE Pether	1 149	78	928	211	252	–	2 618
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**43. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS (CONTINUED)****Directors' share appreciation rights ("SARs")****30 September 2020**

Executive directors

HA Lourens

	Number of SARs initially allocated	Date awarded	Exercisable up to date	Strike price Cents	Fair value per SAR at grant date* Cents	Fair value of total SARs granted during the year R'000	Number of SARs redeemed cumulative	Number of SARs redeemed in current year	Exercise price at date of redemption Cents	Value increase from strike price to price at redemption R'000	Number of SARs not redeemed
	774 376	2015/02/27	2021/02/27	315	–	–	774 376	258 124	421	275	–
	634 240	2016/02/18	2022/02/18	266	–	–	422 824	211 412	430	346	211 416
	2 280 786	2017/02/23	2023/02/23	309	–	–	760 262	760 262	430	917	1 520 524
	2 267 972	2018/02/22	2024/02/22	391	–	–	–	–	–	–	2 267 972
	1 912 728	2019/02/11	2025/02/11	425	–	–	–	–	–	–	1 912 728
	1 404 498	2020/02/17	2026/02/17	357	106	1 489	–	–	–	–	1 404 498
AH Muller	477 854	2015/02/27	2021/02/27	315	–	–	477 854	159 284	418	165	–
	187 902	2016/02/18	2022/02/18	266	–	–	125 268	62 634	580	197	62 634
	510 736	2017/02/23	2023/02/23	309	–	–	170 244	170 244	580	461	340 492
	656 978	2018/02/22	2024/02/22	391	–	–	–	–	–	–	656 978
	497 266	2019/02/11	2025/02/11	425	–	–	–	–	–	–	497 266
	433 542	2020/02/17	2026/02/17	357	106	460	–	–	–	–	433 542
Prescribed officer											
HE Pether	224 410	2015/02/27	2021/02/27	315	–	–	224 410	149 608	579	198	–
	122 190	2016/02/18	2022/02/18	266	–	–	81 460	40 730	579	128	40 730
	402 570	2017/02/23	2023/02/23	309	–	–	134 190	134 190	579	362	268 380
	345 174	2018/02/22	2024/02/22	391	–	–	–	–	–	–	345 174
	315 264	2019/02/11	2025/02/11	425	–	–	–	–	–	–	315 264
	273 492	2020/02/17	2026/02/17	357	106	290	–	–	–	–	273 492

**30 September 2019**

Executive directors

HA Lourens

	774 376	2015/02/27	2021/02/27	315	–	–	516 252	258 126	436	313	258 124
	634 240	2016/02/18	2022/02/18	266	–	–	211 412	211 412	421	327	422 828
	2 280 786	2017/02/23	2023/02/23	309	–	–	–	–	–	–	2 280 786
	2 267 972	2018/02/22	2024/02/22	391	–	–	–	–	–	–	2 267 972
	1 912 728	2019/02/11	2025/02/11	425	96	1 836	–	–	–	–	1 912 728
AH Muller	477 854	2015/02/27	2021/02/27	315	–	–	318 568	159 284	436	193	159 286
	187 902	2016/02/18	2022/02/18	266	–	–	62 634	62 634	423	98	125 268
	510 736	2017/02/23	2023/02/23	309	–	–	–	–	–	–	510 736
	656 978	2018/02/22	2024/02/22	391	–	–	–	–	–	–	656 978
	497 266	2019/02/11	2025/02/11	425	96	477	–	–	–	–	497 266
Prescribed officer											
HE Pether	224 410	2015/02/27	2021/02/27	315	–	–	149 608	149 608	441	188	74 802
	122 190	2016/02/18	2022/02/18	266	–	–	40 730	40 730	423	64	81 460
	402 570	2017/02/23	2023/02/23	309	–	–	–	–	–	–	402 570
	345 174	2018/02/22	2024/02/22	391	–	–	–	–	–	–	345 174
	315 264	2019/02/11	2025/02/11	425	96	303	–	–	–	–	315 264

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

**44. DIRECTORS' AND PRESCRIBED OFFICERS INTEREST IN SHARES**

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

	Number of shares <sup>#</sup>			% of issued ordinary share capital
	Direct	Indirect	Total	
30 September 2020				
HA Lourens	1 428 563	–	1 428 563	0.714
AH Muller	515 851	–	515 851	0.258
WA Hanekom	–	10 355 320	10 355 320	5.177
N Celliers**	–	–	–	–
Prof. ASM Karaan	–	–	–	–
PE Burton**	–	–	–	–
GG Fortuin	–	–	–	–
T Golden	–	–	–	–
LW Riddle*	–	–	–	–
HE Pether^	185 794	–	185 794	0.093
	2 130 208	10 355 320	12 485 528	6.242

	Number of shares			% of issued ordinary share capital
	Direct	Indirect	Total	
30 September 2019				
HA Lourens	744 297	–	744 297	0.372
AH Muller	271 506	–	271 506	0.136
WA Hanekom	–	7 524 758	7 524 758	3.762
N Celliers	–	–	–	–
Prof. ASM Karaan	–	–	–	–
PE Burton	–	9 648	9 648	0.005
GG Fortuin	–	–	–	–
T Golden*	–	–	–	–
HE Pether^	72 592	–	72 592	0.036
	1 088 395	7 534 406	8 622 801	4.311

Notes:

\* Appointed during the year.

\*\* Resigned as director during the year.

<sup>^</sup> Prescribed officer.

<sup>#</sup> There has been no change in the directors' or prescribed officer's interest in shares from the end of the financial year to the date of the approval of the annual financial statements. None of the shares held by directors or prescribed officer are pledged as security.

**45. SHAREHOLDER INFORMATION****Shareholder spread****Category****Ordinary shares**

Individuals	3 818	91.2	19 782 770	9.9
Nominees and trusts	221	5.3	5 312 082	2.7
Investment companies and corporate bodies	146	3.5	174 929 864	87.5
	<b>4 185</b>	<b>100.0</b>	<b>200 024 716</b>	<b>100.0</b>

**Non-public/public shareholders**

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2020, is as follows:

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

**Public shareholding****Major shareholding**

Astral Operations Ltd	1	0.0	19 550 855	9.8
Other shareholders	4 177	99.9	37 966 116	19.0

**Non-public shareholding****Major shareholding**

Aristotle Africa S.à r.l.	1	0.0	62 640 678	31.3
Country Bird Holdings (Pty) Ltd	1	0.0	61 620 084	30.8
Other shareholders				
Directors and prescribed officers	4	0.1	12 485 528	6.2
Quantum Foods (Pty) Ltd	1	0.0	5 761 455	2.9
	<b>4 185</b>	<b>100.0</b>	<b>200 024 716</b>	<b>100.0</b>

**Distribution of ordinary shareholders****Number of shares**

1 – 1 000 shares	2 686	64.2	597 140	0.3
1 001 – 10 000 shares	1 029	24.5	3 922 061	2.0
10 001 – 100 000 shares	421	10.1	12 475 868	6.2
100 001 – 1 000 000 shares	40	1.0	10 520 822	5.3
1 000 001 shares and over	9	0.2	172 508 825	86.2
	<b>4 185</b>	<b>100.0</b>	<b>200 024 716</b>	<b>100.0</b>



## Company financial statements

for the year ended 30 September 2020

## Company statement of financial position

as at 30 September 2020

	Notes	2020 R'000	2019 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
		<b>1 585 386</b>	1 585 386
Investment in subsidiary	3	<b>1 585 386</b>	1 585 386
<b>Current assets</b>			
Trade and other receivables		<b>757</b>	585
Cash and cash equivalents		<b>104</b>	–
		<b>653</b>	585
<b>Total assets</b>		<b>1 586 143</b>	1 585 971
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
		<b>1 577 865</b>	1 576 390
Share capital	4	<b>1 465 069</b>	1 465 069
Retained earnings		<b>112 796</b>	111 321
<b>Total equity</b>		<b>1 577 865</b>	1 576 390
<b>Current liabilities</b>			
		<b>8 278</b>	9 581
Dividends payable		<b>436</b>	392
Trade and other payables		<b>3 359</b>	147
Borrowings from related party	5	<b>4 483</b>	9 042
<b>Total liabilities</b>		<b>8 278</b>	9 581
<b>Total equity and liabilities</b>		<b>1 586 143</b>	1 585 971

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## Company statement of comprehensive income

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Revenue	6	72 001	198 156
Other income	7	1 562	1 515
Administrative expenses		(8 116)	(1 759)
Other operating expenses		(2 011)	(1 956)
Operating profit	8	63 436	195 956
Investment income	9	47	120
Profit before income tax		63 483	196 076
Income tax expense	10	–	–
<b>Profit for the year</b>		<b>63 483</b>	<b>196 076</b>
Other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		<b>63 483</b>	<b>196 076</b>
Profit for the year attributable to owners of the parent		63 483	196 076
Total comprehensive income for the year attributable to owners of the parent		63 483	196 076

## Company statement of changes in equity

for the year ended 30 September 2020

	Share capital R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2018	1 500 248	78 618	1 578 866
Shares repurchased and cancelled	(35 179)	–	(35 179)
Comprehensive income:			
Profit for the year	–	196 076	196 076
Interim dividend for 2019	–	(16 002)	(16 002)
Final dividend for 2018	–	(147 371)	(147 371)
<b>Balance as at 30 September 2019</b>	<b>1 465 069</b>	<b>111 321</b>	<b>1 576 390</b>
Balance as at 1 October 2019	<b>1 465 069</b>	<b>111 321</b>	<b>1 576 390</b>
Comprehensive income:			
Profit for the year	–	63 483	63 483
Interim dividend for 2020	–	(12 001)	(12 001)
Final dividend for 2019	–	(50 007)	(50 007)
<b>Balance as at 30 September 2020</b>	<b>1 465 069</b>	<b>112 796</b>	<b>1 577 865</b>

Note

4

# Company statement of cash flows

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(5 457)</b>	(2 409)
Cash loss from operating activities	12	<b>(8 565)</b>	(2 200)
Working capital changes	13	<b>3 108</b>	(209)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>72 048</b>	198 276
Interest received	9	<b>47</b>	120
Dividends received	6	<b>72 001</b>	198 156
Cash surplus		<b>66 591</b>	195 867
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(66 523)</b>	(195 584)
Loan received from related party	5	<b>5 435</b>	4 508
Loan repaid to related party	5	<b>(9 994)</b>	(1 743)
Shares repurchased	4	<b>–</b>	(35 179)
Dividends paid to ordinary shareholders	14	<b>(61 964)</b>	(163 170)
Increase in cash and cash equivalents		<b>68</b>	283
Cash and cash equivalents at beginning of year		<b>585</b>	302
Cash and cash equivalents at end of year		<b>653</b>	585

# Notes to the company financial statements

for the year ended 30 September 2020

	2020 R'000	2019 R'000
<b>1. ACCOUNTING POLICIES</b>		
The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to the accounting policies on page 12.		
<b>2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS</b>		
The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.		
<b>3. INTEREST IN SUBSIDIARY</b>		
<b>Cost of shares</b>		
Quantum Foods (Pty) Ltd	<b>1 585 386</b>	1 585 386
The Company holds a 100% interest in the subsidiary listed above.		
The subsidiary is incorporated in South Africa.		
The interest in subsidiary was assessed for impairment at the end of the reporting period. The recoverable amounts of the relevant CGUs of the subsidiary were determined through fair value less cost to sell and value-in-use calculations. No impairment losses were recognised. Refer to note 2 of the Group financial statements for more information regarding the impairment evaluation.		
<b>4. SHARE CAPITAL</b>		
Authorised – ordinary shares 400 000 000 (2019: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares 200 024 716 (2019: 200 024 716) ordinary no par value shares	<b>1 465 069</b>	1 465 069
During the reporting period, nil (2019: 10 505 000) ordinary shares were repurchased by the Company and cancelled. The shares were repurchased at an average price of R3.35 per share during the previous reporting period.		
<b>5. BORROWINGS FROM RELATED PARTY</b>		
Loan from Quantum Foods (Pty) Ltd		
Beginning of year	<b>9 042</b>	6 277
Loans advanced during the year	<b>5 435</b>	4 508
Loans repaid during the year	<b>(9 994)</b>	(1 743)
End of year	<b>4 483</b>	9 042
Unsecured interest-free loan with no fixed terms of repayment.		
<b>6. REVENUE</b>		
Dividends received from Quantum Foods (Pty) Ltd	<b>72 001</b>	198 156
<b>7. OTHER INCOME</b>		
Administration fees received from Quantum Foods (Pty) Ltd	<b>1 562</b>	1 515
<b>8. OPERATING PROFIT</b>		
The operating profit is calculated after taking into account other income (refer to note 7), as well as the following:		
Auditors' remuneration	<b>19</b>	14
Consulting fees	<b>5 219</b>	286
Listing fees and shareholder communication	<b>1 594</b>	1 452
Directors' remuneration	<b>1 953</b>	1 895
<b>9. INVESTMENT INCOME</b>		
Interest income on call accounts and other	<b>47</b>	120



	2020 R'000	2019 R'000
<b>10. INCOME TAX EXPENSE</b>		
Current income tax		
Current year	–	–
	%	%
Standard rate for companies	28.0	28.0
Exempt income	(31.8)	(28.3)
Non-deductible expenditure	3.8	0.3
	–	–
<b>11. DIVIDEND PER ORDINARY SHARE</b>		
Interim 6.0 cents (2019: 8.0 cents) per ordinary share	12 001	16 002
Final 10.0 cents (2019: 25.0 cents) per ordinary share	20 002	50 007
	32 003	66 009
<p>Dividends payable are not accounted for until they have been declared by the Board. The statement of changes in equity does not reflect the final dividend payable. The final dividend will be accounted for as an appropriation of retained earnings in the following year. Withholding tax on dividends became effective from 1 April 2012 at a rate of 15%, which rate was increased to 20% from 22 February 2017.</p> <p>The total Rand value of the final dividend for the year is an approximate amount. The exact amount is dependent on the number of shares in issue at the record date.</p>		
<b>12. CASH LOSS FROM OPERATING ACTIVITIES</b>		
Reconciliation of profit before tax and cash loss from operating activities:		
Profit before income tax	63 483	196 076
Adjusted for:		
Dividends received	(72 001)	(198 156)
Interest received	(47)	(120)
	(8 565)	(2 200)
<b>13. WORKING CAPITAL CHANGES</b>		
Increase in trade and other receivables	(104)	–
Increase/(decrease) in trade and other payables	3 212	(209)
	3 108	(209)
<b>14. DIVIDENDS PAID</b>		
Amounts unpaid at beginning of year	(392)	(189)
As disclosed in statement of changes in equity	(62 008)	(163 373)
Amounts unpaid at end of year	436	392
	(61 964)	(163 170)







# Annual Financial Statements

for the year ended 30 September 2021



# Annual financial statements

for the year ended 30 September 2021

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# Directors' responsibility

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

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

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

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

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

Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation, which includes the evaluation and expected impact of the COVID-19 pandemic on the Group, that the Group have adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

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

The annual financial statements which appear on pages 2 to 72 and the supplementary information set out on page 73 were approved by the Board on 24 November 2021 and are signed on its behalf by:

  
**WA Hanekom**  
Chairman

  
**HA Lourens**  
Chief Executive Officer

## Responsibility statement of chief executive officer and chief financial officer

The directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 2 to 72, fairly present in all material respects the financial position, financial performance and cash flows of the Company and the Group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the Company and the Group and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the Company and the Group; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

  
**HA Lourens**  
Chief Executive Officer

  
**AH Muller**  
Chief Financial Officer

## Company secretary certificate

In accordance with section 88 of the Companies Act, for the year ended 30 September 2021, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

  
**MO Gibbons**  
Company Secretary



# Audit and risk committee report

The audit and risk committee ("ARC" or "the committee") is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act, the JSE Ltd Listings Requirements ("JSE Listings Requirements") and responsibilities highlighted in the King IV Report on Corporate Governance<sup>104</sup> for South Africa, 2016<sup>105</sup> ("King IV").

## Audit and risk committee charter

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

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

## Members of the audit and risk committee

As at 30 September 2021, the committee comprised three independent non-executive directors, namely Mr. GG Fortuin, Mr. LW Riddle and Ms. T Golden.

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

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

## Meetings

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

Status		ARC
WA Hanekom	Chairman, independent non-executive	3/3*
GG Fortuin	Lead independent non-executive director	3/3
Prof. ASM Karaan <sup>#</sup>	Lead independent non-executive director	1/3
LW Riddle	Independent non-executive director	3/3
T Golden	Independent non-executive director	2/3*
HA Lourens	Chief executive officer	3/3*
AH Muller	Chief financial officer	3/3*

<sup>\*</sup> WA Hanekom, HA Lourens and AH Muller attended the ARC meetings as invitees.

<sup>#</sup> Prof. ASM Karaan passed away on 13 January 2021.

<sup>\*</sup> On 5 March 2021 T Golden was appointed as member of the ARC.

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

## Functions and responsibilities of the committee

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

- Reviewed the interim, provisional and summary results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - Reviewed the adequacy and effectiveness of the financial reporting process and the systems of internal control.
  - Ensured that appropriate financial reporting procedures exist and that those procedures are operating, which included consideration of all entities included in the consolidated annual financial statements, to ensure that it had access to all the financial information of the Company to allow the Company to effectively prepare and report on the financial statements of the Group.
  - Considered and, when appropriate, made recommendations on internal financial controls.
  - Took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act.
  - Ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, No. 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.
  - Considered the solvency and liquidity requirement of the Companies Act in recommending proposed dividends to the Board.
- Reviewed the external audit reports on the consolidated annual financial statements.
- Reviewed the reports issued by the JSE on the proactive monitoring of financial statements.
- Oversaw the integrated reporting process. The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.
- Reviewed and confirmed that the non-audit services provided by the external auditor were in accordance with the policy. Any permissible non-audit services to be performed above R500 000 must be approved by the committee.
- Reviewed and confirmed the suitability and independence of PricewaterhouseCoopers Inc. ("PwC") as the audit firm and Mr. RJ Jacobs as the designated auditor of the Group as contemplated in paragraph 3.84(g)(iii) read with paragraph 22.15(h) of the JSE Listings Requirements.

<sup>10)</sup> Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

- Recommended the re-appointment of PwC as the external auditor and Mr. RJ Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 94(8) of the Companies Act. 2022 will be Mr. RJ Jacobs' fourth year as designated auditor of the Company. The re-appointment of PwC as the recommended external auditor (with Mr. RJ Jacobs as the designated auditor) will be presented and included as a resolution at the AGM.

- Confirmed that PwC and the designated auditor are accredited by the JSE.
- Approved the external auditor's fees and terms of engagement.
- Approved the agreement with the external auditor for the provision of non-audit services.
- Confirmed and approved the internal audit charter and annual risk-based internal audit year plan.
- Reviewed the internal audit risk reports and fraud hotline reports.
- Reviewed and approved the risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.
- Provided oversight over the IT governance of the Group.
- Provided oversight over the combined assurance arrangements, including the external and internal auditors and satisfied itself of the effectiveness of the combined assurance model implemented by the Group.
- Reviewed the effectiveness of the internal audit function and the head of internal audit.

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

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

## Internal audit

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

## Chief financial officer and finance function

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

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

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

## Significant audit matters and quality of external audit

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

## Going concern

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

**GG Fortuin**

Chairman: audit and risk committee

Wellington

24 November 2021

# Directors’ report

for the year ended 30 September 2021

1.

**Principal activities and business review**

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

Registered office – 11 Main Road, Wellington, 7655.
2.

**Financial results**

The annual financial statements on pages 12 to 72 set out fully the Group’s financial position, financial performance and the cash flows for the year ended 30 September 2021.
3.

**Share capital**

The authorised share capital consists of 400 000 000 (2020: 400 000 000) ordinary no par value shares. At year-end 200 024 716 (2020: 200 024 716) ordinary shares were in issue.

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

A subsidiary held 2 477 392 (2020: 5 761 455) ordinary shares at year-end. During the reporting period 3 284 063 (2020: 2 643 138) treasury shares were utilised to settle obligations in terms of the share appreciation rights scheme of the Group. No additional treasury shares were acquired by subsidiaries in the current reporting period (2020: 1 296 647).
4.

**Dividends**

A total gross cash dividend of nil cents (2020: 16 cents) per ordinary share was declared.
5.

**Directors**

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

  - Wouter André Hanekom – chairman
  - Hendrik Albertus Lourens
  - André Hugo Müller
  - Prof. Abdus Salam Mohammad Karaan (passed away 13 January 2021)
  - Geoffrey George Fortuin (appointed 9 September 2021 as lead independent director)
  - Tanya Golden
  - Larry Wilson Riddle
  - Gary Vaughan-Smith (appointed 19 February 2021)

6.

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

At the AGM held by electronic means on Friday, 19 February 2021 at 1100 the following special resolutions were proposed by the Company:

Special resolution one, for approval of the remuneration payable by the Company to its non-executive directors for their services as directors for the period 1 April 2021 until the date of the next AGM, was not passed.

7.

**Litigation statement**

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

8.

**Events after the reporting period**

Other than the matters raised in note 41 to the consolidated financial statements, no other events occurred after the reporting date that may have a material effect on the Group.

9.

**Material risks**

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

10.

**COVID-19 pandemic**

Due to the COVID-19 pandemic, South Africa and some of the other countries the Group operates in, continued to place severe restrictions to combat the spread of the virus during the reporting period. These measures taken by various governments have negatively affected economic activity. The Group, however, provides an essential service due to the nature of its activities, and was impacted minimally as it was able to operate throughout the lockdown period.

The impact of the COVID-19 pandemic has been considered throughout the financial statements specifically relating to items as mentioned in note 2, critical accounting estimates and judgements, to the financial statements. The COVID-19 pandemic had minimal impact on Quantum Foods’ business and the financial statements.

11.

**Impact of other events on the annual financial statements**

In April 2021 the outbreak of highly pathogenic avian influenza (“HPAI”) in South Africa affected many businesses in the poultry industry. The outbreak resulted in lower profitability in the Group’s farming businesses. However, the effect on the Group and the larger poultry industry in South Africa has been less severe in 2021 than in previous outbreaks in 2017 to 2018. The limited impact of the HPAI outbreak on the Group and its customers was considered throughout the annual financial statements, specifically relating to the fair value measurement of biological assets and the calculation of expected credit losses in trade and other receivables. Refer to notes 8 and 9 of the consolidated financial statements.

Incidents of civil unrest in South Africa in July 2021 impacted many of the Group’s customers, particularly in the Gauteng and KwaZulu-Natal provinces. The civil unrest did not result in material damage to the Group’s property, plant and equipment, and no material stock losses were suffered. The Group was able to continue its operations throughout the period of the civil unrest. The impact of the civil unrest was taken into account in the preparation of the annual financial statements, and specifically in the calculation of the expected credit losses on trade and other receivables (refer to note 9 of the consolidated financial statements).

Both the July 2021 civil unrest and the 2021 HPAI outbreak did not have a material effect on the Group’s annual financial statements.



# Independent auditor's report

## To the Shareholders of Quantum Foods Holdings Ltd

### Report on the audit of the consolidated and separate financial statements

#### Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Quantum Foods Holdings Ltd (the Company) and its subsidiaries (together the Group) as at 30 September 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### What we have audited

Quantum Foods Holdings Ltd's consolidated and separate financial statements set out on pages 12 to 72 comprise:

- the consolidated and company statements of financial position as at 30 September 2021;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### Basis for opinion

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

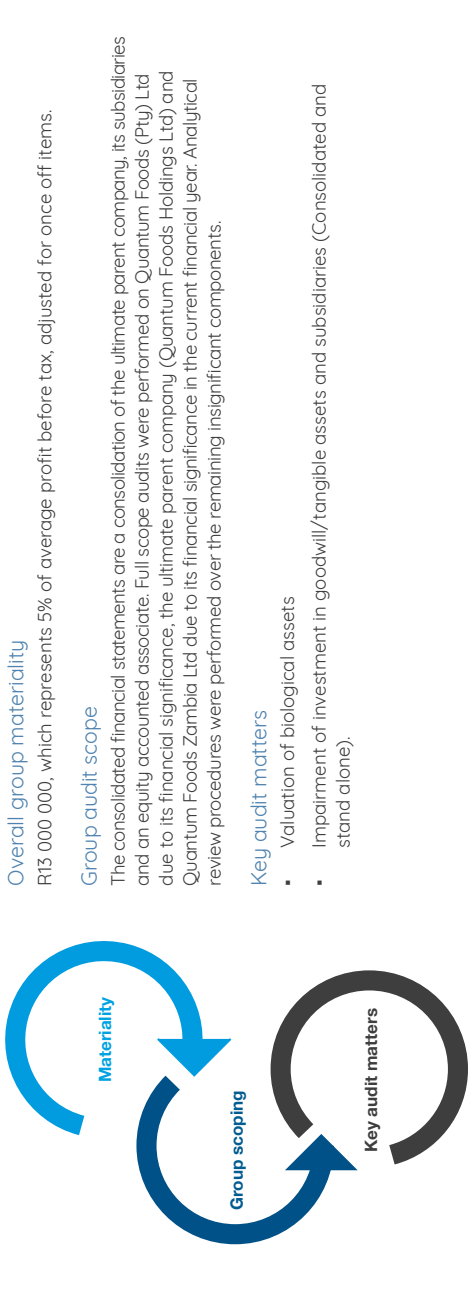
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

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

#### Our audit approach

##### Overview



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

#### Materiality

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

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

Overall group materiality	R13 000 000
How we determined it	Average profit before tax, adjusted for once off items
Rationale for the materiality benchmark applied	We chose a 4-year average of profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

#### How we tailored our Group audit scope

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

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

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

These additional procedures performed at the Group level, provided us with sufficient evidence to express an opinion on the Group as a whole. We determined the extent of the work that needed to be performed by us, as the group engagement team, and the component audit teams operating under our instructions in order to issue our audit opinion on the consolidated financial statements of the Group. The component team consisted of a PwC network firm. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<p><b>Valuation of biological assets</b></p> <p>Biological assets of the Group consist of livestock. Livestock comprises of poultry which includes broiler and layer stock. Broiler stock includes breeding stock, day-old-chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old-chicks and hatching eggs. These assets are measured at fair value less cost to sell. At year end the carrying value of the Group's biological assets was R403 million (Refer to Note 8 to the consolidated financial statements).</p> <p>Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell (Refer to Note 7 of the Accounting Policies). Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. In determining the fair value, management used unobservable inputs as disclosed in note 37.3 to the consolidated financial statements.</p> <p>The valuation of biological assets was considered to be a matter of most significance to the current year audit due to the magnitude of the biological asset balance in relation to the consolidated financial statements as a whole and the degree of estimation applied by management in determining the fair value of the biological assets.</p> <p>This key audit matter relates to the consolidated financial statements.</p>	<p>Through discussion with management, we obtained an understanding of management's valuation approach, including the identification of unobservable inputs used and estimates applied. We found management's approach to the valuation and estimates applied, to be consistent with those of the prior year.</p> <p>We obtained management's valuation of livestock which included the quantities and values of all livestock and tested the mathematical accuracy of the valuation, noting no material exceptions.</p> <p>We performed the following procedures over the quantities used in the valuation:</p> <ul style="list-style-type: none"><li>• We obtained an understanding and tested controls relating to the safeguarding of livestock;</li><li>• On a sample basis we physically inspected livestock to ensure the accuracy of the quantities used in the valuation and noted no exceptions; and</li><li>• For livestock in the custody of third parties, we obtained confirmations of the quantities held directly from third parties, noting no exceptions.</li></ul> <p>In addition, we tested the unobservable inputs used by management in determining the value of livestock as follows:</p> <ul style="list-style-type: none"><li>• The market prices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds used in management's calculations were agreed to a sample of sales invoices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds in the market close to year end, noting no exceptions; and</li><li>• The age of biological assets, at the different stages in the life cycle, at year end used in management's calculations to determine fair value were agreed to a sample of internal transfer documents, noting no exceptions.</li></ul> <p>We found the unobservable inputs used by management to be in line with our expectations set.</p> <p><b>Value in use calculations:</b></p> <p>We tested the accuracy of the calculation for the model used for each CGU and we tested key assumptions in the calculations prepared by management. These were all done with reference to the board approved budget and market data, which consisted of data external to the Group.</p> <p>We utilised our valuation expertise when we considered the appropriateness of the discount rate used by management. We independently calculated a discount rate and compared that to the discount rate calculated by management and found management's rate to be within an acceptable range.</p> <p>In addition to the testing of inputs described above, we assessed management's future cash flows by considering the historical accuracy with which management set the budgets. The actual results for the current year was compared to the budget as approved by the board for that period. No significant variances were noted.</p> <p>We performed independent sensitivity calculations on the impairment tests prepared by management, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed the results of our calculations with management and based on the evidence obtained we accepted management's conclusion that the key assumptions applied in the model were reasonable.</p>
<p>As required by IAS 36 – Impairment of Assets, management conducts an annual impairment test, or more frequently if there is an indication of impairment, to assess the recoverability of the carrying value of goodwill.</p> <p>As at 30 September 2021, the net asset value of the Group exceeded its market capitalisation. This is an indicator of possible impairment. In terms of IAS 36 – Impairment of Assets, management was required to perform impairment tests for the underlying assets of the cash-generating units (CGUs) of the Group, as well as the corresponding carrying value of the investment in the subsidiary at a Company level.</p> <p>In their impairment tests, management identified three CGUs within the Group for which impairment assessments were performed, namely the Feeds business, the Layers business and the Broiler business.</p> <p>In determining the recoverable amount of the CGUs, management used value in use calculations for two of the CGUs and fair value less cost to sell for the other CGU.</p> <p>To determine the value in use, management used the budget as approved by the board to determine future cash flows for the CGUs. These cash flows were then discounted using the Group's weighted average cost of capital determined using the capital asset pricing model.</p>	

Key audit matters	How our audit addressed the key audit matters
<p>Impairment of investment in goodwill/tangible assets and subsidiaries (Consolidated and stand alone) (continued)</p> <p>The fair value less cost to sell used by management is based on valuation reports by an independent external valuation expert.</p> <p>Management's impairment tests performed indicate that the recoverable amounts of these CGUs are higher than the carrying values, resulting in no impairment.</p> <p>We considered impairment tests to be a matter of most significance to our current year audit due to the judgement involved in management's impairment tests.</p> <p>The disclosure of impairment tests is included in note 2 and 5 of the consolidated financial statements.</p> <p>The key audit matter relates to the consolidated and separate financial statements.</p>	<p>Fair value less cost to sell calculation:</p> <p>For the CGU where the fair value less cost to sell method was used, we assessed the professional competence, objectivity, independence, and capabilities of management's expert and the adequacy of the work performed. The assessment was performed with reference to the Curriculum Vitae of the management's expert and discussions held, specifically assessing the expert's qualifications, registration with various valuation institutes and extensive work experience. Based on the assessment performed, the engagement team concluded that the expert has sufficient skills and competence to perform these valuations.</p> <p>We agreed to the fixed asset register, for the group, a sample of the land, buildings and equipment included in the valuation. No exceptions were noted.</p> <p>We performed the following procedures in relation to management's fair value assessment:</p> <ul style="list-style-type: none"><li>• We discussed with management's expert the assumptions used in determining the adjusted fair value for the current year. We determined that these assumptions were reasonable when compared to our expectation. The assumptions that were used in the 2020 report have been assessed by us for appropriateness and are consistent with those used by the expert in prior years based on various market indicators.</li><li>• We obtained and inspected the valuation report prepared by management's expert and noted the fair value contained therein. We performed independent sensitivity calculations on the valuation performed by management's expert. Based on these calculations we identified that there was sufficient headroom available between the recoverable amount and the net asset value of the CGU.</li></ul> <p><b>Company level:</b></p> <p>We also compared the carrying value of the investment in subsidiary to the recoverable amount of the underlying subsidiary that was tested by us in the impairment assessment of the CGUs. We noted that the recoverable amount of the subsidiary exceeds the carrying value of the investment and therefore we concur with management's conclusion that no impairment was identified.</p>

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the document titled “*Quantum Foods Holdings Ltd Annual financial statements for the year ended 30 September 2027*” which includes the Directors’ report, the Audit and risk committee report and the Company secretary certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor’s report, and the other sections of the document titled “*Quantum Foods Integrated report 2027*”, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor’s report thereon.

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

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

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

**Responsibilities of the directors for the consolidated and separate financial statements**

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

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

**Auditor’s responsibilities for the audit of the consolidated and separate financial statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**Report on other legal and regulatory requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Quantum Foods Holdings Ltd for 8 years. The business of Quantum Foods Holdings Ltd was previously transacted through Pioneer Food Group Ltd after the merger of Sasko (Pty) Ltd and Bokomo (Pty) Ltd in 1997, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 51 years.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.**  
**Director: R Jacobs**  
Registered Auditor

Stellenbosch, South Africa  
24 November 2021



# Accounting policies

for the year ended 30 September 2021

## 1. Basis of preparation

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

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

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

### 1.1 New and amended accounting standards adopted by the Group

The following standards and amendments have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2020, which did not have a material impact on reported results:

- *Amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors the definition of material*
- *Amendment to IFRS 3 – Business Combinations – definition of a business*

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

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

- *Amendment to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective 1 January 2022)*
- *Amendment to IFRS 3 – Business Combinations – reference to Conceptual Framework (effective 1 January 2022)*
- *Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets on onerous contracts – Cost of fulfilling a contract (effective 1 January 2022)*
- *Amendment to IAS 12 – Income Taxes – Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023)*
- *Annual Improvements cycle 2018 – 2020 (effective 1 January 2022)*

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

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

## 2. Basis of consolidation

Subsidiaries

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

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

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

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

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

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

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

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

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

## 2. Basis of consolidation (continued)

Associates

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

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

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

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

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

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

Common control reserve

IFRS 3 excludes from its scope business combinations between entities under common control. The Group has made the policy choice to apply predecessor accounting.

The principles of predecessor accounting are that no assets or liabilities are restated to their fair values. The Group incorporates predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity.

No new goodwill arises. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Differences on consolidation are included in the common control reserve in equity.

## 3. Property, plant and equipment

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

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

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

Land is not depreciated. Depreciation on buildings, poultry houses, machinery, vehicles, furniture and equipment are calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives.

The expected useful lives are as follows:

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

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

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

## 4. Intangible assets

Goodwill

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

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

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

4. Intangible assets (continued)

Trademarks

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

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

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between two and five years.

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

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

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

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

5. Impairment of non-financial assets

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

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

6. Financial assets

6.1 Classification

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

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

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

6.2 Recognition and derecognition

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

6.3 Measurement

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

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

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

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

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

6.4 Impairment

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

7. Biological assets

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

7. Biological assets (continued)

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

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

8. Inventories

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

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

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

9. Trade and other receivables

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

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

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

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

10. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments.

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

11. Share capital

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

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

12. Borrowings

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

13. Provisions

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

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

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

14. Trade and other payables

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



Current and deferred income tax

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

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

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

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

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

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

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

**Revenue recognition**

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

Income is recognised as follows:

*Sale of goods*

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

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

Revenue from sales is based on the price specified in the sales contracts, net of value-added tax, estimated rebates and discounts and an adjustment for expected returns at the time of sale. Contract terms and accumulated experience are used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as sales are made with credit terms (0 to 45 days) which are consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional since only the passage of time is required before the payment is due.

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

*Sale of services*

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided. The sale of services is included in other income in profit or loss. Sale of services includes rental income received.

**Foreign currency translation**

*Functional and presentation currency*

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

*Transactions and balances*

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

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

Foreign currency translation (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences resulting from changes in amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

*Group entities*

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

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

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

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

**Accounting for leases: Group company is the lessee**

The Group leases various farms, equipment, warehouses and delivery vehicles. Lease agreements are typically made for fixed periods of 2 to 5 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

Payments associated with short-term leases, variable lease payments not based on an index or a rate in (i) below, and leases of low-value assets (below R75 000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT equipment.

(i) Variable lease payments

*Estimation uncertainty arising from variable lease payments*

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



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

(ii) Extension and termination options

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

*Critical judgements in determining the lease term*

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

19. **Accounting for leases: Group company is the lessor**

*Operating leases*

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

20. **Employee benefits**

*Retirement scheme arrangements*

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

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

*Other long-term employee benefits*

The Group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within other operating expenses in profit or loss.

*Termination benefits*

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

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

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

*Bonus plans*

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

*Leave pay*

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

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

21. **Share-based payments**

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

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

22.

**Derivative financial instruments and hedging activities**

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

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

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

*Cash flow hedges that qualify for hedge accounting*

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

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

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

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

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

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

On adoption of IFRS 9 the Group disclosed that it elects to apply IFRS 9 hedge accounting. However, the Group continued to apply IAS 39 hedge accounting in line with the Group's hedge documentation and requirements of IAS 39. The accounting policies have been updated accordingly. There is no impact on the financial statements.

*Derivatives that do not qualify for hedge accounting*

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

23.

**Financial guarantees**

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

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

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

24.

**Dividend distribution**

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

25.

**Segment reporting**

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

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

26.

**Amortised costs**

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

Consolidated statement of financial position

as at 30 September 2021

	Notes	2021 R'000	2020 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1 360 639	1 222 063
Right-of-use assets	4	1 243 120	1 140 282
Intangible assets	5	95 108	57 909
Investment in associates	6	7 098	5 832
Trade and other receivables	9	10 310	13 679
Deferred income tax	16	4 033	4 035
		970	326
<b>Current assets</b>			
Inventories	7	1 423 865	1 422 723
Biological assets	8	383 450	297 872
Trade and other receivables	9	403 308	354 511
Derivative financial instruments	10	562 933	518 043
Current income tax	30	23	–
Cash and cash equivalents	11	840	516
		73 311	251 781
<b>Total assets</b>		<b>2 784 504</b>	<b>2 644 786</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	12	1 999 802	1 885 642
Treasury shares	12	1 465 069	1 465 069
Other reserves	14	(8 315)	(19 338)
Retained earnings		(65 769)	(85 089)
		608 817	525 000
<b>Total equity</b>		<b>1 999 802</b>	<b>1 885 642</b>
<b>Non-current liabilities</b>			
Lease liabilities	15	360 101	283 597
Deferred income tax	16	85 155	53 692
Provisions for other liabilities and charges	17	266 590	221 475
		8 356	8 430
<b>Current liabilities</b>			
Trade and other payables	18	424 601	475 547
Derivative financial instruments	10	396 740	444 384
Current income tax	30	–	6
Lease liabilities	15	2 639	12 989
Provisions for other liabilities and charges	17	23 860	18 168
		1 362	–
<b>Total liabilities</b>		<b>784 702</b>	<b>759 144</b>
<b>Total equity and liabilities</b>		<b>2 784 504</b>	<b>2 644 786</b>

Consolidated statement of comprehensive income

for the year ended 30 September 2021

	Notes	2021 R'000	Restated* 2020 R'000
Revenue	19	5 401 116	5 095 085
Cost of sales		(4 339 005)	(4 021 182)
Gross profit		1 062 111	1 073 903
Other income	20	10 201	10 655
Other gains/(losses) – net	21	72 304	92 500
Sales and distribution costs		(263 528)	(263 434)
Marketing costs		(15 065)	(13 941)
Administrative expenses		(143 972)	(132 073)
Net impairment losses on trade and other receivables	22	(9 050)	–
Other operating expenses		(565 412)	(549 142)
Operating profit	22	147 589	218 468
Investment income	23	4 747	6 010
Finance costs	24	(11 844)	(8 579)
Share of profit/(loss) of associate companies	6	1 767	(432)
Profit before income tax		142 259	215 467
Income tax expense	25	(36 464)	(60 568)
<b>Profit for the year</b>		<b>105 795</b>	<b>154 899</b>
<b>Other comprehensive income for the year</b>			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve		7 993	(1 714)
For the year		57 668	41 349
Deferred income tax effect		(6)	1
Current income tax effect		(16 141)	(11 579)
Realised to profit or loss		(46 567)	(43 730)
Deferred income tax effect		(1)	1 427
Current income tax effect		13 040	10 818
Movement in foreign currency translation reserve			
Currency translation differences		8 651	(45 680)
<b>Total comprehensive income for the year</b>		<b>122 439</b>	<b>107 505</b>
Profit for the year attributable to owners of the parent		105 795	154 899
Total comprehensive income for the year attributable to owners of the parent		122 439	107 505
Earnings per ordinary share (cents)	26	53.9	80.1
Diluted earnings per ordinary share (cents)	26	53.0	77.6

\* Refer to note 43 for details regarding the restatement of prior period figures.

Consolidated statement of changes in equity

for the year ended 30 September 2021

	Share capital R'000	Treasury shares R'000	Common control reserve R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2020	1 465 069	(19 338)	-	4 831	(112 501)	22 581	(85 089)	525 000	1 885 642
Comprehensive income:									
Profit for the year	-	-	-	-	-	-	-	105 795	105 795
Other comprehensive income for the year	-	-	-	7 993	8 651	-	16 644	-	16 644
Movement in foreign currency translation reserve	-	-	-	-	8 651	-	8 651	-	8 651
Cash flow hedging	-	-	-	-	-	-	-	-	-
Fair value adjustments to cash flow hedging reserve	-	-	-	57 668	-	-	57 668	-	57 668
For the year	-	-	-	(6)	-	-	(6)	-	(6)
Deferred income tax effect	-	-	-	(16 141)	-	-	(16 141)	-	(16 141)
Current income tax effect	-	-	-	(46 567)	-	-	(46 567)	-	(46 567)
Realised to profit or loss	-	-	-	(1)	-	-	(1)	-	(1)
Deferred income tax effect	-	-	-	13 040	-	-	13 040	-	13 040
Current income tax effect	-	-	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	7 759	7 759	-	7 759
Deferred income tax on share-based payments	-	-	-	-	-	3 388	3 388	-	3 388
Dividends paid – final and interim net of treasury shares	-	-	-	-	-	-	-	(19 426)	(19 426)
Ordinary shares transferred – share appreciation rights	-	11 023	-	-	-	(8 471)	(8 471)	(2 552)	-
Balance as at 30 September 2021	1 465 069	(8 315)	-	12 824	(103 850)	25 257	(65 769)	608 817	1 999 802
Notes	12	12					14		

Balance as at 1 October 2019	1 465 069	(23 947)	(167 877)	6 545	(66 821)	17 721	(210 432)	606 722	1 837 412
Change in accounting policy (IFRS 16 adoption)	-	-	-	-	-	-	-	(9 864)	(9 864)
Reserve reclassified to retained earnings	-	-	167 877	-	-	-	167 877	(167 877)	-
Comprehensive income:									
Profit for the year	-	-	-	-	-	-	-	154 899	154 899
Other comprehensive income for the year	-	-	-	(1 714)	(45 680)	-	(47 394)	-	(47 394)
Movement in foreign currency translation reserve	-	-	-	-	(45 680)	-	(45 680)	-	(45 680)
Cash flow hedging	-	-	-	-	-	-	-	-	-
Fair value adjustments to cash flow hedging reserve	-	-	-	41 349	-	-	41 349	-	41 349
For the year	-	-	-	1	-	-	1	-	1
Deferred income tax effect	-	-	-	(11 579)	-	-	(11 579)	-	(11 579)
Current income tax effect	-	-	-	(43 730)	-	-	(43 730)	-	(43 730)
Realised to profit or loss	-	-	-	1 427	-	-	1 427	-	1 427
Deferred income tax effect	-	-	-	10 818	-	-	10 818	-	10 818
Current income tax effect	-	-	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	9 566	9 566	-	9 566
Deferred income tax on share-based payments	-	-	-	-	-	5 180	5 180	-	5 180
Dividends paid – final and interim net of treasury shares	-	-	-	-	-	-	-	(59 861)	(59 861)
Ordinary shares acquired by subsidiary	-	(4 296)	-	-	-	-	-	-	(4 296)
Ordinary shares transferred – share appreciation rights	-	8 905	-	-	-	(9 886)	(9 886)	981	-
Balance as at 30 September 2020	1 465 069	(19 338)	-	4 831	(112 501)	22 581	(85 089)	525 000	1 885 642
Notes	12	12							14



Consolidated statement of cash flows

for the year ended 30 September 2021

	Notes	2021 R'000	2020 R'000
<b>Cash flow from operating activities</b>			
Cash profit from operating activities		24 348	216 311
Working capital changes	27	295 297	332 548
Cash effect of hedging activities	28	(259 292)	(70 312)
Cash generated from operations		11 076	2 718
Income tax paid	30	47 081	264 954
		(22 733)	(48 643)
<b>Cash flow from investing activities</b>			
Additions to property, plant and equipment	3	(153 272)	(85 413)
Additions to intangible assets	5	(107 095)	(91 155)
Proceeds on disposal of property, plant and equipment	31	(1 507)	-
Interest in associate acquired	6	1 277	411
Business combination	40	(10 251)	-
Proceeds on disposal of investment in associate	6	(54 682)	-
Interest received	6	14 239	-
	23	4 747	5 331
Cash (deficit)/surplus		(128 924)	130 898
<b>Cash flow from financing activities</b>			
Principal elements of lease payments	15	(51 031)	(94 463)
Treasury shares acquired by subsidiary	12	(20 941)	(22 441)
Interest paid		-	(4 296)
Dividends paid to ordinary shareholders	29	(10 698)	(7 909)
		(19 392)	(59 817)
(Decrease)/increase in cash and cash equivalents		(179 955)	36 435
Effects of exchange rate changes		1 485	(4 248)
Cash and cash equivalents at beginning of year		251 781	219 594
Cash and cash equivalents at end of year	11	73 311	251 781

Notes to the consolidated financial statements

for the year ended 30 September 2021

1. Accounting policies

The principal accounting policies incorporated in the preparation of this historical financial information are set out on pages 12 to 19.

2. Critical accounting estimates and judgements

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

The impact of the COVID-19 pandemic was considered as part of the assessment of assumptions used below.

Property, plant and equipment

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

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

At year-end, the Group's net asset value exceeded its market capitalisation. In their impairment tests, management identified three CGUs within the Group for which impairment assessments were performed, namely the animal feeds business, the layer business and the broiler business.

To determine the value-in-use, management uses the budget as approved by the Board to determine future cash flows for the CGUs, after taking into account the impact of the COVID-19 pandemic. These cash flows are then discounted using the Group's weighted average cost of capital. These calculations were performed for the animal feeds and broiler business.

The fair value less cost to sell is based on valuations performed by an independent external valuation expert for the layer business. Management based their fair value assessment on the property valuations performed on all material properties during August 2020. Fair values on all other properties were determined based on prior years' valuations performed and adjusted accordingly.

Significant headroom exists for all CGUs assessed by management. Consequently, management has not identified any impairment losses to be included in the Group's consolidated financial statements.

Fair value measurement of biological assets

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

Assessment of control over contract growers

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

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

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

Impairment of financial assets

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

3. Property, plant and equipment			2021 R'000	2020 R'000
Land and buildings			333 918	331 592
Plant, machinery and equipment			886 838	785 714
Vehicles			22 364	22 976
Net book value			1 243 120	1 140 282

3. Property, plant and equipment

Land and buildings

Plant, machinery and equipment

Vehicles

Net book value

					Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
30 September 2021								
Cost								
At 1 October 2020					453 228	1 403 167	56 801	1 913 196
Additions					11 641	90 343	5 111	107 095
Transfers					(6 512)	6 512	–	–
Business combination*					6 125	66 769	230	73 124
Foreign exchange adjustment					655	1 155	1 181	2 991
Disposals					(277)	(3 280)	(2 934)	(6 491)
At 30 September 2021					464 860	1 564 666	60 389	2 089 915
Accumulated depreciation and impairment								
At 1 October 2020					(121 636)	(617 453)	(33 825)	(772 914)
Depreciation charge					(8 765)	(60 854)	(5 675)	(75 294)
Foreign exchange adjustment					(701)	(1 378)	(1 048)	(3 127)
Depreciation on disposals					160	1 857	2 523	4 540
At 30 September 2021					(130 942)	(677 828)	(38 025)	(846 795)
Net book value at 30 September 2021					333 918	886 838	22 364	1 243 120

Net book value at 30 September 2021

30 September 2020

Cost

At 1 October 2019

Change in accounting policy – IFRS 16 adoption

Additions

Foreign exchange adjustment

Disposals

At 30 September 2020

At 1 October 2019

Change in accounting policy – IFRS 16 adoption

Additions

Foreign exchange adjustment

Disposals

At 30 September 2020

Accumulated depreciation and impairment

At 1 October 2019

Change in accounting policy – IFRS 16 adoption

Depreciation charge

Foreign exchange adjustment

Depreciation on disposals

At 30 September 2020

Net book value at 30 September 2020

\* Refer to note 40 for details on the business combination.

3. Property, plant and equipment (continued)

The property, plant and equipment balance includes the following assets in the course of construction:

Land and buildings

Plant, machinery and equipment

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

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

4. Right-of-use assets

Land and buildings

Plant, machinery and equipment

Vehicles

Net book value

					Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
30 September 2021								
Carrying value								
At 1 October 2020					22 849	8 600	26 460	57 909
Additions					222	–	51 014	51 236
Derecognitions					–	(960)	–	(960)
Reassessments and modifications*					51	6 529	1 395	7 975
Depreciation charge					(3 553)	(3 666)	(13 802)	(21 021)
Foreign exchange adjustment					(31)	–	–	(31)
At 30 September 2021					19 538	10 503	65 067	95 108
30 September 2020								
Carrying value								
At 1 October 2019					21 817	16 149	29 581	67 547
Additions					6 013	1 156	8 370	15 539
Derecognitions					–	(5 524)	–	(5 524)
Reassessments and modifications*					(1 257)	571	3 198	2 512
Depreciation charge					(3 612)	(3 752)	(14 689)	(22 053)
Foreign exchange adjustment					(112)	–	–	(112)
At 30 September 2020					22 849	8 600	26 460	57 909

At 30 September 2021

30 September 2020

Carrying value

At 1 October 2019

Additions

Derecognitions

Reassessments and modifications\*

Depreciation charge

Foreign exchange adjustment

At 30 September 2020

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

5. Intangible assets

Computer software					2021 R'000	2020 R'000
Goodwill					1 670	404
Trademarks					5 428	5 428
Net book value					-	-
					7 098	5 832

30 September 2021

Cost	Computer software R'000	Goodwill R'000	Trademarks R'000	Total R'000
At 1 October 2020	14 432	5 428	24 544	44 404
Additions	1 507	-	-	1 507
At 30 September 2021	15 939	5 428	24 544	45 911

Accumulated amortisation and impairment

At 1 October 2020	(14 028)	-	(24 544)	(38 572)
Amortisation for the year*	(241)	-	-	(241)
At 30 September 2021	(14 269)	-	(24 544)	(38 813)

Net book value at 30 September 2021

30 September 2020

Cost				
At 1 October 2019	14 432	5 428	24 544	44 404
At 30 September 2020	14 432	5 428	24 544	44 404

Accumulated amortisation and impairment

At 1 October 2019	(12 318)	-	(24 364)	(36 682)
Amortisation for the year*	(1 710)	-	(180)	(1 890)
At 30 September 2020	(14 028)	-	(24 544)	(38 572)

Net book value at 30 September 2020

\* Amortisation expenses are included in other operating expenses.

The intangible assets balance includes assets in the course of construction amounting to R803 000 (2020: nil).

Impairment test for goodwill

Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.

The carrying value of the goodwill above is included in the following CGUs:

Animal feeds

Olifantkop feed mill	5 428
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5. Intangible assets (continued)

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets approved by the Board. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the agricultural industry in which the CGU operates.

Key assumptions used for value-in-use calculation:

Growth rate	5.5%	5.5%
Discount rate	21.8%	23.2%

These assumptions have been used for the analysis of this CGU. The budgeted gross margin is based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports, after taking into account the impact of the COVID-19 pandemic. The pre-tax discount rates as disclosed above reflect specific risk relating to the relevant CGU, as well as any impact from the COVID-19 pandemic.

No impairment was recognised at the end of the reporting period presented.

6. Investment in associates

Unlisted shares at cost	10 251	6 813
Balance beginning of year	6 813	1 700
Disposal of investment in associate	(1 700)	-
Acquisition during the year	5 138	5 113
Interest in retained earnings and reserves	59	6 866
Balance beginning of year	6 866	7 298
Disposal of investment in associate	(8 574)	-
Share of profit/(loss) of associate companies	1 767	(432)
	10 310	13 679

Cost of shares

Bergsig Breeders (Pty) Ltd**	-	1 700
Effective interest nil (2020: 29.9%)		
Klipvlei Broilers (Pty) Ltd*	10 251	5 113
Effective interest 40% (2020: 20%)		
	10 251	6 813

\* An additional 20% shareholding in Klipvlei Broilers (Pty) Ltd was acquired on 30 September 2021 for consideration of R514 million settled in cash. Total cash outflow for the period is R10.25 million (2020: nil), which includes R5.11 million for a 20% shareholding acquired in Klipvlei Broilers (Pty) Ltd in the prior period of which the deferred payment occurred in the current period.

\*\* The 29.9% shareholding in Bergsig Breeders (Pty) Ltd was disposed of effective 18 June 2021 for consideration of R14.2 million settled in cash. The share of the associate's profit for the year is included up to the date of disposal. The profit on disposal is included in Other gains/(losses) - net.

Carrying value at the beginning of the year

Share of profit of associate company

Disposal of investment in associate

Carrying value at the end of the year

Gross proceeds received

Profit on disposal



6. Investment in associates (continued)

The following is the summarised statement of financial position of the above-mentioned associate companies (Bergsig Breeders (Pty) Ltd included in the prior reporting period only):

	2021 R'000	2020 R'000
Non-current assets	18 221	36 224
Current assets	706	26 002
<b>Total assets</b>	<b>18 927</b>	<b>62 226</b>
Non-current liabilities	14 493	20 694
Current liabilities	6 377	20 587
<b>Total liabilities</b>	<b>20 870</b>	<b>41 281</b>
Capital and reserves	(1 943)	20 945
<b>Total equity and liabilities</b>	<b>18 927</b>	<b>62 226</b>

The following is the summarised statement of comprehensive income of the associated companies for the year (Bergsig Breeders (Pty) Ltd included in the prior reporting period only):

<b>Revenue</b>	<b>24 173</b>	<b>82 692</b>
<b>Operating profit/(loss)</b>	<b>630</b>	<b>(783)</b>
<b>Net loss after income tax</b>	<b>(149)</b>	<b>(1 296)</b>

Bergsig Breeders (Pty) Ltd and Klipvlei Broilers (Pty) Ltd are both private companies, and there is no quoted market price available for its shares. Both companies operate in the poultry industry in South Africa. Bergsig Breeders (Pty) Ltd supplies the Group with broiler hatching eggs and Klipvlei Broilers (Pty) Ltd supplies the Group with live broilers.

7. Inventories

Raw material  
Manufactured products  
Packing materials and consumables

Inventory carried at net realisable value  
Cost of inventories included in cost of sales

Inventory at year-end includes spare parts of R8.8 million (2020: R8.7 million).

The cost of inventories above excludes inventory written off and biological assets fair value adjustments. The nature of the inventory held is raw materials used in production of animal feed and other food related products. The Group has considered the impact of the COVID-19 pandemic on the valuation of inventories. No material change to the valuation of inventory was considered necessary due to the nature of inventory held.

8. Biological assets

Livestock – poultry

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

Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. The fair value estimation of the Group's biological assets was not materially impacted by the COVID-19 pandemic due to the nature of the biological assets and its produce.

8. Biological assets (continued)

Fair value at 1 October 2020  
Increase due to establishment cost  
Decrease due to harvest/sales  
Fair value adjustment recorded in profit and loss  
Foreign exchange adjustment

Fair value at 30 September 2021

	111 325	243 186	35 4 511
	903 356	1 151 136	2 054 492
	(893 414)	(1 095 420)	(1 988 834)
	(360)	(18 534)	(18 894)
	175	1 858	2 033
	121 082	282 226	403 308
Fair value at 1 October 2019	111 633	267 963	379 596
Increase due to establishment cost	804 987	1 078 141	1 883 128
Decrease due to harvest/sales	(806 861)	(1 091 036)	(1 897 897)
Fair value adjustment recorded in profit and loss	2 000	(6 598)	(4 598)
Foreign exchange adjustment	(434)	(5 284)	(5 718)
Fair value at 30 September 2020	111 325	243 186	354 511

Biological assets at fair value less cost to sell consist of the following:

Chickens – grandparents and other breeding stock  
Chickens – laying  
Chickens – broilers  
Hatching eggs  
Game

2021 Quantity	2020 Quantity
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At 30 September, the Group held the following biological assets:

Chickens – grandparents	29 898	33 595
Hatching eggs	7 551 631	7 494 850
Chickens – broilers	3 052 107	2 743 295
Chickens – layers 39 weeks and younger	3 635 112	3 284 401
Chickens – layers older than 39 weeks	2 186 749	2 768 712
Game	591	581

The Group produced the following agricultural produce for the year ended 30 September:

Eggs (dozens)	84 450 396	94 712 818
Live birds (kg)	59 475 187	61 256 928
Number of day-old chicks	75 281 379	78 695 849
Number of point-of-lay hens	5 923 647	6 278 127
Number of culls	3 670 860	3 385 002

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

9. Trade and other receivables

	2021 R'000	2020 R'000
Trade receivables	557 350	503 512
Allowance for outstanding credit notes	(2 076)	(2 085)
Loss allowance	(40 139)	(28 636)
Trade receivables – net	515 135	472 791
Prepayments	24 701	16 212
Receivables from related parties (refer to note 35)	–	9 089
Other debtors	3 517	3 748
Receiver of revenue – VAT	23 613	20 238
	566 966	522 078

For the purposes of the statement of financial position trade and other receivables are presented as follows:

Non-current assets	4 033	4 035
Current assets	562 933	518 043
	566 966	522 078

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

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

The Group applies the IFRS 9 simplified approach to measuring the ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped on shared characteristics and the days past due. Shared characteristics refer to type of product sold to the customer (similar to disaggregation of revenue note for these product lines – refer to note 19).

The expected loss rates applied are based on the payment profiles of sales over a period of 48 months and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. Forward-looking information includes expected economic growth and employment rates and the potential impact thereof on the Group's customers. The COVID-19 pandemic in the current and prior year has significantly impacted the South African economy, and consequently, the general operating environment of the Group. The impact of the HPAI outbreak in 2021 and the July 2021 civil unrest in South Africa was also considered as part of the forward-looking information for the current period. Both these events had a minimal impact on the forward-looking information considered. Based on a combined assessment of the above, the calculated loss rates were adjusted up by a forward-looking factor of 20% (2020: 20%).

Trade receivables	557 350	503 512
Excluding:		
– Balances of national customers*	(216 734)	(203 012)
– Receivables specifically provided for	(39 452)	(27 615)
– Receivables with balances covered by insurance^	(190 764)	(173 242)
Remaining trade receivables balance subject to loss allowance based on matrix approach	110 400	99 643

\* Balances of national customers (customers with a limited risk profile and with a national geographical representation) with no history of default and long history of trading with the Group. These customers have no long outstanding amounts, nor has there been any indication that these customers will default. The Group calculates the ECL on national customers with reference to the probability of default model using external credit ratings in determining the default risk of counterparties. The expected credit rating range used was between BB and BB+ (for emerging markets). The Group used a loss given default rate of 45%. The forward-looking assessment for national customers includes specific economic growth and employment rates and the impact of the COVID-19 pandemic, the 2021 HPAI outbreak and the July 2021 civil unrest in South Africa. Based on a combined assessment of the above, the calculated loss rates were adjusted upwards by a forward-looking factor of 20% (2020: 20%). The calculated ECL on these balances was not considered to be material.

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

9. Trade and other receivables (continued)

	Expected loss rate %	Gross carrying amount R'000	Loss allowance R'000
ECL allowance			
30 September 2021			
Current	0.56	78 081	439
30 days	0.13	25 339	33
60 days	0.53	1 892	10
More than 90 days	4.03	5 088	205
Total ECL allowance		110 400	687
Specific provision for losses			39 452
Total loss allowance			40 139

30 September 2020			
Current	0.74	75 861	561
30 days	0.32	18 388	58
60 days	0.95	1 783	17
More than 90 days	10.66	3 611	385
Total ECL allowance		99 643	1 021
Specific provision for losses			27 615
Total loss allowance			28 636

The decrease in the expected loss rates from the prior period relate to a decrease in historical credit losses and an increase in sales over the previous 48-month period considered.

	2021 R'000	2020 R'000
Movements on the Group's loss allowance are as follows:		
At 1 October	28 636	26 340
(Decrease)/increase in general loss allowance recognised in profit or loss during the year	(379)	235
Increase in specific loss allowance recognised in profit or loss during the year	10 608	1 569
Increase in suspended interest included in the expected loss allowance	2 312	2 082
Receivables written off during the year as uncollectible	(897)	(180)
Unused amounts reversed	(282)	(1 095)
Foreign exchange translation adjustment	141	(315)
At 30 September	40 139	28 636

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

Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amount of fully performing financial assets included in trade and other receivables at year-end equals:

National customers	213 534	194 609
Other customers	289 611	282 306
	503 145	476 915

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

Other customers	39 452	27 615
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R91 million of the increase in individually impaired receivables in the current period relates to balances owed by a customer that went into business rescue and closed its business.

9. Trade and other receivables (continued)

A summary of the Group's trade receivables covered by insurance or secured by collateral is as follows:

Trade receivable balances covered by Credit Guarantee Insurance (excluding specifically provided debtors balances)

Mortgage bonds – registered value  
Notarial bonds – registered value  
Cessions – book value  
Bank guarantees – actual value

Fair value of collateral held on past due and/or impaired trade receivables:

The carrying amount of the Group's trade receivables are denominated in the following currencies which are the functional currencies of the relevant subsidiaries:

Zambian kwacha  
Ugandan shilling  
Mozambican metical  
South African rand  
Total

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

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

The Group granted a long-term loan to a B-BBEE supplier during the 2019 reporting period. The loan was provided to increase the B-BBEE supplier's layer then capacity through capital improvements. The loan is unsecured, interest free and repayable in monthly instalments over 10 years, starting from the date the capital improvements are ready for use. Delays caused by the COVID-19 pandemic on construction of the capital improvements resulted in the first payment being due only in the next reporting period.

Loans at the start of the year  
Discounting of loan  
Loans at the end of year – Included in other debtors balance  
  
Current portion of loan  
Non-current portion of loan

The loan balance is not past due, nor has there been any indication that the B-BBEE supplier will default. The credit risk of the Group's loan has been assessed using the simplified approach of IFRS 9 by taking into account the B-BBEE supplier's risk of default and its capacity to meet the contractual cash flow obligations as they become due, as well as current and forward-looking information on macro-economic factors affecting the B-BBEE supplier's ability to settle its debt. Due to the risk of default being assessed as low, the calculated ECL of the loan receivable was not considered to be material. The impact of the COVID-19 pandemic on the recoverability of the loan was considered as part of the ECL assessment.

	2021 R'000	2020 R'000
	227 302	213 761
	4 000	2 300
	14 400	13 400
	1 500	2 000
	4 000	5 500
	17 817	13 047
	5 857	2 716
	5 222	2 880
	7 326	6 095
	538 945	491 821
	557 350	503 512
	4 912	4 233
	(456)	679
	4 456	4 912
	(423)	(878)
	4 033	4 034

10. Derivative financial instruments

Foreign exchange contracts – cash flow hedges

For the purposes of the statement of financial position, derivative financial instruments are presented as follows:

Current assets	23	-
Current liabilities	-	(6)
	23	(6)

Trading derivatives are classified as a current asset or liability. The carrying values of derivative financial instruments are measured at their fair values at the reporting date.

The purchase of foreign exchange contracts are for the import of raw materials used for production, or capital expenses.

Refer to note 37 for the Group's exposure to financial risks and how these risks are managed.

10.1 Derivative instruments earmarked for hedging (cash flow hedges)

Commodity instruments		Fair value R'000
30 September 2021		
Futures*		26 473
30 September 2020		
Futures*		2 606

\* Disclosed within cash and cash equivalents (restricted cash). Consists of 760 white maize (2020: 274 yellow maize) futures bought.

Currency forward contracts		Foreign amount '000	Rand amount R'000	Fair value R'000
30 September 2021				
Purchases of foreign exchange contracts				23
Euro	66		1 153	23
30 September 2020				
Purchases of foreign exchange contracts				(6)
Euro	33		648	(6)

Cash flow hedges are expected to realise in profit or loss in the next financial year.



11. Cash and cash equivalents

Cash at bank and on hand

For the purposes of the statement of cash flows, the year-end cash and cash equivalents consist of cash at bank, on hand and restricted balances.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

South African rand		
US dollar		
Zambian kwacha (functional currency of a subsidiary)		
Ugandan shilling (functional currency of a subsidiary)		
Mozambican metical (functional currency of a subsidiary)		
Total		

The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.

Restricted balances

Cash and cash equivalents include restricted balances of R26.5 million (2020: R2.6 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the Group when the related derivative positions are closed.

12. Share capital

Authorised – ordinary shares

400 000 000 (2020: 400 000 000) ordinary no par value shares

Issued and fully paid – ordinary shares

200 024 716 (2020: 200 024 716) ordinary no par value shares

Reconciliation of movement in issued shares

During the current and prior reporting period there was no movement in issued ordinary shares.

Treasury shares held by subsidiary

At the beginning of the year: 5 761 455 (2020: 7 107 946) ordinary shares

Nil ordinary shares acquired during the year (2020: 1 296 647 at an average price of R3.31 per share)

Issued to management in terms of share appreciation rights scheme: 3 284 063 (2020: 2 643 138) ordinary shares

At the end of the year: 2 477 392 (2020: 5 761 455) ordinary shares

13. Share-based payments

Management share appreciation rights scheme (equity-settled)

The Group operates a share appreciation rights scheme for qualifying management.

The exercise of vested share appreciation rights entitles the employee to ordinary shares in the Company. This number of ordinary shares is calculated by dividing the amount by which the exercise price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the phantom share right price at the exercise date. Phantom share right price is an amount equal to the volume weighted average price per share for the preceding three trading days. Special dividends declared during the period between the grant date and the vesting date are included in the exercise price of the share appreciation rights.

	2021 Number '000	2020 Number '000
Number of share appreciation rights made available		
Number at beginning of year	26 346	25 163
New allocation at R6.09 per share	3 648	–
New allocation at R3.57 per share	–	7 501
Redeemed	(5 755)	(6 318)
Expired/forfeited	(214)	–
Number at end of year	24 025	26 346
Number of share appreciation rights		
At R2.66 per share, exercisable up to 18 February 2022	–	1 296
At R3.09 per share, exercisable up to 23 February 2023	2 520	5 040
At R3.91 per share, exercisable up to 22 February 2024	4 307	6 460
At R4.25 per share, exercisable up to 11 February 2025	6 049	6 049
At R3.57 per share, exercisable up to 17 February 2026	7 501	7 501
At R6.09 per share, exercisable up to 15 February 2027	3 648	–
	24 025	26 346

Share appreciation rights were granted on 15 February 2021 at a strike price of R6.09. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 15 February 2024 subject to certain time and performance-based criteria.

The net estimated weighted average fair value at grant date per share appreciation right for share appreciation rights outstanding at 30 September 2021 is R1.25 (2020: R1.16). The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based Payment. The cost accounted for in the current year amounts to R7 759 500 (2020: R9 564 100).

	2021	2020
These fair values were calculated using the actuarial binomial option pricing model.		
The principal assumptions were as follows:		
Weighted average share price at grant date (cents per share)	399	354
Expected volatility	28.0% to 45.3%	26.1% – 32.9%
Expected dividend yield	3.0%	3.0%
Risk-free rate	5.2% to 8.1%	6.5% – 8.6%
Expected life (years)	3 to 5	3 to 5

Expected volatility was determined by calculating the volatility of the share price of the Company.

The shareholders initially approved a maximum number of 14 500 000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2021, 7 050 504 ordinary shares (2020: 10 334 567) were still available for issue.

14. Other reserves

	2021 R'000	2020 R'000
Share-based payment reserve	25 257	22 581
Foreign currency translation reserve	(103 850)	(112 501)
Hedging reserve	12 824	4 831
	(65 769)	(85 089)

The Group acquired its businesses from Pioneer Foods Group Ltd during the 2014 reporting period as part of the restructuring from Pioneer Foods Group Ltd. The acquisition was an acquisition of businesses under common control. The acquisition was accounted for using predecessor accounting at the carrying value of the asses/liabilities at the acquisition date. The difference between the consideration given and the book values of net assets acquired was recorded in the common control reserve in equity. The common control reserve has been classified to retained earnings during the prior period.

The fair value of share appreciation rights issued to qualifying management are accounted for in the share-based payment reserve over the respective vesting periods. The reserve is adjusted at each reporting date when the entity revises its estimates of the number of share appreciation rights that are expected to become exercisable. The impact of the revision of original estimates, if any, are recognised in profit or loss, with a corresponding adjustment to this reserve in equity for the equity-settled plan. Refer to note 13 for further detail.

The foreign currency translation reserve relates to exchange differences arising from translation of foreign subsidiaries' statements of comprehensive income at average exchange rates for the year and their statements of financial position at the ruling exchange rates at the reporting date if the functional currency differs.

The hedging reserve relates to the change in fair value of derivative financial instruments. These derivative financial instruments include futures as well as foreign exchange contracts – cash flow hedges.

15. Leases

This note provides information for leases where the Group is a lessee.

Lease liabilities

Non-current	85 155	53 692
Current	23 860	18 168
	109 015	71 860

The Group's leasing activities and accounting thereof are disclosed in note 18 of the accounting policies.

Right-of-use assets recognised in the statement of financial position in relation to the Group's lease liabilities are disclosed in note 4.

The statement of comprehensive income includes the following amounts relating to leases

Depreciation charge of right-of-use assets (note 4)	21 021	22 053
Interest expense (included in finance cost note 24)	8 456	7 799
Expense relating to short-term leases (included in sales and distribution costs and other operating expenses)	5 606	4 425
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	4 945	5 513
Expense relating to variable lease payments not included in lease liabilities (included in sales and distribution costs and other operating expenses)	1 028	2 043

The total cash outflows for leases amounted to R410 million (2020: R42.2 million) of which R20.9 million (2020: R22.4 million) relates to the principal elements of lease payments.

Impact of critical judgments in determining the lease term

None of the lease payments made in the current reporting period were optional. No potential future cash outflows (2020: R2.7 million) have been excluded from the lease liability where it is not reasonably certain that the leases will be extended (or not terminated). During the current financial period, a land lease was terminated in advance of the end of its contractual term. This resulted in a decrease of R1.0 million in right-of-use assets and a R1.1 million decrease in lease liabilities (2020: nil). The financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of R6.6 million (2020: nil).

16. Deferred income tax

	2021 R'000	2020 R'000
Balance at beginning of year	221 149	238 067
Charge in profit or loss	27 506	(7 438)
Foreign exchange translation adjustment	358	(2 872)
Deferred income tax on hedging reserve charged to equity	7	(1 428)
Deferred income tax on share-based payment reserve	(3 388)	(5 180)
Deferred tax on business combination*	19 988	–
	265 620	221 149

\* Deferred tax on acquisition of LP Buhr Boerderij (Pty) Ltd. Refer to Note 40 for details.

Due to the following temporary differences:

Capital allowances, including trademarks	212 059	184 111
Inventories	10 372	8 421
Biological assets	84 388	74 857
Assessed loss utilised	(7 699)	(7 450)
Prepaid expenses	3 623	1 939
Provision for long-service awards	(2 721)	(2 360)
Leave accrual	(7 280)	(6 700)
Bonus accrual	(315)	(5 449)
Provision for impairment of trade receivables	(6 436)	(4 703)
Rebates, growth incentives and settlement discount accruals	(2 125)	(4 000)
Allowance for credit notes	(581)	(584)
Deferred income	(598)	(1 966)
Derivative financial instruments	(17)	(24)
Share-based payments	(10 652)	(10 635)
Accruals staff costs	(1 343)	(1 224)
Other*	(5 055)	(3 084)
	265 620	221 149

For the purposes of the statement of financial position, deferred income tax is presented as follows:

Non-current assets	(970)	(326)
Non-current liabilities	266 590	221 475
	265 620	221 149

\* Other includes temporary differences on right-of-use assets and the discounting of a loan.

During the year, deferred income tax assets of R970 000 (2020: R326 000) have been recognised of which the utilisation thereof depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

These deferred tax assets relate to assessed losses of Group entities that suffered losses in the current and/or preceding years. The losses suffered in the current and/or previous period arose from identifiable causes that are unlikely to recur. These entities have a strong earnings potential, and future profitability is expected against which unrecognised tax losses can be utilised.

17. Provisions for other liabilities and charges

Long-service awards	
<b>Long-service awards</b>	
Balance at beginning of year	
Interest	
Actuarial loss	
Current service costs	
Payments	
The amount recognised in the statement of financial position was determined as follows:	
Present value of unfunded obligations	
Unrecognised actuarial loss	
For the purposes of the statement of financial position, provisions for other liabilities and charges are presented as follows:	
Non-current liabilities	
Current liabilities	

Existing provisions are based on the following important assumptions:

Discount rate (per annum)	
Salary increases (per annum)	
Normal retirement age	
The date of the most recent actuarial valuation is:	

18. Trade and other payables

Trade payables	
Accrued expenses	
Related parties (refer to note 35)	
Accrued leave pay	
Accrued 13th cheque	
Accrued short-term incentive bonus	
Value-added tax	
Dividends payable	
Other payables	

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Other payables include trade and other receivables with credit balances reclassified as trade and other payables.

The carrying amount of the Group's trade payables are denominated in the following currencies:

Uncovered:	
Euro	
US dollar	
Zambian kwacha (functional currency of a subsidiary)	
Ugandan shilling (functional currency of a subsidiary)	
Mozambican metical (functional currency of a subsidiary)	
South African rand	
Total	

Other payables are mostly denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.

2021 R'000	2020 R'000
9 718	8 430
8 430	7 926
588	592
754	214
1 182	1 138
(1 236)	(1 440)
9 718	8 430
9 718	8 430
-	-
9 718	8 430
8 356	8 430
1 362	-
9 718	8 430
8.2%	7.4%
6.5%	5%
60 years	60 years
30 September 2021	30 September 2020
330 536	357 089
18 561	22 386
-	6 072
26 548	24 571
8 728	8 014
424	18 718
128	-
470	436
11 345	7 098
396 740	444 384
504	812
2 620	2 264
1 203	3 903
1 207	2 672
2 556	1 010
322 446	346 428
330 536	357 089

19. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers	
The Group derives revenue from the transfer of goods at a point in time.	
<b>Revenue</b>	
Eggs	
- included in eggs segment	
- included in other African countries segment	
Layer farming*	
- included in farming segment	
- included in other African countries segment	
Broiler farming**	
- included in farming segment	
- included in other African countries segment	
Animal feeds	
- included in animal feeds segment	
- included in other African countries segment	
5 401 116	5 095 085
1 435 398	1 431 460
1 228 789	1 229 592
206 609	201 868
256 165	266 012
219 597	237 671
36 568	28 341
1 225 492	1 134 661
1 192 033	1 112 372
33 459	22 289
2 484 061	2 262 952
2 440 511	2 237 071
43 550	25 881
5 401 116	5 095 085

\* Layer farming sales includes the sale of day-old pullets and point-of-lay hens.  
\*\* Broiler farming sales includes the sales of day-old broilers and live birds.

Information regarding major customers

During the period under review, revenue from the Group's top three customers was as follows:

Customer A	
Customer B	
Customer C	
933 243	819 576
512 185	492 054
462 644	366 926

Revenue from these customers is reported within all operating segments except other African countries.

20. Other income

Administration fees received	
Rental income	
Sundry income	
Insurance claims	
41	-
5 861	6 326
4 299	3 424
-	905
10 201	10 655

21. Other gains/(losses) – net

Biological assets fair value adjustment	
Unrealised – reflected in carrying amount of biological assets	
Realised – reflected in cost of goods sold	
Agricultural produce fair value adjustment	
Unrealised – reflected in carrying amount of inventory	
Realised – reflected in cost of goods sold	
Foreign exchange differences	
Financial instruments fair value adjustments	
Foreign exchange contract cash flow hedging ineffective gain/(loss)	
Loss on disposal of property, plant and equipment	
Profit on disposal of interest in associate	
29 663	70 265
(18 894)	(4 598)
48 557	74 863
38 195	25 813
(26)	248
38 221	25 565
(5 370)	(64)
(3)	(33)
6 528	(2 393)
(674)	(1 088)
3 965	-
72 304	92 500

Biological assets fair value adjustment

The adjustment of biological assets from cost to fair value includes a realised and unrealised component. The unrealised portion is reflected in the carrying amount of biological assets in the statement of financial position, and the realised portion is reflected in cost of goods sold in profit and loss.



22. Operating costs

22.1 Expenses by function

Cost of sales <sup>1</sup>	
Sales and distribution costs <sup>2</sup>	
Marketing costs <sup>3</sup>	
Administrative expenses <sup>4</sup>	
Net impairment losses on trade and other receivables <sup>5</sup>	
Other operating expenses <sup>6</sup>	

22.2 Expenses by nature

Cost of raw materials <sup>1</sup>	
Fair value adjustment on biological assets and agricultural produce <sup>1</sup>	
Inventory written off <sup>1</sup>	
Research and laboratory costs <sup>1, 3, 6</sup>	
Staff costs <sup>1, 2, 4, 6</sup>	

Wages and salaries	
Termination benefits	
Other staff costs	
Pension costs	
Share-based payments expense (refer to note 13)	
Non-executive directors' remuneration <sup>6</sup>	
Technical services from non-employees <sup>4</sup>	
Auditors' remuneration <sup>4</sup>	
Audit – current year	
Tax-related services	

Internal audit fees <sup>4</sup>	
Rental of premises, machinery and vehicles <sup>2, 4, 6</sup>	

Travel and entertainment <sup>4</sup>	
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Energy costs <sup>1, 6</sup>	
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Maintenance <sup>1, 6</sup>	
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Depreciation and amortisation <sup>1, 6</sup>	
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Insurance <sup>4</sup>	
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Cleaning <sup>1, 6</sup>	
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Office expenses <sup>4</sup>	
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Marketing costs <sup>3</sup>	
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Security <sup>1, 6</sup>	
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Change in loss allowance for trade receivables <sup>5</sup>	
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Change in allowance for credit notes <sup>6</sup>	
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Bad debts <sup>6</sup>	
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Transport and distribution costs <sup>1, 2</sup>	
--	--

B-BBEE socio-economic and enterprise development <sup>4</sup>	
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Total cost of sales, sales and distribution costs, marketing, administrative and other operating expenses

<sup>1</sup> Cost of sales.  
<sup>2</sup> Sales and distribution costs.  
<sup>3</sup> Marketing costs.  
<sup>4</sup> Administrative expenses.  
<sup>5</sup> Net impairment losses on trade and other receivables.  
<sup>6</sup> Other operating expenses.

Total expenses by nature are disclosed in note 22.2 with a numeral that indicates the expense by function as in note 22.1.

2021 R'000	2020 R'000
4 339 005	4 021 182
263 528	263 434
15 065	13 941
143 972	132 073
9 050	–
565 412	549 142
5 336 032	4 979 772
3 923 072	3 606 273
86 778	100 428
13 709	9 095
17 458	16 242
479 724	468 356
413 602	402 436
116	–
30 672	29 884
27 574	26 472
7 760	9 564
874	1 953
14 567	14 004
4 576	4 262
4 518	4 240
58	22
1 861	1 632
11 580	12 845
5 208	5 900
132 167	121 504
95 468	90 835
96 556	98 246
31 522	24 025
47 047	38 322
60 938	57 371
11 902	10 157
31 952	28 792
9 050	529
(9)	(77)
824	132
257 716	265 117
1 492	3 829
5 336 032	4 979 772

23. Investment income

Interest income on financial assets: loans and receivables	
- Call accounts and other	
- Unwinding of discount on receivables	

Interest income is recognised on a time-proportion basis using the effective interest rate method. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as investment income in profit or loss where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

24. Finance costs

Interest expense on financial liabilities measured at amortised cost	
- Call loans and bank overdrafts	
- Lease liability finance charges	
- Provision for unwinding of discount	

25. Income tax expense

Current income tax	
Current year	
(Over)/Underprovision previous years	
Deferred taxation	
Current year	
Overprovision previous years	

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory rate as follows:

Standard rate for companies*	
(Decrease)/increase in rate:	
Exempt income	
Non-deductible expenditure	
Overprovision previous year	
Effect of capital gains tax	
Effect of different tax rates*	
Effect of tax rate change	
Other differences	
Effective rate	

\* The standard tax rate for foreign subsidiaries differs from the income tax rate of 28%. Quantum Foods Zambia Ltd's agricultural profits are taxed at 10% and other income and manufacturing activities (feed mill activities) are taxed at 35%. Quantum Foods Uganda Ltd's profits are taxed at 30%. Quantum Foods Mozambique S.A.'s profits are taxed at 16% (lower rate for first five years after initial investment), and will change to 32% effective from the 2022 financial period. This tax rate change resulted in a decrease of 0.31% in the effective tax rate of the Group.

	2021 R'000	2020 R'000
<b>25. Income tax expense (continued)</b>		
Exempt income consist of amounts received in terms of the South African employment tax incentive scheme. Non-deductible expenditure consist mainly of depreciation on assets (e.g. poultry houses bought) and expenses relating to corporate action which are not deductible for tax. Other differences include the unwinding of deferred tax balances recognised as part of business combinations of 116% (2020: 0.59%).		
Gross calculated tax losses of certain subsidiaries at the end of the reporting period available for utilisation against future taxable income of those companies	25 085	25 254
Less: Utilised in reduction of deferred tax	(22 053)	(23 218)
	3 032	2 036
A current and deferred income tax charge of R3 108 485 (2020: R666 579) relating to fair value adjustments on the cash flow hedging reserve is credited directly through other comprehensive income/(loss).		
<b>26. Earnings per ordinary share</b>		
<b>Basic</b>		
The calculation of basic earnings per share is based on profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	105 795	154 899
Weighted average number of ordinary shares in issue ('000)	196 126	193 291
<b>Diluted</b>		
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.		
	2021 Number '000	2020 Number '000
Weighted average number of ordinary shares in issue used as the denominator in calculating basic earnings per share	196 126	193 291
Adjustment for calculation of diluted earnings per share – Share appreciation rights	3 565	6 362
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share*	199 691	199 653
Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share. Refer to note 13.		
* The calculation of the diluted weighted average number of ordinary shares is included for the prior period to align with the inclusion of the calculation in the current period consolidated annual financial statements.		
The calculation of diluted earnings per share is based on profit for the year attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the period:		
Profit for the year	105 795	154 899
Diluted weighted average number of ordinary shares in issue ('000)	199 691	199 653
Headline earnings is calculated in accordance with Circular 1/2021 (2020: Circular 1/2019) issued by the South African Institute of Chartered Accountants.		

	2021 R'000	2020 R'000
<b>26. Earnings per ordinary share (continued)</b>		
<b>Reconciliation between profit attributable to owners of the parent and headline earnings</b>		
Profit for the year	105 795	154 899
Remeasurement of items of a capital nature	453	752
Loss on disposal of property, plant and equipment		
Gross	674	1 088
Tax effect	(221)	(336)
Profit on disposal of interest in associate	(3 965)	–
Gross	(3 965)	–
Tax effect	–	–
Headline earnings for the year	102 283	155 651
Earnings per ordinary share (cents)	53.9	80.1
Diluted earnings per ordinary share (cents)	53.0	77.6
Headline earnings per ordinary share (cents)	52.2	80.5
Diluted headline earnings per ordinary share (cents)	51.2	78.0
<b>27. Cash profit from operating activities</b>		
Reconciliation of profit before tax and cash profit from operating activities:		
Profit before income tax	142 259	215 467
Adjustment for:		
Depreciation and amortisation	96 556	98 246
Biological assets fair value adjustment	18 894	4 598
Agricultural produce fair value adjustment	26	(248)
Net loss on sale of property, plant and equipment	674	1 088
Net profit on disposal of investment in associate	(3 965)	–
Unrealised losses/(profits) on FECs, foreign exchange and future contracts	3 615	(499)
Change in loss allowance for trade receivables	9 050	529
Change in provision for credit notes based on history	(9)	(77)
Inventory written off	13 709	–
Bad debts	824	132
Share-based payments expense	7 760	9 564
Changes in provisions for long-service awards	700	1 352
Interest received	(4 747)	(6 010)
Interest paid	11 844	8 579
Share of (profit)/loss of associate companies	(1 767)	432
Leases derecognition included in operating profit	(126)	(605)
	295 297	332 548
<b>28. Working capital changes</b>		
Increase in inventory*	(97 897)	(9 843)
Increase in trade and other receivables	(55 024)	(85 425)
(Decrease)/increase in trade and other payables	(35 035)	5 597
(Increase)/decrease in current biological assets	(67 717)	20 735
Changes to derivative financial instruments	(3 619)	64
Decrease in provisions*	–	(1 440)
	(259 292)	(70 312)

\* In the prior period, inventory written off and the changes in provisions for long service awards were included in working capital changes. In the current period, these amounts are included as part of cash profit from operating activities. The prior period figures were not restated due to the immaterial nature of these amounts.

29.

Dividends paid

Amounts unpaid at beginning of the year  
As disclosed in statement of changes in equity  
Dividends declared during the year  
Dividends on treasury shares received by subsidiary  
Amounts unpaid at end of year

	2021 R'000	2020 R'000
	(436)	(392)
	(19 426)	(59 861)
	(20 002)	(62 007)
	576	2 146
	470	436
	(19 392)	(59 817)

30.

Income tax paid

Amounts unpaid at beginning of the year  
Current tax charge in profit and loss  
Hedging reserve – income tax current year  
Amounts unpaid at end of the year

	(12 473)	7 651
	(8 958)	(68 006)
	(3 101)	(761)
	1 799	12 473
	(22 733)	(48 643)

For the purposes of the statement of financial position, current income tax (receivable)/payable are presented as follows:

Current assets  
Current liabilities

	(840)	(516)
	2 639	12 989
	1 799	12 473

31.

Proceeds on disposal of property, plant and equipment

Book value of property, plant and equipment disposed  
Loss on disposal of property, plant and equipment

	1 951	1 499
	(674)	(1 088)
	1 277	411

32.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

Cash and cash equivalents  
Lease liabilities

	73 311	251 781
	(109 015)	(71 860)
	(35 704)	179 921

33.

Contingent liabilities

No litigation matters with potential material consequences exist as at the reporting date.

34.

Commitments

34.1 Operating lease receivables

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	2021 R'000	2020 R'000
	94	2 335

No later than one year

34.

Commitments (continued)

34.2 Capital commitments

Contractually committed  
Approved by the Board, but not yet contractually committed  
- for the next financial year  
- for the year following the next financial year

	12 298	27 039
	154 723	135 451
	121 291	135 451
	33 432	-

	167 021	162 490
	152 825	162 490
	14 196	-
	167 021	162 490

Allocated as follows:

Property, plant and equipment  
Computer software

The expenditure will be financed from operating income, cash reserves and borrowed funds, in accordance with a budget approved by the Board.

35.

Related-party transactions

Quantum Foods Holdings Ltd is the ultimate holding company of the Quantum Foods group of companies. The Group consists of:

- Quantum Foods (Pty) Ltd
- Quantum Foods Uganda Ltd (incorporated in Uganda)
- Quantum Foods Zambia Ltd (incorporated in Zambia)
- Quantum Foods Mozambique, S.A. (incorporated in Mozambique)
- Bergsig Breeders (Pty) Ltd – associate company disposed of on 18 June 2021 (refer to note 6)
- Klipvlei Broilers (Pty) Ltd – associate company (refer to note 6)

The Group holds a 100% (2020: 100%) interest in Quantum Foods (Pty) Ltd, and this entity holds a 100% (2020: 100%) interest in all the other subsidiaries listed above. The subsidiaries are incorporated in South Africa unless indicated otherwise.

During the reporting period the Company and its subsidiaries conducted the following transactions with its associate companies and key management personnel:

35.1

Sale of goods

Bergsig Breeders (Pty) Ltd (sales up to date of disposal)  
Klipvlei Broilers (Pty) Ltd

	45 648	61 148
	46	3
	45 694	61 151

35.2

Purchase of goods/services

Bergsig Breeders (Pty) Ltd (purchases up to date of disposal)  
Klipvlei Broilers (Pty) Ltd (grower fee paid)

	52 237	63 185
	24 282	13 483
	76 519	76 668

35.3

Key management personnel compensation

Salaries and other short-term employee benefits  
Post-employment benefits  
Bonuses and incentives  
Other long-term benefits  
Share-based payments

	19 199	19 713
	2 112	2 216
	-	12 972
	-	187
	6 793	7 980
	28 104	43 068

Key management personnel include the executive directors of the Board and members of the Group's executive committee.

35.4

Year-end balances arising from sales/purchases of goods

Receivables from related parties  
Bergsig Breeders (Pty) Ltd  
Klipvlei Broilers (Pty) Ltd

	-	9 081
	-	8
	-	9 089

Payables to related parties  
Bergsig Breeders (Pty) Ltd

	-	(6 072)
--	---	---------

Receivables from related parties are unsecured and bear no interest.



36. Financial instruments by category

	Amortised cost R'000	Assets at fair value through profit and loss R'000	Total R'000
30 September 2021			
Assets as per statement of financial position			
Derivative financial instruments	-	23	23
Trade and other receivables <sup>1</sup>	518 652	-	518 652
Cash and cash equivalents	73 311	-	73 311
Total	591 963	23	591 986
30 September 2020			
Assets as per statement of financial position			
Trade and other receivables <sup>1</sup>	485 628	-	485 628
Cash and cash equivalents	251 781	-	251 781
Total	737 409	-	737 409
30 September 2021			
Liabilities as per statement of financial position			
Lease liabilities			
Trade and other payables <sup>2</sup>	-	109 015	109 015
Total	-	360 912	360 912
30 September 2020			
Liabilities as per statement of financial position			
Lease liabilities			
Derivative financial instruments	6	-	6
Trade and other payables <sup>2</sup>	-	393 081	393 081
Total	6	464 941	464 947

<sup>1</sup> Financial assets do not include prepaid expenses and VAT amounts receivable.

<sup>2</sup> Financial liabilities do not include accruals for 13th cheque, leave, short-term incentive bonus and VAT amounts payable.

37. Financial risk management

37.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information is included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	<ul style="list-style-type: none"><li>Future commercial transactions</li><li>Recognised assets and liabilities denominated in foreign currency</li></ul>	<ul style="list-style-type: none"><li>Cash flow forecasting</li><li>Sensitivity analysis</li></ul>	Forward foreign exchange contracts for future commercial transactions
Market risk – price risk	Fluctuations in prices of feed raw materials, mainly maize and soya bean meal	Sensitivity analysis	<ul style="list-style-type: none"><li>Futures contracts</li><li>Contracting at fixed delivery prices</li></ul>
Market risk – interest rate	Deposits at variable rates	Sensitivity analysis	Treasury function based on a rolling cash flow forecast
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments	<ul style="list-style-type: none"><li>Ageing analysis</li><li>Credit ratings</li><li>Sensitivity analysis</li></ul>	<ul style="list-style-type: none"><li>Deposits placed at banks with high credit ratings</li><li>Credit limits, credit control, letters of credit and insurance for trade receivables</li></ul>
Liquidity risk	Investment in working capital, capital expenses, changes in profitability	Rolling cash flow forecasts	Committed working capital facility

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The Board approved a broad decision-making framework in terms of which financial risks are evaluated, managed and hedged by executive management.

(a) Market risk

(i) Cash flow interest rate risk

The Group's interest rate risk arises from financial assets and financial liabilities.

Financial liabilities exposed to interest rate risk include interest-bearing short and long-term borrowings. At year-end the Group only had lease liabilities with no exposure to variable interest rates.

Financial assets exposed to cash flow interest rate risk include cash and short-term bank deposits. Changes in the prime interest rate will result in a minimal impact on profit after tax.

(ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, British pound, US dollar, Zambian kwacha, Ugandan shilling and Mozambican metical. Foreign exchange risk arises from future commercial transactions denominated in foreign currencies, recognised assets and liabilities denominated in foreign currencies and derivative financial instruments. Apart from the Group's exposure to trade receivables and payables and cash denominated in foreign currencies, no other financial assets or liabilities expose the Group to significant foreign exchange risk.

Instruments used by Group

The Group manages short-term foreign exchange exposure relating to raw material imports (primarily US dollar based), in terms of formal hedging policies. Foreign exchange risk arising from capital imports is hedged in total. The Group either uses a foreign exchange forward contract ("FEC") to hedge its exposure to foreign currency risk or procures the relevant imported goods at a ZAR price which includes an FEC entered into on the Group's instruction. Only the spot component of forward contracts entered into by the Group is designated as a hedging instrument. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is the forward element, which is recognised in profit or loss.

Refer to note 10 for material FEC's. Refer to notes on trade and other receivables, trade payables for financial exposure to foreign currency risk.

Refer to note 21 – other gains/(losses) – net for foreign exchange-related amounts recognised in profit or loss for the year.

37. Financial risk management (continued)

37.1 Financial risk factors (continued)

(a) Market risk (continued)

iii) Price risk

The Group is exposed to commodity price risk. The risk arises from the Group's need to buy specific quantities and qualities of raw materials to meet its feeds business' requirements. These raw materials include maize and soya bean meal.

The Group uses exchange-for-physical contracts to hedge itself against the price risk of the maize commodity acquired in South Africa. These contracts hedge the future purchase price of raw materials. Settlement of the physical contracts and local futures are effected by physical delivery. The commodity price risk arising from maize and soya bean meal imports are hedged by contracting at a fixed delivered price.

iv) Sensitivity analysis

The table below summarises the impact on post-tax profit and equity of changes in market risks relating to the Group's financial instruments exposed to foreign exchange risk.

Change in foreign currency

Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 3% (2020: 3%), British pound of 3% (2020: 3%), Euro of 3% (2020: 3%), Zambian kwacha of 3% (2020: 3%), Ugandan shilling of 3% (2020: 3%) and Mozambique metical 3% (2020: 3%), with all other variables held constant.

	2021 R'000	2020 R'000
Rand depreciates against foreign currencies		
– Increase/(decrease) in profit after income tax	408	219
Trade receivables	1 097	1 145
Cash and cash equivalents	(204)	(172)
Trade payables		
– Increase in equity after income tax	25	14
Derivative financial instruments earmarked for hedging	1 326	1 206
Change in commodity prices		
Derivative financial instruments affected by changes in the commodity prices relate to futures. The summary below reflects the results of an expected change in the maize price of 2% (2020: 2%), with all other variables held constant.		
Commodity price increase		
– Increase in equity after income tax	3 645	1 301
Derivative financial instruments earmarked for hedging		

If these prices were to decrease it will result in a decrease in reserves of the same amount.

(b) Credit risk

Financial assets that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents and derivative financial instruments, as well as credit exposure to trade receivables, including outstanding receivables and committed transactions.

The Group's credit risk exposure relating to derivative financial instruments is managed on a Group level and is placed with a limited number of creditable financial institutions, all of which have Moody's short-term credit ratings of NP. The Group continually monitors its positions and the credit ratings of its counterparties.

The Group's credit risk exposure relating to trade receivables is managed centrally. Trade receivables are subject to credit limits, credit control and credit approval procedures. The credit quality of customers is assessed, taking into account their financial position, past experience with the customer and other factors when approving new customers and determining or revising individual credit limits. The utilisation of credit limits is regularly monitored.

37.

37.1

Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

The Group insures its South African debtors with Credit Guarantee Insurance. In 2021, 44% (2020: 45%) of the Group's total unimpaired trade debtors have been covered by credit insurance. National customers have a limited risk profile and a national geographical representation. The credit quality of the national customers is considered to be good based on historical default rates. These customers include large national customers in the formal retail sector. The large national customers and other listed companies are assessed as having a low risk of default, and are thus not insured. These customers amounted to approximately 42% (2020: 41%) of trade receivables – net in the reporting period. Of the remaining other customers, 76% (2020: 77%) of the Group's trade receivables – net were insured.

Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for credit worthiness before delivery and payment terms are offered. The Group's risk is limited to 30% (2020: 30%) of the net invoiced sales to insured debtors. The Group's review includes external ratings where available and, in some cases, bank references. Limits are established for each customer, which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators of objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables and that the trade receivable is impaired.

The impact from the COVID-19 pandemic was considered as part of the forward-looking adjustment included in the lifetime ECL allowance. Refer to note 9 for more details.

The amount of the specific provision for losses, included in the loss allowance, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss within other operating expenses. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, they are written off as other operating expenses in profit or loss. Subsequent recoveries of amounts previously written off are credited against other operating expenses in profit or loss.

Other receivables consist mainly of prepayments, value-added tax receivable and other debtors. The risk of default is assessed as low.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The credit quality of trade debtors that are neither past due nor impaired, is as follows:

	2021 R'000	2020 R'000
External customer (history of more than six months) – not previously impaired	490 021	474 169
External customer (history of more than six months) – previously impaired – debt repaid	73	–
New customers (history less than six months)	13 051	2 746
Total	503 145	476 915
The Group deposits cash surpluses with financial institutions of high quality and standing. The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.		
NP short-term credit rating	72 599	250 936
Not rated	314	381
Cash on hand	398	464
	73 311	251 781

37. Financial risk management (continued)

37.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generating capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate. The Group's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity.

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held no short-term bank deposits.

At year-end the Group had a borrowing facility in the form of a debtors' finance facility at one of the major South African banks. Trade receivables equal to the value of the borrowing facility of R206.9 million (2020: R209.0 million) is provided as security for the debt. The facility agreement determines that any positive cash balances available in the South African bank account of the Group can be offset against any amount drawn. The Group has a legally enforceable right to offset these amounts, and there is an intention to settle on a net basis.

	2021 R'000	2020 R'000
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	206 858	209 047

The Group's unutilised borrowing facilities are as follows:

Total borrowing facilities

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed are the contractual undiscounted cash flows.

Maturity analysis of financial liabilities	Not later than 1 year R'000	Between 1 and 2 years R'000	More than 2 years R'000	Total R'000
30 September 2021				
Capital and interest - total				
Lease liabilities	(33 354)	(31 611)	(69 705)	(134 670)
Dividends payable	(470)	-	-	(470)
Trade and other payables	(360 427)	-	-	(360 427)
Financial guarantees*	(19 250)	-	-	(19 250)
	(413 501)	(31 611)	(69 705)	(514 817)
30 September 2020^				
Capital and interest - total				
Lease liabilities	(24 570)	(20 725)	(45 519)	(90 815)
Dividends payable	(436)	-	-	(436)
Trade and other payables	(392 329)	-	-	(392 329)
Other derivative financial instruments	(6)	-	-	(6)
Financial guarantees*	(23 231)	-	-	(23 231)
	(440 572)	(20 725)	(45 519)	(506 817)

\* Financial guarantees relate to guarantee contracts in terms of loans by third parties to contracted service providers. The fair value of the financial guarantee contracts is measured at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9 – Financial Instruments and the fair value initially recognised. The amount determined in accordance with the expected credit loss model was not material due to the low probability of default by the contracted service provider. The value of the financial guarantee contracts is therefore equal to the initial recognition fair value, which is nil (2020: nil). The maximum possible exposure of the Group at 30 September 2021 is R19.3 million (2020: R23.2 million).

^ Financial guarantees were shown as part of contingent liabilities in the prior period and were reclassified as financial liabilities in the current period. The comparative information in the maturity analysis of financial liabilities was included to align with the current period presentation.

Note: Financial liabilities do not include provisions, accrual for 13th cheque, deferred revenue, accrual for leave and VAT amounts payable.

37. Financial risk management (continued)

37.2 Capital risk management

The Board's policy is to maintain a strong capital base to ensure the Group continues as a going concern in order to provide returns for shareholders and benefits for other stakeholders. When allocating capital, the Group's target is to achieve a return on invested capital in excess of its weighted average cost of capital.

	2021 R'000	2020 R'000
Net debt*	35 704	71 860
Total equity (as shown in the statement of financial position)	1 999 802	1 885 642
	1.79%	3.81%

\* For 2020: Cash and cash equivalents exceeded borrowings. Cash and cash equivalents were not deducted for ratio calculation.

The main focus of the Group's capital management is to ensure liquidity, in the form of short-term borrowing facilities, in order to have sufficient available funding for the Group's working capital requirements.

37.3 Fair value measurement

All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:

Level 1:

Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities at the end of the reporting period. No financial assets have been classified as level 1.

Level 2:

Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable inputs, which reflect the market conditions, including that of the COVID-19 pandemic in their expectations of future cash flows for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:

Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value at:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 September 2021				
Assets measured at fair value				
Derivative financial instruments	-	23	-	23
- Foreign exchange contracts				
Biological assets	-	-	403 308	403 308
- Livestock		23	403 308	403 331
Total	-	23	403 308	403 331
30 September 2020				
Assets measured at fair value				
Biological assets	-	-	-	-
- Livestock		-	354 511	354 511
Total	-	-	354 511	354 511
Liabilities measured at fair value				
Derivative financial instruments	-	6	-	6
- Foreign exchange contracts		6	-	6
Total	-	6	-	6

There were no transfers between any levels during the year, nor were there any significant changes to the valuation techniques and inputs used to determine fair values.



37. Financial risk management (continued)

37.3 Fair value measurement (continued)

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Group uses a variety of methods that make assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for derivative financial instruments. The fair value of foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

Financial instruments in level 3: Biological assets

The layer and broiler livestock and agricultural produce are measured at fair value which is determined by using unobservable inputs and is categorised as level 3. Fair values of livestock held for breeding, layer-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

The fair value of the layer birds, which include rearing and layer livestock, are determined by the market prices of day-old chicks, point-of-lay hens and culls. These are the only selling points during the life cycle of the bird. The fair value of the layer birds are determined by their age at the different stages in the life cycle.

The fair value of broiler livestock is determined by the market prices of day-old chicks and live birds at slaughter age. These are the only selling points during the life cycle of the bird. The fair value of the broiler livestock is determined by their age at the different stages in the life cycle.

The market prices used in the valuation is based on actual selling prices realised by the Group. The fair value estimation of the Group's biological assets was not materially impacted by the COVID-19 pandemic and the 2021 HPAI outbreak.

Changes in the fair value are included in profit or loss, with a loss of R18 893 631 (2020: R4 597 774) being recognised as the unrealised fair value adjustment in profit or loss in the current period to adjust the biological asset livestock to fair value.

In measuring the fair value of biological assets, the following significant unobservable inputs were used:

Unobservable input	2021	2020
Layer livestock		
Market price of day-old chicks	R9.87 to R10.07	R9.08 to R9.28
Market price of point-of-lay hens	R70.37 to R73.95	R65.76 to R70.51
Market price of culls	R26.57 to R31.16	R24.76 to R29.27
Broiler livestock		
Market price of day-old chicks	R5.62 to R5.82	R5.08 to R5.28
Market price of live birds	R30.04 to R30.44	R26.18 to R26.58

Sensitivity analysis

A sensitivity analysis of a 2% change in the market price, is shown for the significant unobservable inputs below:

Input	Sensitivity
Day-old chick market prices	A change in market price would result in a R0.4 million (2020: R0.6 million) change in the fair value of poultry livestock.
Point-of-lay hens market prices	A change in the market price would result in a R3.5 million (2020: R2.6 million) change in the fair value of laying hens.
Cull market prices	A change in the market price would result in a R0.6 million (2020: R0.9 million) change in the fair value of laying hens.
Live bird market prices	A change in the market price would result in a R1 million (2020: R0.7 million) change in the fair value of broiler livestock.

The effect of an increase in market prices will result in an increase in the fair value of the livestock.

The carrying amounts of cash and cash equivalents, trade and other receivables less provision for impairment, trade and other payables and short-term borrowings are assumed to approximate their fair values due to the short-term maturity of these assets and liabilities.

38.

Segment information

Management has determined the operating segments based on the reports reviewed on a regular basis by the CODM in order to make strategic decisions.

Reportable segments are divided into the following:

- Eggs
- Farming
- Animal feeds
- Other African countries
- Head office costs

Quantum Foods comprises eggs, broiler and layer farming and animal feeds in South Africa and the businesses of Quantum Foods Zambia Ltd, Quantum Foods Uganda Ltd and Quantum Foods Mozambique, S.A.

The egg business is the commercial egg business, which consists of the sale of ungraded eggs and the processing of eggs in the pack stations and distribution thereof, to the market.

The layer farming business includes the layer livestock and commercial layer farms. The broiler farming business includes the broiler livestock and commercial broiler farms. The broiler farming and layer farming operating segments are aggregated for segment reporting. Both operations have similar risk profiles, being the production risk inherent to live bird farming. The exposure of these operations to market risk is low.

The nature of the Quantum Foods Zambia, Quantum Foods Uganda and Quantum Foods Mozambique businesses' operations are similar and comprise predominantly the production and sale of animal feeds, commercial eggs and day-old chicks. Based on management's assessment, these three entities are aggregated for segmental reporting due to the homogeneous nature of economic characteristics, similarity in their risk profiles, the nature of their production processes as well as their customer and distribution profiles.

The segment results disclosed per segment below are the CODM's measure of each segment's operational performance. The measure represents operating profit as per the statement of comprehensive income.

External revenue and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the statement of comprehensive income.

Segment assets consist of property, plant and equipment, intangible assets, inventories, biological assets, trade and other receivables and derivative financial instrument assets and exclude cash and cash equivalents, investment in associates and deferred and current income tax assets.

Segment liabilities consist of trade and other payables, provisions for other liabilities and charges, and derivative financial instrument liabilities, and exclude current and deferred income tax liabilities.

Segment capital expenditure consists of additions and replacements of property, plant, equipment and intangible assets.

	2021 R'000	2020 R'000
<b>Segment revenue</b>	<b>5 409 490</b>	<b>5 102 999</b>
- Eggs	1 228 789	1 229 592
- Farming	1 420 004	1 357 957
- Animal feeds	2 440 511	2 237 071
- Other African countries	320 186	278 379
Less: Internal revenue	(8 374)	(7 914)
- Farming	(8 374)	(7 914)
<b>External revenue</b>	<b>5 401 116</b>	<b>5 095 085</b>
- Eggs	1 228 789	1 229 592
- Farming	1 411 630	1 350 043
- Animal feeds	2 440 511	2 237 071
- Other African countries	320 186	278 379
<b>Segment results (operating profit)</b>	<b>147 589</b>	<b>218 468</b>
- Eggs	(5 016)	6 253
- Farming	33 497	121 238
- Animal feeds	100 810	98 299
- Other African countries	31 057	6 068
- Head office costs	(12 759)	(13 390)

38. Segment information (continued)

A reconciliation of the segment results (operating profit) to profit before income tax is provided below:

Segment results	
Adjusted for:	
Investment income	
Finance costs	
Share of profit/(loss) of associate companies	
Profit before income tax per statement of comprehensive income	

Segment assets

- Eggs	
- Farming	
- Animal feeds	
- Other African countries	
- Head office costs	

A reconciliation of the segments' assets to the Group's assets is provided below:

Segment assets per segment report	
Adjusted for:	
Investment in associate	
Current and deferred income tax assets	
Cash and cash equivalents	

Total assets per statement of financial position

Segment liabilities

- Eggs	
- Farming	
- Animal feeds	
- Other African countries	
- Head office costs	

A reconciliation of the segments' liabilities to the Group's liabilities is provided below:

Segment liabilities per segment report	
Adjusted for:	
Current and deferred income tax liabilities	

Total liabilities per statement of financial position

Total segment capital expenditure (excluding business combination)

- Eggs	
- Farming	
- Animal feeds	
- Other African countries	
- Head office costs	

Total segment capital expenditure (business combinations)

- Farming	
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Total segment depreciation and amortisation

- Eggs	
- Farming	
- Animal feeds	
- Other African countries	

2021 R'000	2020 R'000
147 589	218 468
4 747	6 010
(11 844)	(8 579)
1 767	(432)
142 259	215 467
2 699 073	2 378 484
289 783	278 228
1 215 990	1 075 813
778 198	655 818
393 070	349 270
22 032	19 355
2 699 073	2 378 484
10 310	13 679
1 810	842
73 311	251 781
2 784 504	2 644 786
515 473	524 680
117 430	111 582
98 931	100 177
258 592	267 375
16 144	16 213
24 376	29 333
515 473	524 680
269 229	234 464
784 702	759 144
108 602	91 155
7 793	11 153
43 442	19 952
33 093	36 213
22 622	23 724
1 652	113
73 124	-
73 124	-
96 556	98 246
17 432	16 464
39 204	37 852
19 744	21 373
20 176	22 557

38. Segment information (continued)

Items of a capital nature per segment included in other gains/(losses) - net

(Loss)/profit on disposal of property, plant and equipment and intangible assets before income tax

- Eggs	(1 088)
- Farming	(1)
- Animal feeds	(267)
- Other African countries	(989)
223	169

Profit on disposal of interest in associate before income tax

- Head office costs	-
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Geographical information

The Group mainly operates in South Africa. Other operations are located in other African countries. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.

Revenue derived by Group companies domiciled in South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.

External revenue

South Africa	5 401 116	5 095 085
Other African countries	5 080 930	4 816 706
	320 186	278 379

Total segment non-current assets

South Africa	1 360 639	1 222 063
Other African countries	1 107 276	971 475
	253 363	250 588

Total segment capital expenditure (excluding business combination)

South Africa	108 602	91 155
Other African countries	85 980	67 431
	22 622	23 724

39. Retirement benefits

The Group contributes to retirement and provident funds for all its South African employees which are administered by several service providers. These retirement and provident funds are defined contribution plans which are arranged and governed by the Pension Fund Act of 1956, and no actuarial valuation is required.

40. **Business combination**  
**Helderfontein Broiler Farm**

On 31 January 2021, 100% of the issued shares in LP Buhr Boerdery (Pty) Ltd was acquired. LP Buhr Boerdery (Pty) Ltd owns Helderfontein Broiler Farm, a broiler chickens rearing business based in the Western Cape. Helderfontein Broiler Farm has been a contract grower to the Group for the last 25 years.

The acquisition of LP Buhr Boerdery (Pty) Ltd is considered a business combination in terms of IFRS 3 – Business Combinations. The acquisition consists of the assets, employees (and related liabilities) for a total consideration of R54.7 million, which does not include any settlement in respect of the pre-existing contract grower agreement. Details of the purchase consideration and the net assets acquired are as follows:

	2021 R'000
<i>Fair value</i>	
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

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.

41. **Events after the reporting period**

*Dividend*

The Board has resolved not to declare a final dividend for the year ended 30 September 2021 (2020: 10 cents).

An interim dividend of nil cents (2020: 6.0 cents) per ordinary shares was declared and paid during the year.

The Group considered the impact of the COVID-19 pandemic post 30 September 2021 and concluded that the significant accounting judgements, estimates and assumptions applied in the preparation of these annual financial statements remain appropriate. Refer to note 2 for significant accounting judgements, estimates and assumptions applied.

There have been no other events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the consolidated annual financial statements by the Board.

42. **Going concern statement**

The Board evaluated the going concern assumption as at 30 September 2021, taking into account the current financial position and their best estimate of the cash flow forecasts in terms of their current knowledge and expectations of ongoing developments of the COVID-19 pandemic, and considered it to be appropriate in the presentation of these financial statements.

The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

43. **Restatement**

In September 2021 a prior period error was discovered in the classification of expenses. The error resulted in costs directly related to manufactured products being classified as administrative expenses and other operating expenses. The classification error had no impact on the profit for the prior period or on the costing of inventory as these costs were correctly capitalised to inventory. The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	2020 Previously reported R'000	(Increase)/ decrease R'000	2020 Restated R'000
<b>Statement of comprehensive income extract</b>			
Cost of sales	(3 945 221)	(75 961)	(4 021 182)
Other operating expenses	(616 566)	67 424	(549 142)
Administrative expenses	(140 610)	8 537	(132 073)
Profit before income tax	215 467	-	215 467

Basic and diluted earnings and headline earnings per share have not been impacted as a result of the restatement. The restatement did not affect any notes in the annual financial statements.



4.4. Remuneration of directors

30 September 2021

Executive directors

HA Lourens

AH Muller

Total executive directors

Non-executive directors\*

WA Hanekom

Prof. ASM Karaan (passed away 13 January 2021)

GG Fortuin

T Golden

LW Riddle

G Vaughan-Smith (appointed 19 February 2021)

Total non-executive directors

Total directors

30 September 2020

Executive directors

HA Lourens

AH Muller

Total executive directors

Non-executive directors

WA Hanekom

N Celliers (resigned 19 June 2020)

Prof. ASM Karaan

PE Burton (resigned 17 August 2020)

GG Fortuin

T Golden

LW Riddle (appointed 28 September 2020)

Total non-executive directors

Total directors

\* The non-executive directors' fees were paid for the period 1 October 2020 to 31 March 2021. No director's fees were paid after this period as the special resolution to authorise this was not passed.

	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Retirement fund contributions R'000	Long-term incentives R'000	Directors' fees R'000	Total R'000
HA Lourens	3 570	62	-	387	5 643	-	9 662
AH Muller	2 228	88	-	246	1 452	-	4 014
Total executive directors	5 798	150	-	633	7 095	-	13 676
WA Hanekom	-	-	-	-	-	237	237
Prof. ASM Karaan (passed away 13 January 2021)	-	-	-	-	-	107	107
GG Fortuin	-	-	-	-	-	189	189
T Golden	-	-	-	-	-	156	156
LW Riddle	-	-	-	-	-	185	185
G Vaughan-Smith (appointed 19 February 2021)	-	-	-	-	-	-	-
Total non-executive directors	-	-	-	-	-	874	874
Total directors	5 798	150	-	633	7 095	874	14 550
HA Lourens	3 418	62	2 910	370	1 538	-	8 298
AH Muller	2 130	88	1 390	235	822	-	4 665
Total executive directors	5 548	150	4 300	605	2 360	-	12 963
WA Hanekom	-	-	-	-	-	457	457
N Celliers (resigned 19 June 2020)	-	-	-	-	-	223	223
Prof. ASM Karaan	-	-	-	-	-	361	361
PE Burton (resigned 17 August 2020)	-	-	-	-	-	365	365
GG Fortuin	-	-	-	-	-	301	301
T Golden	-	-	-	-	-	246	246
LW Riddle (appointed 28 September 2020)	-	-	-	-	-	-	-
Total non-executive directors	-	-	-	-	-	1 953	1 953
Total directors	5 548	150	4 300	605	2 360	1 953	14 916

\* The non-executive directors' fees were paid for the period 1 October 2020 to 31 March 2021. No director's fees were paid after this period as the special resolution to authorise this was not passed.

4.4. Remuneration of directors (continued)

Directors' share appreciation rights ("SARs")

30 September 2021

Executive directors

HA Lourens

Number of SARs initially allocated	Date awarded	Exercisable up to date	Strike price Cents	Fair value per SAR at grant date* Cents	Fair value of total SARs granted during the year R'000	Number of SARs redeemed cumulative	Number of SARs redeemed in current year	Exercise price at date of redemption Cents	Value increase from strike price to price at redemption at R'000	Number of SARs not redeemed
634 240	2016/02/18	2022/02/18	266	-	-	599 356	176 532	684	738	-
2 280 786	2017/02/23	2023/02/23	309	-	-	1 520 524	760 262	684	2 851	760 262
2 267 972	2018/02/22	2024/02/22	391	-	-	755 990	755 990	662	2 054	1 511 982
1 912 728	2019/02/11	2025/02/11	425	-	-	-	-	-	-	1 912 728
1 404 498	2020/02/17	2026/02/17	357	-	-	-	-	-	-	1 404 498
1 168 730	2021/02/01	2027/02/15	609	204	2 384	-	-	-	-	1 168 730
187 902	2016/02/18	2022/02/18	266	-	-	177 567	52 299	684	219	-
510 736	2017/02/23	2023/02/23	309	-	-	340 488	170 244	684	638	170 248
656 978	2018/02/22	2024/02/22	391	-	-	218 992	218 992	662	595	437 986
497 266	2019/02/11	2025/02/11	425	-	-	-	-	-	-	497 266
433 542	2020/02/17	2026/02/17	357	-	-	-	-	-	-	433 542
307 084	2021/02/01	2027/02/15	609	204	626	-	-	-	-	307 084

AH Muller

30 September 2020

Executive directors

HA Lourens

774 376	2015/02/27	2021/02/27	315	-	-	774 376	258 124	421	275	-
634 240	2016/02/18	2022/02/18	266	-	-	422 824	211 412	430	346	211 416
2 280 786	2017/02/23	2023/02/23	309	-	-	760 262	760 262	430	917	1 520 524
2 267 972	2018/02/22	2024/02/22	391	-	-	-	-	-	-	2 267 972
1 912 728	2019/02/11	2025/02/11	425	-	-	-	-	-	-	1 912 728
1 404 498	2020/02/17	2026/02/17	357	106	1 489	-	-	-	-	1 404 498
477 854	2015/02/27	2021/02/27	315	-	-	477 854	159 284	418	165	-
187 902	2016/02/18	2022/02/18	266	-	-	125 268	62 634	580	197	62 634
510 736	2017/02/23	2023/02/23	309	-	-	170 244	170 244	580	461	340 492
656 978	2018/02/22	2024/02/22	391	-	-	-	-	-	-	656 978
497 266	2019/02/11	2025/02/11	425	-	-	-	-	-	-	497 266
433 542	2020/02/17	2026/02/17	357	106	460	-	-	-	-	433 542

AH Muller

\* These fair values were calculated using the actuarial binomial option pricing model.

\*\* These forfeitures are due to the performance conditions on the SARs not being fully met.

45. Directors' interest in shares

The direct and indirect interest of the directors in the issued share capital of the Company are reflected in the table below:

	Number of shares <sup>#</sup>			% of issued ordinary share capital
	Direct	Indirect	Total	
<b>30 September 2021</b>				
HA Lourens	1 930 925	-	1 930 925	0.965
AH Muller	613 897	-	613 897	0.307
WA Hanekom	-	10 355 320	10 355 320	5.177
Prof. ASM Karaan***	-	-	-	-
GG Fortuin	-	-	-	-
T Golden	-	-	-	-
LW Riddle	-	-	-	-
G Vaughan-Smith* ^	-	65 057 163	65 057 163	32.525
	<b>2 544 822</b>	<b>75 412 483</b>	<b>77 957 305</b>	<b>38.974</b>
<b>30 September 2020</b>				
HA Lourens	1 428 563	-	1 428 563	0.714
AH Muller	515 851	-	515 851	0.258
WA Hanekom	-	10 355 320	10 355 320	5.177
N Celliers**	-	-	-	-
Prof. ASM Karaan	-	-	-	-
PE Burton**	-	-	-	-
GG Fortuin	-	-	-	-
T Golden	-	-	-	-
LW Riddle*	-	-	-	-
	1 944 414	10 355 320	12 299 734	6.149

Notes:

\* Appointed during the year.

\*\* Resigned as director during the year.

\*\*\* Passed away during the year.

<sup>#</sup> There has been no change in the directors' interest in shares from the end of the financial year to the date of the approval of the annual financial statements.

None of the shares held by directors are pledged as security.

<sup>^</sup> This interest in shares is held by an associate of the director, Aristotle Africa S.&I.

Company financial statements

for the year ended 30 September 2021

Registration number 2013/208598/06



# Company statement of financial position

as at 30 September 2021

	Notes	2021 R'000	2020 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary	3	1 585 386	1 585 386
<b>Current assets</b>			
Trade and other receivables		781	757
Cash and cash equivalents		90	104
		691	653
<b>Total assets</b>		1 586 167	1 586 143
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	4	1 572 416	1 577 865
Retained earnings		1 465 069	1 465 069
		107 347	112 796
<b>Total equity</b>		1 572 416	1 577 865
<b>Current liabilities</b>			
Dividends payable		13 751	8 278
Trade and other payables		470	436
Borrowings from related party	5	959	3 359
		12 322	4 483
<b>Total liabilities</b>		13 751	8 278
<b>Total equity and liabilities</b>		1 586 167	1 586 143

# Company statement of comprehensive income

for the year ended 30 September 2021

	Notes	2021 R'000	2020 R'000
Revenue	6	24 502	72 001
Other income	7	699	1 562
Administrative expenses		(9 571)	(8 116)
Other operating expenses		(1 093)	(2 011)
Operating profit	8	14 537	63 436
Investment income	9	16	47
Profit before income tax		14 553	63 483
Income tax expense	10	-	-
<b>Profit for the year</b>		14 553	63 483
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		14 553	63 483
Profit for the year attributable to owners of the parent		14 553	63 483
Total comprehensive income for the year attributable to owners of the parent		14 553	63 483

## Company statement of changes in equity

for the year ended 30 September 2021

	Share capital R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2019	1 465 069	111 321	1 576 390
Comprehensive income:			
Profit for the year	-	63 483	63 483
Interim dividend for 2020	-	(12 001)	(12 001)
Final dividend for 2019	-	(50 007)	(50 007)
<b>Balance as at 30 September 2020</b>	1 465 069	112 796	1 577 865
Balance as at 1 October 2020	<b>1 465 069</b>	<b>112 796</b>	<b>1 577 865</b>
Comprehensive income:			
Profit for the year	-	14 553	14 553
Final dividend for 2020	-	(20 002)	(20 002)
<b>Balance as at 30 September 2021</b>	<b>1 465 069</b>	<b>107 347</b>	<b>1 572 416</b>
Note	4		

## Company statement of cash flows

for the year ended 30 September 2021

	Notes	2021 R'000	2020 R'000
<b>Cash flow from operating activities</b>		<b>(12 351)</b>	<b>(5 457)</b>
Cash loss from operating activities	12	(9 965)	(8 565)
Working capital changes	13	(2 386)	3 108
<b>Cash flow from investing activities</b>		<b>24 518</b>	<b>72 048</b>
Interest received	9	16	47
Dividends received	6	24 502	72 001
Cash surplus		12 167	66 591
<b>Cash flow from financing activities</b>		<b>(12 129)</b>	<b>(66 523)</b>
Loan received from related party	5	13 984	5 435
Loan repaid to related party	5	(6 145)	(9 994)
Dividends paid to ordinary shareholders	14	(19 968)	(61 964)
Increase in cash and cash equivalents		38	68
Cash and cash equivalents at beginning of year		653	585
Cash and cash equivalents at end of year		691	653

## Notes to the Company financial statements

for the year ended 30 September 2021

	2021 R'000	2020 R'000
<p><b>1. Accounting policies</b></p> <p>The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to the accounting policies on page 12.</p>		
<p><b>2. Critical accounting estimates and judgements</b></p> <p>The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.</p>		
<p><b>3. Interest in subsidiary</b></p> <p><b>Cost of shares</b></p> <p>Quantum Foods (Pty) Ltd</p> <p>The Company holds a 100% interest in the subsidiary listed above.</p> <p>The subsidiary is incorporated in South Africa.</p> <p>The interest in subsidiary was assessed for impairment at the end of the reporting period. The recoverable amounts of the relevant CGUs of the subsidiary were determined through fair value less cost to sell and value-in-use calculations. No impairment losses were recognised since the recoverable amount of the subsidiary exceeds the carrying value of the investment.</p>	1 585 386	1 585 386
<p><b>4. Share capital</b></p> <p>Authorised – ordinary shares</p> <p>400 000 000 (2020: 400 000 000) ordinary no par value shares</p> <p>Issued and fully paid – ordinary shares</p> <p>200 024 716 (2020: 200 024 716) ordinary no par value shares</p> <p>During the reporting period, nil (2020: nil) ordinary shares were repurchased by the Company and cancelled.</p>	1 465 069	1 465 069
<p><b>5. Borrowings from related party</b></p> <p>Loan from Quantum Foods (Pty) Ltd</p> <p>Beginning of year</p> <p>Loans advanced during the year</p> <p>Loans repaid during the year</p> <p>End of year</p> <p>Unsecured interest-free loan with no fixed terms of repayment.</p>	<p>4 483</p> <p>13 984</p> <p>(6 145)</p> <p>12 322</p>	<p>9 042</p> <p>5 435</p> <p>(9 994)</p> <p>4 483</p>
<p><b>6. Revenue</b></p> <p>Dividends received from Quantum Foods (Pty) Ltd</p>	24 502	72 001
<p><b>7. Other income</b></p> <p>Administration fees received from Quantum Foods (Pty) Ltd</p>	699	1 562
<p><b>8. Operating profit</b></p> <p>The operating profit is calculated after taking into account other income (refer to note 7), as well as the following:</p> <p>Auditors' remuneration*</p> <p>Consulting fees*</p> <p>Listing fees and shareholder communication*</p> <p>Directors' remuneration** (refer to note 44 of the consolidated financial statements)</p>	<p>17</p> <p>6 976</p> <p>1 584</p> <p>874</p>	<p>19</p> <p>5 219</p> <p>1 594</p> <p>1 953</p>

\* Included in administrative expenses in the statement of comprehensive income.

\*\*\* Included in other operating expenses in the statement of comprehensive income.

	2021 R'000	2020 R'000
<b>9. Investment income</b>		
Interest income on call accounts and other	16	47
<b>10. Income tax expense</b>		
Current income tax	-	-
Current year	-	-
	%	%
Standard rate for companies	28.0	28.0
Exempt income	(47.1)	(31.8)
Non-deductible expenditure	19.1	3.8
	-	-
Exempt income consists of R24.5 million (2020: R72.0 million) exempt local dividends received. Non-deductible expenses include the Company's total administrative expenses of R9.6 million (2020: R8.1 million) and other operating expenses of R1.1 million (2020: R2.0 million).		
<b>11. Dividend per ordinary share</b>	2021 R'000	2020 R'000
Interim nil cents (2020: 6.0 cents) per ordinary share	-	12 001
Final nil cents (2020: 10.0 cents) per ordinary share	-	20 002
	-	32 003
Dividends payable are not accounted for until they have been declared by the Board. The statement of changes in equity does not reflect the final dividend payable. The final dividend will be accounted for as an appropriation of retained earnings in the following year. Withholding tax on dividends became effective from 1 April 2012 at a rate of 15%, which rate was increased to 20% from 22 February 2017.		
The total Rand value of the final dividend for the year is an approximate amount. The exact amount is dependent on the number of shares in issue at the record date.		
<b>12. Cash loss from operating activities</b>	14 553	63 483
Reconciliation of profit before tax and cash loss from operating activities:		
Profit before income tax	(24 502)	(72 001)
Adjusted for:	(16)	(47)
Dividends received	(9 965)	(8 565)
Interest received	14	(104)
<b>13. Working capital changes</b>	(2 400)	3 212
Decrease/(increase) in trade and other receivables	(2 386)	3 108
(Decrease)/increase in trade and other payables		
<b>14. Dividends paid</b>	(436)	(392)
Amounts unpaid at beginning of year	(20 002)	(62 008)
As disclosed in statement of changes in equity	470	436
Amounts unpaid at end of year	(19 968)	(61 964)



## Shareholder information

for the year ended 30 September 2021

### Shareholder spread

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
<i>Ordinary shares</i>				
Individuals	3 822	92.0	19 711 555	9.9
Nominees and trusts	199	4.8	5 014 640	2.5
Investment companies and corporate bodies	131	3.2	175 298 521	87.6
	4 152	100.0	200 024 716	100.0

### Non-public/public shareholders

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2021, is as follows:

Analysis of shareholding and shareholders holding 5% or more – ordinary shares

#### Public shareholding

<i>Major shareholding</i>				
Astral Operations Ltd	1	0.0	19 550 855	9.8
Country Bird Holdings (Pty) Ltd	1	0.0	11 411 181	5.7
<i>Other shareholders</i>	4 144	99.9	27 007 899	13.6

#### Non-public shareholding

<i>Major shareholding</i>				
Aristotle Africa S.à r.l.	1	0.0	65 057 163	32.5
Braemar Trading Ltd	1	0.0	61 620 084	30.8
<i>Other shareholders</i>				
Directors	3	0.1	12 900 142	6.4
Quantum Foods (Pty) Ltd	1	0.0	2 477 392	1.2
	4 152	100.0	200 024 716	100.0

### Distribution of ordinary shareholders

Number of shares				
1 – 1 000 shares	2 836	68.3	597 140	0.3
1 001 – 10 000 shares	894	21.6	3 922 061	2.0
10 001 – 100 000 shares	375	9.0	12 475 868	6.2
100 001 – 1 000 000 shares	37	0.9	10 520 822	5.3
1 000 001 shares and over	10	0.2	172 508 825	86.2
	4 152	100.0	200 024 716	100.0

### 15. Financial instruments by category

#### Assets as per statement of financial position

	2021 R'000	2020 R'000
Cash and cash equivalents – at amortised cost	691	653

#### Liabilities as per statement of financial position

Dividends payable – at amortised cost	470	436
Trade and other payables – at amortised cost	959	3 359
Borrowings from related party – at amortised cost	12 322	4 483
	13 751	8 278

### 16. Financial risk management

#### 16.1 Credit risk

Financial assets that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents.

The Company deposits cash surpluses with financial institutions with a Moody's short-term credit rating of NP (2020: NP).

#### 16.2 Liquidity risk

The disclosure in this note should be read together with the disclosure in note 37 of the consolidated financial statements, which includes a complete analyses of the liquidity risk of the Group and includes that of the Company.

At the end of the reporting period the Company had a loan payable of R12.3 million (2020: R4.5 million) from a wholly owned subsidiary.

The loan is repaid annually from dividends received from the wholly owned subsidiary.

The Company has no other utilised or unutilised borrowing facilities from financial institutions.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2021 R'000	2020 R'000
<b>Maturity analysis of financial liabilities</b>		
<b>Not later than 1 year</b>		
<b>Capital and interest – total</b>		
Dividends payable	470	436
Trade and other payables	959	3 359
Borrowings from related party	12 322	4 483
	13 751	8 278

### 17. Going concern

Quantum Foods Holdings Ltd is the holding company of the Group. The Board evaluated the going concern assumption as at 30 September 2021, taking into account the current financial position and their best estimate of the cash flow forecasts. The Company's current liabilities exceed its current assets at the end of the reporting period. The current liabilities mainly consist of a loan payable to a subsidiary that is wholly-owned and controlled by the Company. As at 30 September 2021, the subsidiary is sufficiently solvent and liquid to declare a dividend to the Company to settle the outstanding loan.

Based on this assessment, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.







Annual Financial  
**Statements**  
for the year ended 30 September 2022

2022



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# Directors' responsibility

In accordance with the requirements of the Companies Act, No. 71 of 2008, as amended ("Companies Act"), the board of directors ("Board") is responsible for the preparation of the annual financial statements, which includes the Company financial statements of Quantum Foods Holdings Ltd ("Quantum Foods" or the "Company") and the consolidated financial statements of Quantum Foods and its subsidiaries (the "Group"). These conform to International Financial Reporting Standards ("IFRS") and fairly present the financial position, changes in equity, results of operations and cash flows of the Group at the reporting date.

It is the responsibility of the independent external auditors to report on the fair presentation of the financial statements.

The Board is ultimately responsible for the internal control processes of the Group. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and assurances given by management and the internal auditors, the Board is of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities.

The directors confirm that the Company is in compliance with the provisions of the Companies Act, specifically relating to its incorporation and operates in compliance with its Memorandum of Incorporation.

Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation, that the Group has adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

A copy of the annual financial statements of the Group is available on the Company's website. The directors are responsible for the maintenance and integrity, including implementing controls and security, of statutory and audited information on the Company's website.

The annual financial statements which appear on pages 3 to 103 and the supplementary information set out on page 104 were approved by the Board on 23 November 2022 and are signed on its behalf by:



**WA Hanekom**  
Chairman



**HA Lourens**  
Chief Executive Officer

# Responsibility statement of chief executive officer and chief financial officer

Each of the directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 3 to 103, fairly present in all material respects the financial position, financial performance and cash flows of the Company and the Group in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the Company and the Group and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the Company and the Group;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have remediated the deficiencies; and
- we are not aware of any fraud involving directors.



**HA Lourens**  
Chief Executive Officer



**AH Muller**  
Chief Financial Officer

## Company secretary certificate

In accordance with section 88 of the Companies Act, for the year ended 30 September 2022, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.



**ZP Wakashe**  
Company Secretary



# Audit and risk committee report

The audit and risk committee ("ARC" or "the committee") is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act, the JSE Ltd Listings Requirements ("JSE Listings Requirements") and responsibilities highlighted in the King IV Report on Corporate Governance™ for South Africa, 2016<sup>(1)</sup> ("King IV").

## Audit and risk committee charter

The committee is guided by formal terms of reference. An annual work plan serves as a guideline for the committee in the execution of its mandate. Both the charter and work plan are reviewed annually and amended as necessary.

The committee's role and responsibilities outlined in the charter include both the statutory duties and responsibilities as required by the relevant provisions of the Companies Act, JSE Listings Requirements as well as those highlighted in King IV.

## Members of the audit and risk committee

As at 30 September 2022, the committee comprised three independent non-executive directors, namely Mr. GG Fortuin, Mr. LW Riddle and Ms. T Golden.

These members will retire and avail themselves for re-election at the ninth annual general meeting ("AGM") of the Company in terms of section 94(2) of the Companies Act. All members are required to act objectively and independently, as described in the Companies Act and in King IV.

The chairman of the Board, chief executive officer and the chief financial officer are permanent invitees to the committee meetings. In addition, relevant senior managers are invited to attend meetings from time to time. The company secretary is the statutory secretary of the committee. The internal and external auditors attend the relevant meetings of the committee.

## Meetings

The committee held three meetings during the year. Attendance of the meetings was as follows:

Name	Status	Number of meetings
GG Fortuin	Committee chairman	3/3
LW Riddle	Member	3/3
T Golden	Member	3/3

WA Haneekom, HA Lourens and AH Muller attended all the ARC meetings as invitees.

The internal and external auditors attended the committee meetings in their capacity as assurance providers.

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## Functions and responsibilities of the committee

During the period under review, the committee was able to discharge the following functions outlined in its charter and ascribed to it in terms of the Companies Act, JSE Listings Requirements and King IV:

- Reviewed the interim, provisional and summary results as well as the annual financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - Reviewed the adequacy and effectiveness of the financial reporting process and the systems of internal control.
  - Ensured that appropriate financial reporting procedures exist and that those procedures are operating, which included consideration of all entities included in the consolidated annual financial statements, to ensure that it had access to all the financial information of the Company to allow the Company to effectively prepare and report on the financial statements of the Group.
  - Considered and, when appropriate, made recommendations on internal financial controls.
  - Took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act.
  - Ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Profession Act, No. 26 of 2005) identified and reported by the external auditor, and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.
  - Considered the solvency and liquidity requirement of the Companies Act in recommending proposed dividends to the Board.
- Reviewed the external audit reports on the consolidated annual financial statements.
- Reviewed the reports issued by the JSE on the proactive monitoring of financial statements.
- Oversaw the integrated reporting process. The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.
- Reviewed and confirmed that the non-audit services provided by the external auditor were in accordance with the non-audit services policy of the Group. Any permissible non-audit services to be performed above R500 000 must be approved by the committee.
- Reviewed and confirmed the suitability and independence of PricewaterhouseCoopers Inc. ("PwC") as the audit firm and Mr. RJ Jacobs as the designated auditor of the Group as contemplated in paragraph 3.84(g)(iii) read with paragraph 22.15(h) of the JSE Listings Requirements.
- Recommended the re-appointment of PwC as the external auditor and Mr. RJ Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 94(8) of the Companies Act. 2023 will be Mr. RJ Jacobs' fifth year as designated auditor of the Company. The re-appointment of PwC as the recommended external auditor (with Mr. RJ Jacobs as the designated auditor) will be presented and included as a resolution at the AGM.
- 2023 will be the last year for which PwC may be appointed as the external auditors in terms of the mandatory audit firm rotation rules. During 2023 the committee will consider new external auditors for the 2024 financial year, and which will be proposed for appointment by shareholders at the February 2024 AGM.
- Confirmed that PwC and the designated auditor are accredited by the JSE.
- Approved the external auditor's fees and terms of engagement.
- Approved the agreement with the external auditor for the provision of non-audit services.
- Confirmed and approved the internal audit charter and annual risk-based internal audit year plan.
- Reviewed the internal audit risk reports and fraud hotline reports.

- Reviewed and approved the risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.
- Provided oversight over the IT governance of the Group.
- Provided oversight over the combined assurance arrangements, including the external and internal auditors and satisfied itself of the effectiveness of the combined assurance model implemented by the Group.
- Reviewed the effectiveness of the internal audit function and the head of internal audit.

The committee is satisfied that sufficient time was dedicated to risk governance and that it discharged its responsibilities as set out in the charter and work plan for the period under review.

The committee is satisfied with the assurance of the internal and external auditors, with the effectiveness of the design and implementation of internal financial controls. No findings have been reported to the ABC to indicate that any material breakdown in internal controls occurred during the post financial year.

### **Internal audit**

The internal audit function is a key element of the combined assurance structure. The Group outsourced its internal audit function to Deloitte & Touche.

The committee was satisfied that the internal audit function fulfilled its roles and responsibilities, as outlined in the charter and the assessment of the internal control environment.

### **Chief financial officer and finance function**

The committee considered and satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements with the appropriateness of the expertise and experience of Mr. AH Muller as chief financial officer.

In addition, the committee considered and has satisfied itself with the appropriateness of the expertise and adequacy of resources of the finance function and experience of senior members of management responsible for the finance function.

The committee has ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating satisfactorily. These annual financial statements have been prepared under the supervision of Mr. AH Muller, CA(SA), chief financial officer.

### **Significant audit matters and quality of external audit**

The committee considered and resolved that the key audit matters reported on by the external auditor are the only significant matters required for consideration of the annual financial statements. The committee is satisfied that the key audit matters reported on by the external auditor have been appropriately addressed. The committee was satisfied with the quality of the external audit.



**Going concern**

The committee has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Group and has made recommendations to the Board accordingly. The Board's statement regarding the going concern status of the Group, as supported by the committee, is included in the directors' responsibility statement on page 1.

**G.G. Fortuin**

Chairman: audit and risk committee

Wellington

23 November 2022

# Directors' report

for the year ended 30 September 2022

## 1. Principal activities and business review

Quantum Foods Holdings Ltd (incorporated in South Africa) and its subsidiaries is a diversified feeds and poultry business providing quality animal protein to selected South African and other African markets.

Registered office – 11 Main Road, Wellington, 7655.

## 2. Financial results

The annual financial statements on pages 17 to 103 set out fully the Group's financial position, financial performance and the cash flows for the year ended 30 September 2022.

## 3. Share capital

The authorised share capital consists of 400 000 000 (2021: 400 000 000) ordinary no par value shares. At year-end 200 024 716 (2021: 200 024 716) ordinary shares were in issue.

During the current and prior reporting period no ordinary shares were repurchased and cancelled by the Company.

A subsidiary held 414 158 (2021: 2 477 392) ordinary shares at year-end. During the reporting period 2 063 234 (2021: 3 284 063) treasury shares were utilised to settle obligations in terms of the share appreciation rights scheme of the Group. No additional treasury shares were acquired by subsidiaries in the current reporting period (2021: nil).

## 4. Dividends

A total gross cash dividend of 8 cents (2021: nil cents) per ordinary share was declared during the financial year.

## 5. Directors

The directors of the Company are responsible for the activities and reports related to the Group. The Board comprises:

- Wouter André Haneekom (chairman)
- Geoffrey George Fortuin (lead independent director)
- Hendrik Albertus Lourens
- André Hugo Muller
- Tanya Golden
- Larry Wilson Riddle
- Gary Vaughan-Smith

Ms Ziyanda Wakashe was appointed as the company secretary of Quantum Foods with effect from 20 September 2022.

## 6. Special resolutions – annual general meeting of shareholders (“AGM”)

At the AGM held by electronic means on Friday, 25 February 2022 at 11:00 the following special resolutions were proposed by the Company:

Special resolution one, for approval of the remuneration payable by the Company to its non-executive directors for their services as directors for the period 1 April 2021 to 31 March 2022 and from 1 April 2022 onwards, was passed.

Special resolution two, for approval of the general authority of the Board and the Company’s subsidiaries, to repurchase any of the shares issued by the Company on the basis reflected in the special resolution, was passed.

Special resolution three, for approval of the general authority of the Board to grant direct and indirect financial assistance to any company forming part of the Company’s group, including in the form of loans or the guaranteeing of their debts, was passed.

Special resolution four, for the approval of the general authority of the Board to provide financial assistance to any person, by way of a loan, guarantee, the provision of security or otherwise, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, was passed.

## 7. Litigation statement

No litigation matters with potential material consequences exist at the reporting date. Refer to note 33 (contingent liabilities) of the consolidated financial statements.

## 8. Events after the reporting period

Other than the matters raised in note 41 to the consolidated financial statements, no other events occurred after the reporting date that may have a material effect on the Group.

## 9. Material risks

Proactive risk management is essential for the effective implementation of the Group’s strategy and to ensure Quantum Foods remains a competitive and sustainable business. Risk management improves operational effectiveness and enables improved value creation. The strategic risks identified by the Group can be viewed on <https://quantumfoods.co.za/downloads/company-documents/material-risks.pdf>

## 10. Impact of other events on the annual financial statements

The outbreak of highly pathogenic avian influenza (“HPAI”) in South Africa in April 2021, affected many businesses in the poultry industry during the last 18 months. The outbreak resulted in lower profitability in the Group’s farming and eggs businesses. However, the effect on the Group and the larger poultry industry in South Africa has been less severe than in previous outbreaks in 2017 to 2018. The impact of the HPAI outbreak on the Group and its customers was considered throughout the annual financial statements, specifically relating to the fair value measurement of biological assets and the calculation of expected credit losses in trade and other receivables. Refer to notes 8 and 9 of the consolidated financial statements.

The war in Ukraine has not materially impacted on the Group’s businesses, other than increases in the international prices of key raw materials and higher cost of logistics which negatively impacted on the Group’s earnings in certain businesses.

Both the 2021 HPAI outbreak and the war in Ukraine did not have a material effect on the Group’s annual financial statements.



# Independent auditor's report

To the Shareholders of Quantum Foods Holdings Ltd

## Report on the audit of the consolidated and separate financial statements

### Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Quantum Foods Holdings Ltd (the Company) and its subsidiaries (together the Group) as at 30 September 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

Quantum Foods Holdings Ltd's consolidated and separate financial statements set out on pages 17 to 103 comprise:

- the consolidated and company statements of financial position as at 30 September 2022;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

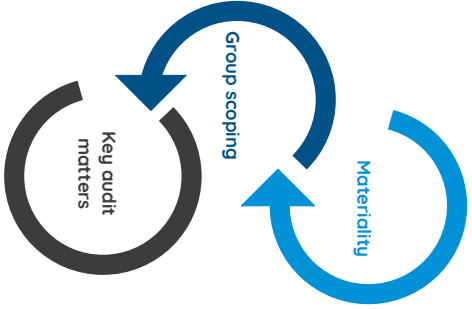
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

# Our audit approach

## Overview



### Overall group materiality

R7 868 000, which represents 5% of the four-year adjusted average consolidated profit before income tax.

### Group audit scope

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and an equity accounted associate. Full scope audits were performed on two financially significant components namely: Quantum Foods (Pty) Ltd and Quantum Foods Zambia Ltd in the current financial year, and the ultimate parent company Quantum Foods Holdings Ltd due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

### Key audit matters

- Valuation of biological assets; and
- Impairment considerations

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated and separate financial statements as a whole.

Overall group materiality	R7 868 000
How we determined it	5% of the four-year adjusted average consolidated profit before income tax.
Rationale for the materiality benchmark applied	We chose a four-year adjusted average of profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. The use of a four-year adjusted average is as a result of the adjustment of once off costs in the prior year as well as volatility in profit before income tax in the current and prior years. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and equity-accounted associates (together “the components”). One of the subsidiaries, Quantum Foods (Pty) Ltd, has the most significant operations and operates in South Africa. Quantum Foods Zambia Ltd is a foreign operation which is also considered financially significant. Quantum Foods Zambia Ltd is aggregated as part of other African countries in the segmental disclosure. All other components are considered financially insignificant.

We performed a full scope audit on Quantum Foods (Pty) Ltd and Quantum Foods Zambia Ltd due to their financial significance. We also performed a full scope audit on the ultimate parent company (Quantum Foods Holdings Ltd) due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

We determined the extent of the work that needed to be performed by us, as the group engagement team, on the financial information of Quantum Foods (Pty) Ltd and at a Group level, and the component audit team operating under our instructions at Quantum Foods Zambia Ltd in order to issue our audit opinion on the consolidated financial statements of the Group. The component team consisted of a PwC network firm. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at that component to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Valuation of biological assets</b> (applicable to the consolidated financial statements only)</p> <p>Biological assets of the Group consist of livestock. Livestock comprises poultry, which includes broiler and layer stock. Broiler stock includes breeding stock, day-old-chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old-chicks and hatching eggs. These assets are measured at fair value less cost to sell. At year end the carrying value of the Group's biological assets was R433.9 million (refer to note 8 to the consolidated financial statements).</p> <p>Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell (refer to note 7 of the Accounting Policies). Fair values of livestock, both broiler stock and layer stock are determined with reference to market prices of livestock of similar age, breed and genetic material. In determining the fair value, management used unobservable inputs as disclosed in note 37.3 to the consolidated financial statements.</p> <p>The valuation of biological assets was considered to be a matter of most significance to the current year audit due to the magnitude of the biological asset balance in relation to the consolidated financial statements as a whole and the degree of estimation applied by management in determining the fair value of the biological assets.</p>	<p>Through discussion with management, we obtained an understanding of management's valuation approach, including the identification of unobservable inputs used and estimates applied. We found management's approach to the valuation and estimates applied, to be consistent with those of the prior year.</p> <p>We obtained management's valuation of livestock, which included the quantities and values of all livestock and tested the mathematical accuracy of the valuation, noting no material exceptions.</p> <p>We performed the following procedures over the quantities used in the valuation:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding and tested controls relating to the safeguarding of livestock;</li> <li>• On a sample basis we physically inspected livestock to ensure the accuracy of the quantities used in the valuation and noted no exceptions.</li> </ul> <p>In addition, we tested the unobservable inputs used by management in determining the value of livestock as follows:</p> <ul style="list-style-type: none"> <li>• The market prices of day-old chicks, point-of-lay hens, culis, hatching eggs and broiler live birds used in management's calculations were agreed to a sample of sales invoices of day-old chicks, point-of-lay hens, culis, hatching eggs and broiler live birds in the market close to year-end, noting no material exceptions; and</li> <li>• The age of biological assets, at the different stages in the life cycle, at year-end used in management's calculations to determine fair value was recalculated on a sample basis with reference to age per invoices at purchase date and age per internal transfer documents, noting no material exceptions.</li> </ul>

## Key audit matters

**Impairment considerations**

(applicable to the consolidated and separate financial statements)

As at 30 September 2022, the net asset value of the Group exceeded its market capitalisation. This is an indicator of possible impairment. In terms of IAS 36 – Impairment of Assets, management was required to perform impairment tests for the underlying assets of the cash-generating units (“CGUs”) of the Group, as well as the corresponding carrying value of the investment in the subsidiary at a Company level.

In their impairment tests, management identified three CGUs within the Group for which impairment assessments were performed, namely the feeds business, the layers business and the broiler business.

In determining the recoverable amount of the CGUs, management used value in use calculations for two of the CGUs namely the broiler business and feeds business; and fair value less cost to sell for the layers business.

To determine the value-in-use, management used the budget as approved by the Board to determine future cash flows for the CGUs. These cash flows were then discounted using the Group’s weighted average cost of capital determined using the capital asset pricing model.

The fair value less cost to sell used by management is based on valuation reports over land, buildings and equipment, performed by an independent external valuation expert.

Management’s impairment tests on the layers business, feeds business and broiler business CGUs performed indicate that the recoverable amounts of these CGUs are higher than the carrying values.

Management performed a sensitivity analysis to ascertain the impact of possible changes to key assumptions (growth rates and discount rates) on the available headroom of the CGUs for which no impairment was required. Management concluded that any reasonably possible change in the key assumptions supporting the recoverable amount of these CGUs would not result in additional impairment losses.

## How our audit addressed the key audit matters

**Value-in-use calculations:**

We tested the accuracy of the calculation for the model used for each CGU’s impairment assessment and we tested key assumptions in the calculations prepared by management. These were all done with reference to the board approved budget and market data, which consisted of data external to the Group.

We utilised our valuation expertise when we considered the appropriateness of the discount rate used by management. In doing so, we recalculated a discount rate and compared that to the discount rate calculated by management, specifically using cost of capital and industry specific market information of similar companies and found that the impact of differences between the growth rates and discount rates had no material impact on the impairment assessment as a whole.

We assessed management’s future cash flows by considering the historical accuracy with which management set the budgets. The actual results for the current year were compared to the budget as approved by the board for that period. No significant variances were noted.

We performed independent sensitivity calculations on the impairment tests prepared by management, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed the results of our calculations with management and based on the evidence obtained we accepted management’s conclusion over the key assumptions.

**Fair value less cost to sell calculation:**

For the CGU where the fair value less cost to sell method was used, we assessed the professional competence, objectivity, independence, and capabilities of management’s expert and the adequacy of the work performed. The assessment was performed with reference to the Curriculum Vitae of the management’s expert and discussions held, specifically assessing the expert’s qualifications, registration with various valuation institutes and work experience. For a sample of land, buildings and equipment of the Group used in the valuation, we agreed the assets to the fixed asset register. No exceptions were noted.

We performed the following procedures in relation to management’s fair value assessment:

- We discussed with management’s expert the methodology and assumptions used in determining the fair value for the current year.
- We obtained and inspected the valuation report prepared by management’s expert, agreed the fair value per the accounting records to their report and noted the fair value contained therein. We performed independent sensitivity calculations on the valuation performed by management’s expert. Based on these calculations we identified that there was sufficient headroom available between the recoverable amount and the net asset value of the CGU.

Key audit matters	How our audit addressed the key audit matters
<p>The disclosure of impairment assessments is included in note 2 and 5 of the consolidated financial statements.</p> <p>The Company, as described in note 3 in the separate financial statements, holds an investment in subsidiary amounting to R1 585 million (2021: R1 585 million). The Company determines the recoverable amount of the investment in the subsidiary by calculating the value in use, or the fair value less cost to sell, where appropriate. The value in use is determined by using the discounted cash flow valuation model.</p> <p>We considered impairment assessments to be a matter of most significance to our current year audit due to the judgement involved in management's impairment tests.</p>	<p><b>Company level (investment in subsidiary):</b> We independently assessed whether there were any impairment indicators for the investment in the subsidiary based on the same factors described above, compared this to management's assessment of investments with impairment indicators.</p> <p>We assessed the recoverable amount of the assets underlying this investment as explained above. We calculated the value in use (and where applicable, fair value less costs to sell) of the investment in the subsidiary based on our understanding of the recoverable amounts of the CGUs underlying this investment. We compared this calculation to that of management and noted no material differences.</p>

### Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “*Quantum Foods Holdings Ltd Annual financial statements for the year ended 30 September 2022*” which includes the Directors’ report, the Audit and risk committee report and the Company secretary certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor’s report, and the document titled “*Quantum Foods Integrated report 2022*”, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Quantum Foods Holdings Ltd for 9 years. The business of Quantum Foods Holdings Ltd was previously transacted through Pioneer Food Group Ltd after the merger of Sasko (Pty) Ltd and Bokomo (Pty) Ltd in 1997, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 51 years.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.

Director: RJ Jacobs

Registered Auditor

Stellenbosch, South Africa

24 November 2022

# Accounting policies

for the year ended 30 September 2022

## 1. Basis of preparation

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The annual financial statements of the Group have been prepared in accordance with, and comply with, IFRS and IFRS Interpretations Committee interpretations issued and effective at the time of preparing these financial statements, the Listings Requirements of the JSE Ltd and the requirements of the Companies Act. These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The annual financial statements are prepared on the historic cost convention, except for biological assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2 to the consolidated annual financial statements.

### 1.1 New and amended accounting standards adopted by the Group

The Group has not adopted any revised accounting standards for the first time for the current reporting period beginning on 1 October 2021.

### 1.2 New and amended accounting standards and interpretations that are not yet effective and have not been early adopted by the Group

The following amendments are not yet effective and have not been early adopted by the Group (the effective dates stated below refer to financial reporting periods beginning on or after the stated dates):

- Annual improvements cycle 2018 - 2020 (effective 1 January 2022)
- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets on onerous contracts - Cost of fulfilling a contract (effective 1 January 2022)
- Amendment to IFRS 3 - Business Combinations - reference to Conceptual Framework (effective 1 January 2022)
- Amendment to IAS 1 - Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Amendment to IAS 12 - Income Taxes - Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023)
- Narrow scope amendments to IAS 1 - Presentation of Financial Statements, Practice statement 2 and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2023)

### Impact of the above amendments on the Group's financial statements

The Group has considered all standards, interpretations and amendments that are in issue but not yet effective. Management has concluded that these standards are not expected to have a significant impact on the Group's financial statements.



## 2. Basis of consolidation

### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date in profit or loss.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intergroup transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the stand-alone financial statements of the holding Company, the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

Interest-free loans to subsidiaries, with no specific terms of repayment and with a definite intent not to demand repayment, are considered to be capital distributions to the subsidiary and are included in the carrying amount of the investment.

### **Associates**

Associates are all entities over which the Group has significant influence, but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

## 2. Basis of consolidation (continued)

An increase in the Group's interest in an existing associate, where the Group continues to have significant influence, is accounted for using a cost accumulation approach. The cost of acquiring the additional stake, including any directly attributable costs, is added to the carrying value of the associate. The notional fair value for the additional stake (including notional goodwill arising on the purchase of the additional stake) is calculated using fair value information at the date when the additional interest is acquired. No step up or remeasurement of the previously held interest is performed, since the status of the investment does not change.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate is equal to or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as part of the "share of profit of associate company" in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognised in profit or loss. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

## 3. Property, plant and equipment

Land and buildings mainly comprise factories, farms, poultry houses, offices and silos. All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Land is not depreciated. Depreciation on buildings, poultry houses, machinery, vehicles, furniture and equipment are calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives. Assets under construction are defined as assets still in the construction phase and not yet available for use. These assets are carried at initial cost and are not depreciated. Depreciation on these assets commences when they become available for use and depreciation periods are based on management's assessment of their useful lives.

The expected useful lives are as follows:

- Buildings 20 – 25 years
- Poultry houses 20 – 25 years
- Plant, machinery and equipment 3 – 30 years
- Vehicles 3 – 20 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### 3. Property, plant and equipment (continued)

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amounts. These are included within other gains/(losses) – net in profit or loss.

### 4. Intangible assets

#### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill arising from a business combination is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

#### *Trademarks*

Trademarks are shown at historical cost. Subsequently, these intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Trademarks have finite useful lives.

Trademarks with finite useful lives are amortised over their useful lives of between five and 25 years and assessed for impairment when there is an indication that the assets may be impaired.

#### *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between two and five years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use it
- There is an ability to use the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use the software product are available
- The expenditure attributable to the software product during its development can be reliably measured

Other development expenditure that does not meet the criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.



## 5. Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets, other than goodwill, that have suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

## 6. Financial assets

### 6.1 Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss ("FVPL")
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

### 6.2 Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### 6.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal amounts and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its financial assets:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal amounts and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

**FVPL:** Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a financial asset that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 6. Financial assets (continued)

### 6.4 Impairment

The Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## 7. Biological assets

Biological assets consist of livestock. The presentation of biological assets as current or non-current assets depends on the nature of the biological assets. Livestock is a consumable asset and is presented as current assets. Biological assets of the Group include biological assets held at contract growers, as the Group retains ownership of these assets. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. All directly related costs incurred in acquiring and establishing biological assets are capitalised to the cost of the biological assets. Changes in the measurement of fair value less cost to sell are included within other gains/(losses) – net in profit or loss for the period in which they arise.

All costs incurred in maintaining the assets are included in profit or loss for the period in which the biological assets are realised or included in agricultural produce. Fair values of livestock held for breeding, laying hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

Agricultural produce is the harvested product of the entity's biological assets and is measured at its fair value less cost to sell at the point of harvest. Such measurement is the cost at that date when transferring the harvested produce to inventory. Agricultural produce of the Group includes eggs from laying hens.

## 8. Inventories

Inventories are valued at the lower of cost or net realisable value. Cost in each category is determined as follows:

- Raw material at actual cost on a weighted average cost basis
- Own manufactured products at direct raw material and labour cost plus an appropriate portion of production overheads, on a weighted average cost basis
- Consumable and trading stock at actual cost on a weighted average cost basis
- Eggs purchased are valued at actual cost on a weighted average cost basis

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials.

## 9. Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 to 45 days and, therefore, are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

## 9. Trade and other receivables (continued)

Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 9 to the consolidated financial statements.

Other receivables consist mainly of prepayments, value-added tax receivable and other debtors. Other debtors' amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

## 10. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are included in current liabilities on the statement of financial position.

Deposits held at call with banks and other short-term highly liquid investments are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. These deposits are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

## 11. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds.

When any Group company purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the parent. The Group values treasury shares on the weighted average cost basis.

## 12. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the year-end reporting date.

## 13. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs in profit or loss.



#### 14. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### 15. Current and deferred income tax

The income tax expense or credit for the period comprises current and deferred income tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group considers right-of-use assets and lease liabilities separately in respect of the deferred tax consequences of leases within the scope of IFRS 16. At the inception of a lease, deferred taxes are recognised for temporary differences that arise between the tax base and carrying amount of right-of-use assets and lease liabilities. Subsequent to initial recognition, deferred taxes are recognised when temporary differences arise.

## 16. Revenue recognition

Revenue comprises the transaction price of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after elimination of sales within the Group.

Income is recognised as follows:

### *Sale of goods*

Sales of goods comprise the sale of animal feed, livestock and agricultural produce (eggs). Contracts with the Group's customers contain a single performance obligation to deliver the goods ordered by the customer. The sale of goods is the only income included in revenue in profit or loss.

Sales of goods are recognised when control of the products have transferred, being when a Group entity has delivered products to the customer, the customer has accepted the inventory risk related to the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from sales is based on the price specified in the sales contracts, net of value-added tax, estimated rebates and discounts and an adjustment for expected returns at the time of sale. Some products (mostly eggs) sold often include a growth incentive rebate that is based on aggregate sales over a 12-month period, which is considered to represent variable consideration. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated growth incentive rebate. Contract terms and accumulated experience are used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected growth incentive rebates payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as sales are made with credit terms (0 to 45 days) which are consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional since only the passage of time is required before the payment is due.

The Group currently accepts returns from customers for damaged goods as well as returns for sell by date goods from certain customers. Contract terms and accumulated experience are used to estimate and provide for the returns at the time of sale. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. This allowance for credit notes provision is recorded within trade and other receivables unless a separate obligation to settle the customer exist, in which case the liability is recorded within trade and other payables.

## 17. Foreign currency translation

### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates ('the functional currency'). The consolidated financial statements are presented in South African rand, which is the Group's functional and presentation currency.

### *Transactions and balances*

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

All other foreign exchange gains and losses are presented in profit or loss within other gains and losses – net.

## 17.

**Foreign currency translation (continued)**

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences resulting from changes in amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

**Group entities**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of South African rand are translated into South African rand as follows:

- Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the reporting date
- Income and expenditure included in profit or loss for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenditure are translated at the exchange rates prevailing at the dates of the transactions)
- All resulting exchange differences are recognised as a separate component of other comprehensive income

Exchange differences arising from the translation of the net investment in foreign entities, and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 18.

**Accounting for leases: Group company is the lessee**

The Group leases various farms, equipment, warehouses and delivery vehicles. Lease agreements are typically made for fixed periods of 2 to 5 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.



## 18. Accounting for leases: Group company is the lessee (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg. term and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Payments associated with short-term leases, variable lease payments not based on an index or a rate in (i) below, and leases of low-value assets (below R75 000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT equipment.

### (i) Variable lease payments

#### *Estimation uncertainty arising from variable lease payments*

Variable lease payments relate to the lease of equipment and vehicles whereby the rental payments are entirely linked to the hours used, as well as the lease of solar panels whereby the rental payments are entirely based on the energy generated by the solar panels. These variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

### (ii) Extension and termination options

Extension and termination options are included in a number of property, delivery vehicle, and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

## 18. Accounting for leases: Group company is the lessee (continued)

### *Critical judgements in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers factors including historical lease durations and the costs and business disruption required to replace the leased asset. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

## 19. Accounting for leases: Group company is the lessor

### *Operating leases*

Operating lease assets are included in property, plant and equipment in the statement of financial position. These assets are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the period of the lease and included in other income in profit or loss.

## 20. Employee benefits

### *Retirement scheme arrangements*

The policy of the Group is to provide retirement benefits for all its South African employees in the form of a defined contribution plan. The defined contribution plan is a retirement scheme under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the retirement benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### *Other long-term employee benefits (long-service awards)*

The Group provides for long-service awards that accrue to employees. Employees receive a long-service bonus equal to one month's salary for every completed 10 years of service. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within other operating expenses in profit or loss.

### *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits falling due more than 12 months after the year-end reporting date are discounted to present value using the effective interest rate method.

## 20. Employee benefits (continued)

### *Bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders, as well as other financial and non-financial performance measures, after certain adjustments. The Group recognises a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

### *Leave pay*

Annual leave entitlement is provided for over the period that the leave accrues. In terms of the Group's policy, employees are entitled to accumulate vested leave benefits not taken to a cap of 36 days. Any leave days vesting in excess of the cap are not payable and are not included in the leave entitlement provision.

Leave may not be converted to cash except at termination of employment.

## 21. Share-based payments

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share appreciation rights is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights granted, excluding the impact of any non-market vesting conditions (for example, profitability targets). Non-market vesting conditions are included in assumptions about the number of share appreciation rights that are expected to become exercisable. At each reporting date, the Group revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Benefits falling due more than 12 months after the year-end reporting date are discounted to present value using the effective interest rate method.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the share appreciation rights are exercised.

## 22. Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either cash flow or fair value hedges.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes and detail on movements in the hedging reserve are disclosed in note 10 to the consolidated annual financial statements. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the reporting date and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months from this date. Trading derivatives are classified as current assets or liabilities.

### *Cash flow hedges that qualify for hedge accounting*

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability;
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.



## 22. Derivative financial instruments and hedging activities (continued)

Cash flow hedging instruments are mainly used to manage operational exposure to foreign exchange and commodity price risks. Financial instruments designated as cash flow hedges include commodity futures and foreign exchange contracts. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve within other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately within other gains or losses – net in profit or loss.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item (aligned for ward element) is recognised within other gains or losses – net in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses in other comprehensive income, are transferred from other comprehensive income and included within the initial cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in profit or loss in the case of inventory or in depreciation in profit or loss in the case of property, plant and equipment, as the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecasted transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to other gains or losses – net in profit or loss.

### *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss within other gains or losses – net.

## 23. Financial guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 – Financial Instruments; and
- the amount initially recognised.

The fair value is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

## 24. Dividend distribution

Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Board.

**25. Segment reporting**

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision-maker ("CODM"), this being the chief executive officer and chief financial officer of the Group, in order to allocate resources and assess performance and for which distinct financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The operating segments were identified and grouped together based mainly on the nature of their activities and the products offered by them. The Group's segment reporting is disclosed in note 38 to the consolidated financial statements.

**26. Amortised costs**

Finance costs and investment income are recognised on a time-proportion basis using the effective interest rate method. When determining the amortised cost amount of financial assets and liabilities, the Group reduces the carrying amount to the amount recoverable or payable, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and it continues unwinding the discount as accretions of discount. These accretions or unwinding of discount on financial assets and liabilities carried at amortised cost are included in "finance costs" or "investment income" in profit or loss.

# Consolidated statement of financial position

as at 30 September 2022

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	Notes	2022 R'000	2021 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1 416 940	1 360 639
Right-of-use assets	4	1 322 700	1 243 120
Intangible assets	5	67 601	95 108
Investment in associates	6	11 633	7 098
Trade and other receivables	9	10 130	10 310
Deferred income tax	16	3 312	4 033
		1 564	970
<b>Current assets</b>			
Inventories	7	1 713 853	1 423 865
Biological assets	8	463 765	383 450
Trade and other receivables	9	433 910	403 308
Derivative financial instruments	10	750 558	562 933
Current income tax	30	53	23
Cash and cash equivalents	11	1 722	840
		63 845	73 311
<b>Total assets</b>		<b>3 130 793</b>	<b>2 784 504</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	12	2 100 788	1 999 802
Treasury shares	12	1 465 069	1 465 069
Other reserves	12	(1 390)	(8 315)
Retained earnings	14	20 962	(65 769)
		616 147	608 817
<b>Total equity</b>		<b>2 100 788</b>	<b>1 999 802</b>
<b>Non-current liabilities</b>			
Lease liabilities	15	322 165	360 101
Deferred income tax	16	56 021	85 135
Provisions for other liabilities and charges	17	257 178	266 590
		8 966	8 356
<b>Current liabilities</b>			
Trade and other payables	18	707 840	424 601
Current income tax	30	603 631	396 740
Lease liabilities	30	2 553	2 639
Provisions for other liabilities and charges	17	25 598	23 860
Bank overdraft	11	1 150	1 362
		74 908	—
<b>Total liabilities</b>		<b>1 030 005</b>	<b>784 702</b>
<b>Total equity and liabilities</b>		<b>3 130 793</b>	<b>2 784 504</b>

# Consolidated statement of comprehensive income

for the year ended 30 September 2022

	Notes	2022 R'000	2021 R'000
Revenue	19	6 020 558	5 401 116
Cost of sales		(4 910 916)	(4 339 005)
Gross profit		1 109 642	1 062 111
Other income	20	20 120	10 201
Other gains/(losses) – net	21	(5 870)	72 304
Sales and distribution costs		(288 322)	(263 528)
Marketing costs		(13 311)	(15 065)
Administrative expenses		(156 773)	(143 972)
Net impairment losses on trade and other receivables	22	(1 739)	(9 050)
Other operating expenses		(631 242)	(565 412)
Operating profit	22	32 505	147 589
Investment income	23	4 244	4 747
Finance costs	24	(16 301)	(11 844)
Share of (loss)/profit of associate companies	6	(180)	1 767
Profit before income tax		20 268	142 259
Income tax credit/(expense)	25	3 554	(36 464)
		23 822	105 795
<b>Profit for the year</b>			
<b>Other comprehensive income for the year</b>			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve		1 035	7 993
For the year		65 176	57 668
Deferred income tax effect	16	(17 598)	(6)
Current income tax effect	25	-	(16 141)
Realised to profit or loss	16	(64 002)	(46 567)
Deferred income tax effect	16	17 459	(1)
Current income tax effect	25	-	13 040
Movement in foreign currency translation reserve			
Currency translation differences	14	85 993	8 651
<b>Total comprehensive income for the year</b>		110 850	122 439
Profit for the year attributable to owners of the parent		23 822	105 795
Total comprehensive income for the year attributable to owners of the parent		110 850	122 439
Earnings per ordinary share (cents)	26	12.0	5.39
Diluted earnings per ordinary share (cents)	26	11.9	5.30



# Consolidated statement of changes in equity

for the year ended 30 September 2022

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	Balance as at 1 October 2021									
Comprehensive income:	1 465 069	(8 315)	12 824	(103 850)	25 257	(65 769)	608 817	1 999 802		
Profit for the year	-	-	-	-	-	-	23 822	23 822		
Other comprehensive income for the year	-	-	1 035	85 993	-	87 028	-	87 028		
Movement in foreign currency translation reserve	-	-	-	85 993	-	85 993	-	85 993		
Cash flow hedging										
Fair value adjustments to cash flow hedging reserve										
For the year	-	-	65 176	-	-	65 176	-	65 176		
Deferred income tax effect	-	-	(17 598)	-	-	(17 598)	-	(17 598)		
Current income tax effect	-	-	-	-	-	-	-	-		
Realised to profit or loss	-	-	(64 002)	-	-	(64 002)	-	(64 002)		
Deferred income tax effect	-	-	17 459	-	-	17 459	-	17 459		
Current income tax effect	-	-	-	-	-	-	-	-		
Recognition of share-based payments	-	-	-	-	3 036	3 036	-	3 036		
Deferred income tax on share-based payments	-	-	-	-	3 069	3 069	-	3 069		
Dividends paid – final and interim net of treasury shares	-	-	-	-	-	-	(15 969)	(15 969)		
Ordinary shares transferred – share appreciation rights	-	6 925	-	-	(6 402)	(6 402)	(523)	-		
Balance as at 30 September 2022	1 465 069	(1 390)	13 859	(17 857)	24 960	20 962	616 147	2 100 788		
Notes	12	12				14				

# Consolidated statement of changes in equity (continued)

for the year ended 30 September 2022

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	Share capital R'000	Treasury shares R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Total R'000
<b>Balance as at 1 October 2020</b>	1 465 069	(19 338)	4 831	(112 501)	22 581	(85 089)	525 000	1 885 642
Comprehensive income:								
Profit for the year	-	-	-	-	-	-	105 795	105 795
Other comprehensive income for the year	-	-	7 993	8 651	-	16 644	-	16 644
Movement in foreign currency translation reserve	-	-	-	8 651	-	8 651	-	8 651
Cash flow hedging								
Fair value adjustments to cash flow hedging reserve								
For the year	-	-	57 668	-	-	57 668	-	57 668
Deferred income tax effect	-	-	(6)	-	-	(6)	-	(6)
Current income tax effect	-	-	(16 141)	-	-	(16 141)	-	(16 141)
Redisled to profit or loss	-	-	(46 567)	-	-	(46 567)	-	(46 567)
Deferred income tax effect	-	-	(1)	-	-	(1)	-	(1)
Current income tax effect	-	-	13 040	-	-	13 040	-	13 040
Recognition of share-based payments	-	-	-	-	7 759	7 759	-	7 759
Deferred income tax on share-based payments	-	-	-	-	3 388	3 388	-	3 388
Dividends paid – final and interim net of treasury shares	-	-	-	-	-	-	(19 426)	(19 426)
Ordinary shares acquired by subsidiary	-	-	-	-	-	-	-	-
Ordinary shares transferred – share appreciation rights	-	11 023	-	-	(8 471)	(8 471)	(2 552)	-
<b>Balance as at 30 September 2021</b>	1 465 069	(8 315)	12 824	(103 850)	25 257	(65 769)	608 817	1 999 802

Notes

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# Consolidated statement of cash flows

for the year ended 30 September 2022

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	Notes	2022 R'000	2021 R'000
<b>Cash flow from operating activities</b>		<b>77 792</b>	<b>24 348</b>
Cash profit from operating activities	27	170 625	295 297
Working capital changes	28	(87 074)	(259 292)
Cash effect of hedging activities		1 125	1 076
Cash generated from operations		84 676	47 081
Income tax paid	30	(6 884)	(22 733)
<b>Cash flow from investing activities</b>		<b>(118 214)</b>	<b>(153 272)</b>
Additions to property, plant and equipment	3	(114 673)	(107 095)
Additions to intangible assets	5	(10 551)	(1 507)
Proceeds on disposal of property, plant and equipment	31	2 367	1 277
Interest in associate acquired	6	-	(10 251)
Business combination	40	-	(54 682)
Proceeds on disposal of investment in associate	6	-	14 239
Repayment of loan included in other debtors	9	399	-
Interest received	23	4 244	4 747
Cash deficit		(40 422)	(128 924)
<b>Cash flow from financing activities</b>		<b>(55 174)</b>	<b>(51 031)</b>
Principal elements of lease payments	15	(23 963)	(20 941)
Interest paid		(15 249)	(10 698)
Dividends paid to ordinary shareholders	29	(15 962)	(19 392)
Decrease in cash and cash equivalents		(95 596)	(179 955)
Effects of exchange rate changes		11 222	1 485
Cash and cash equivalents at beginning of year		73 311	251 781
Cash and cash equivalents at end of year (net of overdraft)	11	(11 063)	73 311

# Notes to the consolidated financial statements

for the year ended 30 September 2022

## 1. Accounting policies

The principal accounting policies incorporated in the preparation of this historical financial information are set out on pages 17 to 31.

## 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Property, plant and equipment

These items are depreciated over their useful lives, taking into account the residual value at the end of the item's useful life. Residual values and useful lives are based on industry knowledge and past experience with similar assets.

The Group continuously considers the existence of impairment indicators. An impairment loss is only recognised if the asset or CGU carrying amount exceeds its respective recoverable amount. The recoverable amount of an asset or CGU is the higher of its value-in-use or fair value less costs to sell. These calculations require the use of estimates.

At year-end, the Group's net asset value exceeded its market capitalisation. In their impairment tests, management identified three CGUs within the Group for which impairment assessments were performed, namely the animal feeds business, the layer business and the broiler business.

To determine the value-in-use, management uses the budget as approved by the Board to determine future cash flows for the CGUs. These cash flows are then discounted using the Group's weighted average cost of capital. These calculations were performed for the animal feeds and broiler business for a period of 5 years.

	2022		2021	
	Growth rate	Pre-tax discount rate	Growth rate	Pre-tax discount rate
<b>Key assumptions used for value-in-use calculation:</b>				
Animal feeds business	5.0%	23.7%	5.5%	22.7%
Broiler business	5.0%	23.6%	5.5%	22.1%

The terminal growth rate used by management decreased following the adjusted long term growth forecast for South Africa.



## 2. Critical accounting estimates and judgements (continued)

Sensitivity analysis of assumptions used in the impairment test:

	Increase in discount rate	Impairment R'000	Decrease in growth rate	Impairment R'000
<b>2022</b>				
Animal feeds business	<b>1.0%</b>	<b>Nil</b>	<b>0.5%</b>	<b>Nil</b>
Broiler business	<b>1.0%</b>	<b>Nil</b>	<b>0.5%</b>	<b>Nil</b>
<b>2021</b>				
Animal feeds business	1.0%	Nil	0.5%	Nil
Broiler business	1.0%	Nil	0.5%	Nil

No impairment with reasonable changes to assumptions noted.

For the layer business, management has conducted a fair value less costs to sell assessment by appointing an independent external valuation expert to conduct an exercise to determine the fair value of the CGU, including related properties and equipment. The outcome was used in order to assess the recoverability of the layer CGU and management concluded that no impairment was considered necessary.

Significant headroom exists for all CGUs assessed by management. Consequently, management has not identified any impairment losses to be included in the Group's consolidated financial statements.

### Fair value measurement of biological assets

In measuring fair value of biological assets, management estimates and judgements are required for determination of fair value. Refer to note 37 for key assumptions used.

### Assessment of control over contract growers

The Group utilises contract growers for the growing of broilers in exchange for a fee. Goods delivered to contract growers are not recognised as revenue as the Group retains ownership of the goods. These goods are recognised as biological assets and inventories held at third parties.

The Group assesses whether it exercises control over contract growers based on an analysis of the activities of these entities, the Group's decision-making powers, its ability to obtain benefits from these entities and the residual risks regarding these entities that are retained by the Group. Based on this analysis, the Group concluded that it does not control the activities of any contract grower, as it does not have any decision-making powers and that these businesses are managed independently. Furthermore, these businesses retain the residual risk associated with production.

The Group assesses whether the arrangement with the contract growers contains a lease in terms of IFRS 16. Based on this analysis, the Group concluded that the arrangement does not contain a lease, as the Group does not have the right to direct the use of the identified asset throughout the period of use.

### Impairment of financial assets

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement the Group evaluates, among other factors, the expected loss rates based on historical information and adjusted to reflect current and forward-looking information and macro-economic factors. Refer to note 9.

### 3. Property, plant and equipment

Land and buildings  
Plant, machinery and equipment  
Vehicles  
Assets under construction<sup>\*</sup>  
Net book value

2022 R'000	2021 R'000
341 254	333 918
904 371	886 838
19 821	22 364
57 254	-
<b>1 322 700</b>	<b>1 243 120</b>

<sup>\*</sup> The assets under construction balance includes R47,6 million related to the Harbeespoort hatchery expansion project which is on track and within budget and expected to be completed by June 2023. This project will increase the broiler hatchery capacity.

30 September 2022	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Assets under construction R'000	Total R'000
<b>Cost</b>					
At 1 October 2021	464 860	1 564 666	60 389	-	2 089 915
Additions	6 418	49 391	2 455	56 409	114 673
Foreign exchange adjustment	15 747	51 819	6 165	845	74 576
Disposals	(1 234)	(3 331)	(991)	-	(5 556)
At 30 September 2022	485 791	1 662 545	68 018	57 254	2 273 608
<b>Accumulated depreciation and impairment</b>					
At 1 October 2021	(130 942)	(677 828)	(38 025)	-	(846 795)
Depreciation charge	(9 233)	(66 295)	(5 972)	-	(81 500)
Foreign exchange adjustment	(4 693)	(17 211)	(5 013)	-	(26 917)
Depreciation on disposals	331	3 160	813	-	4 304
At 30 September 2022	(144 537)	(758 174)	(48 197)	-	(950 908)
<b>Net book value at 30 September 2022</b>	<b>341 254</b>	<b>904 371</b>	<b>19 821</b>	<b>57 254</b>	<b>1 322 700</b>

## 3. Property, plant and equipment (continued)

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Assets under construction R'000	Total R'000
<b>30 September 2021</b>					
<b>Cost</b>					
At 1 October 2020	453 228	1 403 167	56 801	-	1 913 196
Additions	11 641	90 343	5 111	-	107 095
Transfers	(6 512)	6 512	-	-	-
Business combination*	6 125	66 769	230	-	73 124
Foreign exchange adjustment	655	1 155	1 181	-	2 991
Disposals	(277)	(3 280)	(2 934)	-	(6 491)
At 30 September 2021	464 860	1 564 666	60 389	-	2 089 915
<b>Accumulated depreciation and impairment</b>					
At 1 October 2020	(121 636)	(617 453)	(33 825)	-	(772 914)
Depreciation charge	(8 765)	(60 854)	(5 675)	-	(75 294)
Foreign exchange adjustment	(701)	(1 378)	(1 048)	-	(3 127)
Depreciation on disposals	160	1 857	2 523	-	4 540
At 30 September 2021	(130 942)	(677 828)	(38 025)	-	(846 795)
<b>Net book value at 30 September 2021</b>	333 918	886 838	22 364	-	1 243 120

\* Refer to note 40 for details on the business combination.

The property, plant and equipment balances in the previous reporting period included assets in the course of construction. The prior period note was not restated due to the immaterial nature of these amounts.

Land and buildings	2021 R'000
Plant, machinery and equipment	344
	3 248
	3 592

### 3. Property, plant and equipment (continued)

A register with full details of assets is available at the Group's registered office. Refer to note 34.2 for capital commitments for property, plant and equipment.

### 4. Right-of-use assets

Land and buildings  
Plant, machinery and equipment  
Vehicles  
Net book value

	2022 R'000	2021 R'000
Land and buildings	11 325	19 538
Plant, machinery and equipment	8 761	10 503
Vehicles	47 515	65 067
Net book value	67 601	95 108

### 30 September 2022

Carrying value  
At 1 October 2021  
Additions  
Reassessments and modifications\*  
Depreciation charge

### At 30 September 2022

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
Carrying value	19 538	10 503	65 067	95 108
At 1 October 2021	-	880	-	880
Additions	(4 420)	1 430	(527)	(3 517)
Reassessments and modifications*	(3 793)	(4 052)	(17 025)	(24 870)
Depreciation charge	11 325	8 761	47 515	67 601

### 30 September 2021

Carrying value  
At 1 October 2020  
Additions  
Derecognitions  
Reassessments and modifications\*  
Depreciation charge  
Foreign exchange adjustment

### At 30 September 2021

Carrying value	22 849	8 600	26 460	57 909
At 1 October 2020	222	-	51 014	51 236
Additions	-	(960)	-	(960)
Derecognitions	51	6 529	1 395	7 975
Reassessments and modifications*	(3 553)	(3 666)	(13 802)	(21 021)
Depreciation charge	(31)	-	-	(31)
Foreign exchange adjustment	19 538	10 503	65 067	95 108

\* Refer to note 15 for details on the reassessments and modifications.



## 5. Intangible assets

Computer software  
Goodwill  
Trademarks  
Net book value

	2022 R'000	2021 R'000
	<b>11 633</b>	1 670
	-	5 428
	-	-
	<b>11 633</b>	7 098

**30 September 2022**

**Cost**  
At 1 October 2021  
Additions  
Disposals  
At 30 September 2022

**Accumulated amortisation and impairment**  
At 1 October 2021  
Amortisation for the year\*  
Impairments  
Amortisation on disposals  
At 30 September 2022

**Net book value at 30 September 2022**

	Computer software R'000	Goodwill R'000	Trademarks R'000	Total R'000
	15 939	5 428	24 544	45 911
	10 551	-	-	10 551
	(94)	-	-	(94)
	26 396	5 428	24 544	56 368
	(14 269)	-	(24 544)	(38 813)
	(588)	-	-	(588)
	-	(5 428)	-	(5 428)
	94	-	-	94
	(14 763)	(5 428)	(24 544)	(44 735)
	<b>11 633</b>	-	-	<b>11 633</b>

\* Amortisation expenses are included in other operating expenses.

## 5. Intangible assets (continued)

	Computer software R'000	Goodwill R'000	Trademarks R'000	Total R'000
<b>30 September 2021</b>				
<b>Cost</b>				
At 1 October 2020	14 432	5 428	24 544	44 404
Additions	1 507	-	-	1 507
At 30 September 2021	15 939	5 428	24 544	45 911
<b>Accumulated amortisation and impairment</b>				
At 1 October 2020	(14 028)	-	(24 544)	(38 572)
Amortisation for the year*	(241)	-	-	(241)
At 30 September 2021	(14 269)	-	(24 544)	(38 813)
<b>Net book value at 30 September 2021</b>	1 670	5 428	-	7 098

\* Amortisation expenses are included in other operating expenses.

The intangible assets balance includes assets in the course of establishment amounting to Rnil (2021: R803 000).

The computer software additions relate to the acquisition of Sage X3 software licenses, and related cost to bring this to use.

	2022 R'000	2021 R'000
The carrying value of the goodwill above is included in the following CGUs:		
<b>Animal feeds</b>		
Olifantstrop feed mill	-	5 428
The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets approved by the Board. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the agricultural industry in which the CGU operates.		

Key assumptions used for value-in-use calculation:

Growth rate	5.0%	5.5%
Discount rate	22.7%	21.8%
Period in years	5	5

These assumptions have been used for the analysis of this CGU. The budgeted gross margin is based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The pre-tax discount rates as disclosed above reflect specific risk relating to the relevant CGU.

## 5. Intangible assets (continued)

During the annual impairment test conducted on the CGU containing goodwill, it was identified that the carrying value of the CGU exceeded its recoverable amount. The customer base of the Olifantstrop feed mill is situated in the Eastern Cape province. This region experienced drought conditions since 2015 and the region was declared a disaster area in October 2019. The Olifantstrop feed mill's selling margins were negatively impacted by this. As a result of the aforementioned a goodwill impairment of R5.4 million was recorded in the current year.

## 6. Investment in associates

	2022 R'000	2021 R'000
Unlisted shares at cost	10 251	10 251
Balance beginning of year	10 251	6 813
Disposal of investment in associate*	-	(1 700)
Acquisition during the year	-	5 138
Interest in retained earnings and reserves	(121)	59
Balance beginning of year	59	6 866
Disposal of investment in associate*	-	(8 574)
Share of (loss)/profit of associate companies	(180)	1 767
	10 130	10 310
Cost of shares		
Klipvei Broilers (Pty) Ltd**	10 251	10 251
Effective interest 40% (2021: 40%)	10 251	10 251

\* The Group disposed of its 29.9% shareholding in Bergsig Breeders (Pty) Ltd effective 18 June 2021 for consideration of R14.2 million settled in cash. The share of the associate's profit for the year was included up to the date of disposal. The profit on disposal was included in Other gains/(losses) - net.

\*\* An additional 20% shareholding in Klipvei Broilers (Pty) Ltd was acquired on 30 September 2021 for consideration of R5.14 million settled in cash. Total cash outflow for the 2021 reporting period was R10.25 million, which included R5.11 million for a 20% shareholding acquired in Klipvei Broilers (Pty) Ltd in the 2020 reporting period of which the deferred payment occurred in the 2021 reporting period.

## 6. Investment in associates (continued)

The following is the summarised statement of financial position of the above-mentioned associate company:

	2022 R'000	2021 R'000
Non-current assets	<b>18 215</b>	18 221
Current assets	<b>508</b>	706
<b>Total assets</b>	<b>18 723</b>	18 927
Non-current liabilities	<b>12 618</b>	14 493
Current liabilities	<b>8 499</b>	6 377
Total liabilities	<b>21 117</b>	20 870
Capital and reserves	<b>(2 394)</b>	(1 943)
<b>Total equity and liabilities</b>	<b>18 723</b>	18 927
The following is the summarised statement of comprehensive income of the associated companies for the year:		
Revenue	<b>29 561</b>	24 173
Operating profit	<b>301</b>	630
<b>Net loss after income tax</b>	<b>(451)</b>	(149)

Klipvei Broilers (Pty) Ltd is a private company and there is no quoted market price available for its shares. The company operates in the poultry industry in South Africa and supplies the Group with live broilers. Management has concluded that there are no indicators of impairment.

## 7. Inventories

Raw material  
Manufactured products  
Packing materials and consumables

Inventory carried at net realisable value  
Cost of inventories included in cost of sales

Inventory at year-end includes spare parts of R101 million (2021: R88 million).

The cost of inventories above excludes inventory written off (refer to note 22.2) and biological assets fair value adjustments.

	2022 R'000	2021 R'000
<b>326 711</b>		277 623
<b>70 487</b>		51 584
<b>66 567</b>		54 243
<b>463 765</b>		383 450
<b>3 137</b>		1 792
<b>4 892 020</b>		4 238 518



## 8.

**Biological assets****Livestock – poultry**

Poultry includes broiler and layer stock. Broiler stock includes breeding stock, day-old chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old chicks and hatching eggs.

Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. The fair value estimation of the Group's biological assets was not materially impacted by the HPAI outbreak in South Africa, as the last HPAI outbreak directly impacting the Group's livestock was in February 2022.

	2022 R'000	2021 R'000
<b>Biological assets</b>		
Livestock – poultry	<b>433 910</b>	403 308
Poultry includes broiler and layer stock. Broiler stock includes breeding stock, point-of-lay hens, day-old chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old chicks and hatching eggs.		
Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. The fair value estimation of the Group's biological assets was not materially impacted by the HPAI outbreak in South Africa, as the last HPAI outbreak directly impacting the Group's livestock was in February 2022.		

Biological assets at fair value less cost to sell consist of the following:

Chickens – grandparents and other breeding stock  
Hatching eggs  
Chickens – broilers  
Chickens – laying  
Game

2022 R'000	2021 R'000
62 684	65 288
37 144	28 356
54 379	44 535
278 630	264 029
1 073	1 100
<b>433 910</b>	<b>403 308</b>

## 8.

**Biological assets (continued)**

At 30 September, the Group held the following biological assets:

Chickens – grandparents	3 961	29 898
Hatching eggs	8 557 993	7 551 631
Chickens – broilers	3 184 378	3 052 107
Chickens – layers 39 weeks and younger	3 151 601	3 635 112
Chickens – layers older than 39 weeks	2 055 895	2 186 749
Game	566	591

The Group produced the following agricultural produce for the year ended 30 September:

Eggs (dozens)	85 437 722	84 450 396
Live birds (kg)	61 703 173	59 475 187
Number of day-old chicks	77 927 696	75 281 379
Number of point-of-lay hens	5 343 921	5 923 647
Number of culls	3 152 410	3 670 860

The Group is a fully integrated poultry operation. The agricultural produce indicates quantities produced by the Group and includes quantities transferred from one phase in the integrated value chain to another.

## 9.

**Trade and other receivables**

Trade receivables	687 311	557 350
Allowance for outstanding credit notes	(1 803)	(2 076)
Loss allowance	(23 475)	(40 139)
Trade receivables – net	662 033	515 135
Prepayments	22 849	24 701
Other debtors	4 770	3 517
Receiver of revenue – VAT	64 218	23 613

For the purposes of the statement of financial position trade and other receivables are presented as follows:  
Non-current assets  
Current assets

	2022 Quantity	2021 Quantity
	2022 R'000	2021 R'000
	3 961	29 898
	8 557 993	7 551 631
	3 184 378	3 052 107
	3 151 601	3 635 112
	2 055 895	2 186 749
	566	591
	85 437 722	84 450 396
	61 703 173	59 475 187
	77 927 696	75 281 379
	5 343 921	5 923 647
	3 152 410	3 670 860
	687 311	557 350
	(1 803)	(2 076)
	(23 475)	(40 139)
	662 033	515 135
	22 849	24 701
	4 770	3 517
	64 218	23 613
	753 870	566 966
	3 312	4 033
	750 558	562 933
	753 870	566 966

## 9. Trade and other receivables (continued)

The carrying value of trade and other receivables approximates their fair value at the reporting date.

An allowance for outstanding credit notes is accounted for based on past experience.

The Group applies the IFRS 9 general approach to measure the ECL for national customers as well as the balance of receivables covered by insurance. The Group applies the IFRS 9 simplified approach to measuring the ECL which uses a lifetime expected loss allowance for all other trade receivables as well as other debtors balances.

To measure the ECL, trade receivables have been grouped on shared characteristics and the days past due. Shared characteristics refer to type of product sold to the customer (similar to disaggregation of revenue note for these product lines – refer to note 19).

The expected loss rates applied are based on the payment profiles of sales over a period of 48 months and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. Forward-looking information includes expected economic growth and employment rates and the potential impact thereof on the Group's customers. The impact of the HPAI outbreak in South Africa was considered as part of the forward-looking information for the current period. This had a minimal impact on the forward-looking information considered. The expected economic growth rate, unemployment rate as well as intensified power supply interruptions was noted in the combined assessment of the above, resulting in an upwards adjustment of 20% (2021: 20%) to the calculated loss rates due to forward-looking factors.

	2022 R'000	2021 R'000
Trade receivables	687 311	557 350
Excluding:		
- Balances of national customers*	(312 824)	(216 734)
- Receivables specifically provided for	(22 677)	(39 452)
- Receivables with balances covered by insurance*	(230 990)	(190 764)
Remaining trade receivables balance subject to loss allowance based on matrix approach	120 820	110 400

- \* Balances of national customers (customers with a limited risk profile and with a national geographical representation) with no history of default and long history of trading with the Group. These customers have no long outstanding amounts, nor has there been any indication that these customers will default. The Group calculates the ECL on national customers with reference to the probability of default model using external credit ratings in determining the default risk of counterparties. The expected credit rating range used was between BB and BB+ (for emerging markets). The Group used a loss given default rate of 45%. The forward-looking assessment for national customers includes specific economic growth, unemployment rates, the intensified power supply interruptions and the impact of the 2021 HPAI outbreak in South Africa. Based on a combined assessment of the above, the calculated loss rates were adjusted upwards by a forward-looking factor of 20% (2021: 20%). The calculated ECL on these balances was not considered to be material.
- \* Balances covered by the Group's credit insurance with Credit Guarantee Insurance after deducting the co-payment as per insurance policy. The risk of default on these customers is considered part of the risk of default of the insurer, which risk was assessed as low due to past claims payment history. The ECL of balances insured was calculated using the same expected credit rating, loss given default rate and forward-looking information as national customers. The calculated ECL on these balances was not considered to be material.

## 9.

**Trade and other receivables (continued)****ECL allowance****30 September 2022**

Current	0.58	83 420	484
30 days	0.29	30 152	86
60 days	1.63	3 553	58
More than 90 days	4.60	3 695	170
Total ECL allowance		120 820	798
Specific provision for losses			22 677
Total loss allowance			23 475

**30 September 2021**

Current	0.56	78 081	439
30 days	0.13	25 339	33
60 days	0.53	1 892	10
More than 90 days	4.03	5 088	205
Total ECL allowance		110 400	687
Specific provision for losses			39 452
Total loss allowance			40 139

Movements on the Group's loss allowance are as follows:

**At 1 October**

Increase/(decrease) in general loss allowance recognised in profit or loss during the year  
 Increase in specific loss allowance recognised in profit or loss during the year  
 (Decrease)/increase in suspended interest included in the expected loss allowance  
 Receivables written off during the year as uncollectible  
 Unused amounts reversed  
 Foreign exchange translation adjustment

**At 30 September**

	2022 R'000	2021 R'000
	40 139	28 636
	66	(379)
	3 230	10 608
	(9 100)	2 312
	(9 916)	(897)
	(1 557)	(282)
	613	141
	23 475	40 139



## 9. Trade and other receivables (continued)

The ECL of other debtors were calculated as for trade receivables (refer above). The calculated ECL on these balances was not considered to be material.

Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amount of fully performing financial assets included in trade and other receivables at year-end equals:

	2022 R'000	2021 R'000
National customers	307 863	213 534
Other customers	342 661	289 611
	650 524	503 145
Other customers	22 677	39 452

Individually impaired receivables comprise of a number of customers for whom there is objective evidence that the Group will not be able to collect all amounts due. The following trade receivables were impaired at year-end:

The prior period balance of impaired trade receivables included a balance of R9.1 million owed by a customer that went into business rescue and closed its business. This balance was written off in the current year as uncollectible. The prior period balance of impaired trade receivables also included a suspended interest balance of R9.1 million relating to a single customer. The customers liquidation process has progressed sufficiently for the suspended interest to be reversed.

A summary of the Group's trade receivables covered by insurance or secured by collateral is as follows:

Trade receivable balances covered by Credit Guarantee Insurance (excluding specifically provided debtors balances)	276 273	227 302
Mortgage bonds - registered value	10 000	4 000
Notarial bonds - registered value	14 400	14 400
Cessions - book value	-	1 500
Bank guarantees - actual value	2 000	4 000
The carrying amount of the Group's trade receivables are denominated in the following currencies which are the functional currencies of the relevant subsidiaries:		
Zambian kwacha	8 770	5 857
Ugandan shilling	5 048	5 222
Mozambican metical	8 982	7 326
South African rand	664 512	538 945
Total	687 312	557 350

## 9. Trade and other receivables (continued)

Other receivables are largely denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.

*Loan to broad-based black economic empowerment supplier ("B-BBEE supplier")*

The Group granted a long-term loan to a B-BBEE supplier during the 2019 reporting period. The loan was provided to increase the B-BBEE supplier's layer hen capacity through capital improvements. The loan is unsecured, interest free and repayable in monthly instalments over 10 years, starting from the date the capital improvements are ready for use.

	2022 R'000	2021 R'000
<b>Loan to broad-based black economic empowerment supplier ("B-BBEE supplier")</b>		
Loan at the start of the year	4 456	4 912
Loan repaid during the year	(399)	-
Discounting of loan	(61)	(456)
Loan at the end of year - included in other debtors balance	3 996	4 456
Current portion of loan	(684)	(423)
Non-current portion of loan	3 312	4 033

The loan balance is not past due, nor has there been any indication that the B-BBEE supplier will default. The credit risk of the Group's loan has been assessed using the simplified approach of IFRS 9 by taking into account the B-BBEE supplier's risk of default and its capacity to meet the contractual cash flow obligations as they become due, as well as current and forward-looking information on macro-economic factors affecting the B-BBEE supplier's ability to settle its debt. Due to the risk of default being assessed as low, the calculated ECL of the loan receivable was not considered to be material.

## 10. Derivative financial instruments

Foreign exchange contracts - cash flow hedges

	2022 R'000	2021 R'000
Current assets	53	23
	53	23
	53	23

For the purposes of the statement of financial position, derivative financial instruments are presented as follows:

Trading derivatives are classified as a current asset or liability. The carrying values of derivative financial instruments are measured at their fair values at the reporting date.

The purchase of foreign exchange contracts are for the import of raw materials used for production, or capital expenses.

Refer to note 37 for the Group's exposure to financial risks and how these risks are managed.

## 10. Derivative financial instruments (continued)

## 10.1 Derivative instruments earmarked for hedging (cash flow hedges)

	2022 Fair value R'000	2021 Fair value R'000
<b>Commodity instruments</b>		
<b>Futures*</b>	<b>3 681</b>	26 473
* Disclosed within cash and cash equivalents (restricted cash). Consists of 80 yellow maize and 28 white maize (2021: 760 white maize) futures bought.		
<b>Currency forward contracts</b>		
<b>30 September 2022</b>		
Purchases of foreign exchange contracts		53
Euro	103	53
<b>30 September 2021</b>		
Purchases of foreign exchange contracts		23
Euro	66	23

Cash flow hedges are expected to realise in profit or loss in the next financial year.

## 11. Cash and cash equivalents

Cash at bank and on hand

For the purposes of the statement of cash flows, the year-end cash and cash equivalents consist of cash at bank, on hand, restricted balances and bank overdrafts. The above figure reconciles to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Balances as above	63 845	73 311
Bank overdraft (see note 37.1 (c))	(74 908)	-
Cash and cash equivalents at end of year (net of overdraft)	(11 063)	73 311
The carrying amounts of the Group's cash at bank and on hand are denominated in the following currencies:		
South African rand	5 080	31 966
US dollar	1 682	9 553
Zambian kwacha (functional currency of a subsidiary)	41 425	19 998
Ugandan shilling (functional currency of a subsidiary)	10 763	5 833
Mozambican metical (functional currency of a subsidiary)	4 895	5 961
Total	63 845	73 311

The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.

### Restricted balances

Cash and cash equivalents include restricted balances of R3.7 million (2021: R26.5 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the Group when the related derivative positions are closed.



## 12.

**Share capital**

	2022 R'000	2021 R'000
Authorised – ordinary shares 400 000 000 (2021: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares 200 024 716 (2021: 200 024 716) ordinary no par value shares	<b>1 465 069</b>	1 465 069
<i>Reconciliation of movement in issued shares</i> During the current and prior reporting period there was no movement in issued ordinary shares.		
<i>Treasury shares held by subsidiary</i> At the beginning of the year: 2 477 392 (2021: 5 761 455) ordinary shares Issued to management in terms of share appreciation rights scheme: 2 063 234 (2021: 3 284 063) ordinary shares At the end of the year: 414 158 (2021: 2 477 392) ordinary shares	<b>8 315</b> <b>(6 925)</b> <b>1 390</b>	19 338 (11 023) 8 315

### 13. Share-based payments

#### Management share appreciation rights scheme (equity-settled)

The Group operates a share appreciation rights scheme for qualifying management.

The exercise of vested share appreciation rights entitles the employee to ordinary shares in the Company. This number of ordinary shares is calculated by dividing the amount by which the exercise price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the phantom share right price at the exercise date. Phantom share right price is an amount equal to the volume weighted average price per share for the preceding three trading days. Special dividends declared during the period between the grant date and the vesting date are included in the exercise price of the share appreciation rights.

	2022 Number R'000	2021 Number R'000
<i>Number of share appreciation rights made available</i>		
Number at beginning of year	24 025	26 346
New allocation at R5.39 per share	5 468	-
New allocation at R6.09 per share	-	3 648
Redeemed	(4 605)	(5 755)
Expired/forfeited	(2 085)	(214)
Number at end of year	22 803	24 025
<i>Number of share appreciation rights</i>		
At R3.09 per share, exercisable up to 23 February 2023	-	2 520
At R3.91 per share, exercisable up to 22 February 2024	2 153	4 307
At R4.25 per share, exercisable up to 11 February 2025	4 033	6 049
At R3.57 per share, exercisable up to 17 February 2026	7 501	7 501
At R6.09 per share, exercisable up to 15 February 2027	3 648	3 648
At R5.39 per share, exercisable up to 21 February 2028	5 468	-
	22 803	24 025

Share appreciation rights were granted on 21 February 2022 at a strike price of R5.39. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 21 February 2025 subject to certain time and performance-based criteria.

The performance-based criteria are measured over three-, four- and five-year performance periods respectively. The hurdle for any vesting is based on a target compound annual growth in headline earnings per share.

The net estimated weighted average fair value at grant date per share appreciation right for share appreciation rights outstanding at 30 September 2022 is R1.30 (2021: R1.25). The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based payment. The cost accounted for in the current year amounts to R3 036 300 (2021: R7 759 500).

### 13. Share-based payments (continued)

These fair values were calculated using the actuarial binomial option pricing model.

The principal assumptions were as follows:

Weighted average share price at grant date (cents per share)	445	399
Expected volatility	28.2% to 45.3%	28.0% to 45.3%
Expected dividend yield	3.0%	3.0%
Risk-free rate	5.2% to 8.1%	5.2% to 8.1%
Expected life (years)	3 to 5	3 to 5

Expected volatility was determined by calculating the volatility of the share price of the Company.

The shareholders initially approved a maximum number of 14 500 000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2022, 4 987 270 ordinary shares (2021: 7 050 504) were still available for issue.

### 14. Other reserves

Share-based payment reserve	2022 R 000	2021 R 000
Foreign currency translation reserve	24 960	25 257
Hedging reserve	(17 857)	(103 850)
	13 859	12 824
	20 962	(65 769)

The fair value of share appreciation rights issued to qualifying management are accounted for in the share-based payment reserve over the respective vesting periods. The reserve is adjusted at each reporting date when the entity revises its estimates of the number of share appreciation rights that are expected to become exercisable. The impact of the revision of original estimates, if any, are recognised in profit or loss, with a corresponding adjustment to this reserve in equity for the equity-settled plan. Refer to note 13 for further detail.

The foreign currency translation reserve relates to exchange differences arising from translation of foreign subsidiaries' statements of comprehensive income at average exchange rates for the year and their statements of financial position at the ruling exchange rates at the reporting date if the functional currency differs.

The hedging reserve relates to the change in fair value of derivative financial instruments. These derivative financial instruments include futures as well as foreign exchange contracts – cash flow hedges.

## 15.

**Leases**

This note provides information for leases where the Group is a lessee.

*Reconciliation of carrying values*

Balance at beginning of year

New leases

Reassessments and modifications

Lease termination

Lease payments

Principal lease liability payments

Interest

Foreign exchange adjustment

**Lease liabilities**

Non-current

Current

	2022 R'000	2021 R'000
	109 015	71 860
	880	51 236
	(4 313)	8 099
	-	(1 211)
	(23 963)	(20 941)
	(33 588)	(29 397)
	9 625	8 456
	-	(28)
	81 619	109 015
	56 021	85 155
	25 598	23 860
	81 619	109 015

The Group's leasing activities and accounting thereof are disclosed in note 18 of the accounting policies.

Right-of-use assets recognised in the statement of financial position in relation to the Group's lease liabilities are disclosed in note 4.

**The statement of comprehensive income includes the following amounts relating to leases**

Depreciation charge of right-of-use assets (note 4)

Interest expense (included in finance cost note 24)

Expense relating to short-term leases (included in sales and distribution costs and other operating expenses)

Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)

Expense relating to variable lease payments not included in lease liabilities (included in sales and distribution costs and other operating expenses)

24 870	21 021
9 625	8 456
5 742	5 606
5 311	4 945
830	1 028

The total cash outflows for leases amounted to R45.5 million (2021: R41.0 million) of which R24.0 million (2021: R20.9 million) relates to the principal elements of lease payments.



## 15. Leases (continued)

*Impact of critical judgments in determining the lease term*

None of the lease payments made in the current reporting period were optional. No potential future cash outflows (2021: Rnil) have been excluded from the lease liability where it is not reasonably certain that the leases will be extended (or not terminated). During the current financial period, no leases were terminated in advance of the end of their contractual terms. During the prior financial period, a land lease was terminated in advance of the end of its contractual term which resulted in a decrease of R10 million in right-of-use assets and a R1,1 million decrease in lease liabilities.

The financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities of R3,9 million (2021: increase of R6,6 million) and right-of-use assets of R3,1 million (2021: increase of R6,6 million). The lease term of the East London pack station was reduced due to the closure of the plant, which impact was the largest contributor to the revised lease term financial effect.

## 16. Deferred income tax

	2022 R'000	2021 R'000
Balance at beginning of year	265 620	221 149
Change in profit or loss	(757)	27 506
Change in tax rate	(8 713)	-
Foreign exchange translation adjustment	2 394	358
Deferred income tax on hedging reserve charged to equity	139	7
Deferred income tax on share-based payment reserve	(3 069)	(3 388)
Deferred tax on business combination*	-	19 988
	<b>255 614</b>	<b>265 620</b>

\* Deferred tax on acquisition of LP Buhr Boerdery (Pty) Ltd. Refer to Note 40 for details.

## 16.

**Deferred income tax (continued)**

	2022 R'000	2021 R'000
Due to the following temporary differences:		
Capital allowances, including trademarks	208 266	212 059
Inventories	13 549	10 372
Biological assets	83 990	84 388
Assessed loss recognised	(19 144)	(7 699)
Prepaid expenses	4 172	3 623
Provision for long-service awards	(2 731)	(2 721)
Leave accrual	(7 074)	(7 280)
Bonus accrual	(201)	(315)
Provision for impairment of trade receivables	(3 379)	(6 436)
Rebates, growth incentives and settlement discount accruals	(3 575)	(2 125)
Allowance for credit notes	(487)	(581)
Deferred income	(520)	(598)
Derivative financial instruments	(277)	(17)
Share-based payments	(11 092)	(10 652)
Accruals staff costs	(1 578)	(1 343)
Other*	(4 305)	(5 055)
	<b>255 614</b>	<b>265 620</b>
For the purposes of the statement of financial position, deferred income tax is presented as follows:		
Non-current assets	(1 564)	(970)
Non-current liabilities	257 178	266 590
	<b>255 614</b>	<b>265 620</b>

\* Other includes temporary differences on right-of-use assets and the discounting of a loan.

During the year, deferred income tax assets of R1 564 000 (2021: R970 000) have been recognised of which the utilisation thereof depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

These deferred tax assets relate to assessed losses of Group entities that suffered losses in the current and/or preceding years. The losses suffered in the current and/or previous period arose from identifiable causes that are unlikely to recur. These entities have a strong earnings potential, and future profitability is expected against which unrecognised tax losses can be utilised.

**17. Provisions for other liabilities and charges**

Long-service awards

**17.1 Long-service awards**

Balance at beginning of year  
Interest  
Actuarial (profit)/loss  
Current service costs  
Payments

The amount recognised in the statement of financial position was determined as follows:

Present value of unfunded obligations  
Unrecognised actuarial loss

For the purposes of the statement of financial position, provisions for other liabilities and charges are presented as follows:

Non-current liabilities  
Current liabilities

Existing provisions are based on the following important assumptions:

Discount rate (per annum)  
Salary increases (per annum)

Normal retirement age

The date of the most recent actuarial valuation is:

	2022 R'000	2021 R'000
	<b>10 116</b>	9 718
	<b>9 718</b>	8 430
	<b>722</b>	588
	<b>(304)</b>	754
	<b>1 354</b>	1 182
	<b>(1 374)</b>	(1 236)
	<b>10 116</b>	9 718
	<b>10 116</b>	9 718
	<b>-</b>	-
	<b>10 116</b>	9 718
	<b>8 966</b>	8 356
	<b>1 150</b>	1 362
	<b>10 116</b>	9 718
	<b>10.0%</b>	8.2%
	<b>8.3%</b>	6.5%
	<b>60 years</b>	60 years
	<b>30 September 2022</b>	30 September 2021

## 18. Trade and other payables

Trade payables	
Accrued expenses	
Accrued leave pay	
Accrued 13th cheque	
Accrued short-term incentive bonus	
Value-added tax	
Dividends payable	
Other payables	
Refund liability	

	2022 R'000	2021 R'000
Trade payables	517 189	330 536
Accrued expenses	20 957	18 561
Accrued leave pay	27 021	26 548
Accrued 13th cheque	9 154	8 728
Accrued short-term incentive bonus	191	424
Value-added tax	95	128
Dividends payable	477	470
Other payables	16 690	11 345
Refund liability	11 857	-
<b>Total</b>	<b>603 631</b>	<b>396 740</b>

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Other payables include trade and other receivables with credit balances reclassified as trade and other payables.

The refund liability is recognised for growth incentive rebates payable to certain customers (refer to note 16 of the accounting policies).

The carrying amount of the Group's trade payables are denominated in the following currencies:

<i>Uncovered:</i>		
Euro	517 189	330 536
US dollar	-	504
Zambian kwacha (functional currency of a subsidiary)	4 160	2 620
Ugandan shilling (functional currency of a subsidiary)	1 056	1 203
Mozambican metical (functional currency of a subsidiary)	1 957	1 207
South African rand	4 727	2 556
	505 289	322 446
<b>Total</b>	<b>517 189</b>	<b>330 536</b>

Other payables are mostly denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.



## 19.

**Revenue from contracts with customers**

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time.

**Eggs**

- included in eggs segment
- included in other African countries segment

**Layer farming\***

- included in farming segment
- included in other African countries segment

**Broiler farming\*\***

- included in farming segment
- included in other African countries segment

**Animal feeds**

- included in animal feeds segment
- included in other African countries segment

\* Layer farming sales includes the sale of day-old pullets and point-of-lay hens.  
 \*\* Broiler farming sales includes the sales of day-old broilers and live birds.

**Information regarding major customers**

During the period under review, revenue from the Group's top three customers was as follows:

Customer A  
 Customer B  
 Customer C

Revenue from these customers is reported within all operating segments except other African countries.

	2022 R'000	2021 R'000
<b>6 020 558</b>	5 401 116	
<b>1 602 692</b>	1 435 398	
<b>1 350 127</b>	1 228 789	
<b>252 565</b>	206 609	
<b>240 958</b>	256 165	
<b>211 906</b>	219 597	
<b>29 052</b>	36 568	
<b>1 436 431</b>	1 225 492	
<b>1 375 974</b>	1 192 033	
<b>60 457</b>	33 459	
<b>2 740 477</b>	2 484 061	
<b>2 688 142</b>	2 440 511	
<b>52 335</b>	43 550	
<b>6 020 558</b>	5 401 116	

<b>1 111 874</b>	933 243
<b>580 955</b>	512 185
<b>459 523</b>	462 644

**20. Other income**

Administration fees received	
Rental income	
Sundry income	
Insurance claims	

2022	2021
R'000	R'000
52	41
6 883	5 861
9 008	4 299
4 177	-
<b>20 120</b>	<b>10 201</b>

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided. The sale of services is included in other income in profit or loss. Sale of services includes rental income received.

During the reporting period the Group received a HPAl insurance claim of R19.7 million. The portion of the claim directly related to livestock losses in the current reporting period (R17.8 million) was recognised as a recovery within cost of sales. The remaining portion of the claim of R1.9 million relates to livestock losses in the prior period and is recognised within other income as insurance claims.

**21. Other gains/(losses) – net**

Biological assets fair value adjustment	
Unrealised – reflected in carrying amount of biological assets	
Realised – reflected in cost of goods sold	
Agricultural produce fair value adjustment	
Unrealised – reflected in carrying amount of inventory	
Realised – reflected in cost of goods sold	
Foreign exchange differences	
Financial instruments fair value adjustments	
Foreign exchange contract cash flow hedging ineffective gain	
Profit/(loss) on disposal of property, plant and equipment	
Profit on disposal of interest in associate	
Impairment of intangible assets	

(8 438)	29 663
(8 702)	(18 894)
264	48 557
4 038	38 195
(2 094)	(26)
6 132	38 221
(1 252)	(5 370)
-	(3)
4 095	6 528
1 115	(674)
-	3 965
(5 428)	-
<b>(5 870)</b>	<b>72 304</b>

**Biological assets fair value adjustment**

The adjustment of biological assets from cost to fair value includes a realised and unrealised component. The unrealised portion is reflected in the carrying amount of biological assets in the statement of financial position, and the realised portion is reflected in cost of goods sold in profit and loss.

22. Operating costs

22.1 Expenses by function

Cost of sales<sup>1</sup>  
Sales and distribution costs<sup>2</sup>  
Marketing costs<sup>3</sup>  
Administrative expenses<sup>4</sup>  
Net impairment losses on trade and other receivables<sup>5</sup>  
Other operating expenses<sup>6</sup>

2022 R'000	2021 R'000
4 910 916	4 339 005
288 322	263 528
13 311	15 065
156 773	143 972
1 739	9 050
631 242	565 412
6 002 303	5 336 032

## 22. Operating costs (continued)

## 22.2

## Expenses by nature

	2022 R'000	2021 R'000
<b>Expenses by nature</b>		
Cost of raw materials <sup>1</sup>	4 567 951	3 923 072
Insurance claim received for loss of biological assets <sup>1</sup>	(17 774)	-
Fair value adjustment on biological assets and agricultural produce <sup>1</sup>	6 396	86 778
Inventory written off <sup>1</sup>	12 500	13 709
Research and laboratory costs <sup>1, 3, 6</sup>	17 577	17 458
Staff costs <sup>1, 2, 4, 6</sup>	512 645	479 724
Wages and salaries	444 445	413 602
Termination benefits	1 010	116
Other staff costs	35 128	30 672
Pension costs	29 026	27 574
Share-based payments expense (refer to note 13)	3 036	7 760
Non-executive directors' remuneration <sup>6</sup>	3 132	874
Technical services from non-employees <sup>4</sup>	15 677	14 567
Auditors' remuneration <sup>4</sup>	5 096	4 576
Audit - current year	5 074	4 518
Tax-related services	22	58
Internal audit fees <sup>4</sup>	1 997	1 861
Rental of premises, machinery and vehicles <sup>2, 4, 6</sup>	11 723	11 580
Travel and entertainment <sup>4</sup>	8 997	5 208
Energy costs <sup>1, 6</sup>	162 609	132 167
Maintenance <sup>1, 6</sup>	103 308	95 468
Depreciation and amortisation <sup>1, 6</sup>	106 958	96 556
Insurance <sup>4</sup>	33 380	31 522
Cleaning <sup>1, 6</sup>	52 986	47 047
Office expenses <sup>4</sup>	60 501	60 938
Marketing costs <sup>3</sup>	11 258	11 902
Security <sup>1, 6</sup>	35 904	31 952
Change in loss allowance for trade receivables <sup>5</sup>	(8 177)	9 050
Change in allowance for credit notes <sup>6</sup>	(274)	(9)
Bad debts <sup>6</sup>	9 690	824
Transport and distribution costs <sup>1, 2</sup>	286 847	257 716
B-BBEE socio-economic and enterprise development <sup>4</sup>	1 396	1 492
<b>Total cost of sales, sales and distribution costs, marketing, administrative and other operating expenses</b>	<b>6 002 303</b>	<b>5 336 032</b>

<sup>1</sup> Cost of sales. <sup>2</sup> Sales and distribution costs. <sup>3</sup> Marketing costs. <sup>4</sup> Administrative expenses.

<sup>5</sup> Net impairment losses on trade and other receivables. <sup>6</sup> Other operating expenses.

Total expenses by nature are disclosed in note 22.2 with a numeral that indicated the expense by function as in note 22.1.



**23. Investment income**

Interest income on financial assets: loans and receivables  
 - Call accounts and other

	2022 R'000	2021 R'000
	<b>4 244</b>	4 747
	<b>4 244</b>	4 747

Interest income is recognised on a time-proportion basis using the effective interest rate method. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as investment income in profit or loss where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

**24. Finance costs**

Interest expense on financial liabilities measured at amortised cost  
 - Call loans and bank overdrafts  
 - Lease liability finance charges  
 - Provision for unwinding of discount

	<b>5 624</b>	2 242
	<b>9 625</b>	8 456
	<b>1 052</b>	1 146
	<b>16 301</b>	11 844

**25. Income tax expense/(credit)**

Current income tax  
 Current year  
 Overprovision previous years  
 Deferred taxation  
 Current year  
 Income tax rate change

	<b>5 916</b>	8 958
	<b>5 916</b>	9 003
	<b>-</b>	(45)
	<b>(9 470)</b>	27 506
	<b>(757)</b>	27 506
	<b>(8 713)</b>	-
	<b>(3 554)</b>	36 464

## 25. Income tax expense/(credit) (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory rate as follows:

	2022 %	2021 %	2022 R'000	2021 R'000
<b>Profit before income tax</b>				
Standard rate for companies*				
(Decrease)/increase in rate:				
Exempt income				
Non-deductible expenditure	28.00	28.00	20 268	142 259
Overprovision previous year	(2.60)	(0.31)	5 675	39 833
Effect of capital gains tax	25.25	5.13	(528)	(435)
Effect of impairments	-	(0.03)	5 117	7 296
Effect of different tax rates*	(1.11)	(1.14)	-	(45)
Effect of tax rate change*	7.50	-	(224)	(1 615)
Other differences	(27.13)	(3.87)	1 520	-
Effective rate	(43.00)	(0.31)	(5 497)	(5 505)
	(4.45)	(1.84)	(8 712)	(448)
	(17.53)	25.63	(905)	(2 617)
			(3 554)	36 464

\* The standard tax rate for foreign subsidiaries differs from the income tax rate of 28%. Quantum Foods Zambia Ltd's agricultural profits are taxed at 10% and other income and manufacturing activities (feed mill activities) are taxed at 30% (2021: 35%). Quantum Foods Uganda Ltd's profits are taxed at 30%. Quantum Foods Mozambique S.A.'s profits are taxed at 16%, and will change to 32% effective from the 2024 financial period.

\* The South African corporate income tax rate has been lowered from 28% to 27% for years of assessments starting on or after 1 April 2022. For the current financial year the rate change is substantively enacted and results in the deferred tax being provided at 27% and the current income tax at 28%. The Zambian corporate income tax rate was lowered from 35% to 30% with effect from 1 January 2022.

Exempt income consist of amounts received in terms of the South African employment tax incentive scheme. Non-deductible expenditure consist mainly of depreciation on assets (e.g. poultry houses bought) and expenses relating to corporate action which are not deductible for tax.

	2022 R'000	2021 R'000
Gross calculated tax losses of certain subsidiaries at the end of the reporting period available for utilisation against future taxable income of those companies	68 119	25 085
Less: Utilised in reduction of deferred tax	(60 822)	(22 053)
	7 297	3 032

A current and deferred income tax charge of R138 857 (2021: R3 108 485) relating to fair value adjustments on the cash flow hedging reserve is credited directly through other comprehensive income/(loss).

## 26. Earnings per ordinary share

## Basic

The calculation of basic earnings per share is based on profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year.

Profit for the year  
Weighted average

number of ordinary shares in issue ('000)

23 822  
198 755

105 795  
196 126

## Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive contingent ordinary shares.

	2022 Number '000	2021 Number '000
Weighted average number of ordinary shares in issue used as the denominator in calculating basic earnings per share	198 755	196 126
Adjustment for calculation of diluted earnings per share – Share appreciation rights	1 255	3 565
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	200 010	199 691

Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share. Refer to note 13.

## 26.

**Earnings per ordinary share (continued)**

The calculation of diluted earnings per share is based on profit for the year attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the period:

Profit for the year

Diluted weighted average number of ordinary shares in issue ('000)

Headline earnings is calculated in accordance with Circular 1/2021 issued by the South African Institute of Chartered Accountants.

*Reconciliation between profit attributable to owners of the parent and headline earnings*

Profit for the year

Remeasurement of items of a capital nature

(Profit)/loss on disposal of property, plant and equipment

Gross

Tax effect

Profit on disposal of interest in associate

Gross

Tax effect

Impairment of intangible assets

Gross

Tax effect

Headline earnings for the year

Earnings per ordinary share (cents)

Diluted earnings per ordinary share (cents)

Headline earnings per ordinary share (cents)

Diluted headline earnings per ordinary share (cents)

	2022 R'000	2021 R'000
Profit for the year	<b>23 822</b>	105 795
Diluted weighted average number of ordinary shares in issue ('000)	<b>200 010</b>	199 691
Headline earnings for the year	<b>23 822</b>	105 795
Remeasurement of items of a capital nature	<b>(1 137)</b>	453
(Profit)/loss on disposal of property, plant and equipment	<b>(1 115)</b>	674
Gross	<b>(22)</b>	(221)
Tax effect	-	(3 965)
Profit on disposal of interest in associate	-	(3 965)
Gross	-	-
Tax effect	-	-
Impairment of intangible assets	<b>5 428</b>	-
Gross	<b>5 428</b>	-
Tax effect	-	-
Headline earnings for the year	<b>28 113</b>	102 283
Earnings per ordinary share (cents)	<b>12.0</b>	53.9
Diluted earnings per ordinary share (cents)	<b>11.9</b>	53.0
Headline earnings per ordinary share (cents)	<b>14.1</b>	52.2
Diluted headline earnings per ordinary share (cents)	<b>14.1</b>	51.2



## 27.

**Cash profit from operating activities**

Reconciliation of profit before tax and cash profit from operating activities:

Profit before income tax

*Adjustment for:*

Depreciation and amortisation

Impairment of goodwill

Biological assets fair value adjustment

Agricultural produce fair value adjustment

Net (profit)/loss on sale of property, plant and equipment

Net profit on disposal of investment in associate

Unrealised losses on FECs, foreign exchange and future contracts

Change in loss allowance for trade receivables

Change in provision for credit notes based on history

Inventory written off

Bad debts

Share-based payments expense

Changes in provisions for long-service awards

Interest received

Interest paid

Share of loss/(profit) of associate companies

Leases derecognition included in operating profit

2022  
R'0002021  
R'000

20 268

142 259

106 958

96 556

5 428

–

8 702

18 894

2 094

26

(1 115)

674

–

(3 965)

398

3 615

(8 177)

9 050

(274)

(9)

12 500

13 709

9 690

824

3 036

7 760

(324)

700

(4 244)

(4 747)

16 301

11 844

180

(1 767)

(796)

(126)

170 625

295 297

## 28.

**Working capital changes**

Increase in inventory

Increase in trade and other receivables

Increase/(decrease) in trade and other payables

Increase in current biological assets

Changes to derivative financial instruments

(92 815)

(97 897)

(188 872)

(55 024)

236 390

(35 035)

(41 398)

(67 717)

(379)

(3 619)

(87 074)

(259 292)

**29. Dividends paid**

Amounts unpaid at beginning of the year  
As disclosed in statement of changes in equity  
Dividends declared during the year  
Dividends on treasury shares received by subsidiary  
Amounts unpaid at end of year

	2022 R'000	2021 R'000
	(470)	(436)
	(15 969)	(19 426)
	(16 002)	(20 002)
	33	576
	477	470
	(15 962)	(19 392)
	(1 799)	(12 473)
	(5 916)	(8 958)
	-	(3 101)
	831	1 799
	(6 884)	(22 733)

**30. Income tax paid**

Amounts unpaid at beginning of the year  
Current tax charge in profit and loss  
Hedging reserve – income tax current year  
Amounts unpaid at end of the year

For the purposes of the statement of financial position, current income tax (receivable)/payable are presented as follows:

Current assets	(1 722)	(840)
Current liabilities	2 553	2 639
	831	1 799
	1 252	1 951
	1 115	(674)
	2 367	1 277

**31. Proceeds on disposal of property, plant and equipment**

Book value of property, plant and equipment disposed  
Profit/(loss) on disposal of property, plant and equipment

### 32. Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

#### Net debt

Cash and cash equivalents  
Bank overdraft  
Lease liabilities

	2022 R'000	2021 R'000
	63 845	73 311
	(74 908)	-
	(81 619)	(109 015)
	(92 682)	(35 704)

#### Net debt as at 1 October 2020

Movement in lease liabilities

Cash flows

Foreign exchange adjustments

#### Net debt as at 30 September 2021

Movement in lease liabilities

Cash flows

Foreign exchange adjustments

#### Net debt as at 30 September 2022

	Cash/bank overdraft R'000	Lease liabilities R'000	Total R'000
	251 781	(71 860)	179 921
	-	(58 122)	(58 122)
	(179 955)	20 941	(159 014)
	1 485	26	1 511
	73 311	(109 015)	(35 704)
	-	3 433	3 433
	(95 596)	23 963	(71 633)
	11 222	-	11 222
	(11 063)	(81 619)	(92 682)

### 33. Contingent liabilities

No litigation matters with potential material consequences exist as at the reporting date.

**34. Commitments****34.1 Operating lease receivables**

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

No later than one year  
Later than one year, and no later than five years

	2022 R'000	2021 R'000
	<b>3 308</b>	94
	<b>2 893</b>	-
	<b>6 201</b>	94

**34.2 Capital commitments**

Contractually committed  
Approved by the Board, but not yet contractually committed  
- for the next financial year  
- for the year following the next financial year

	<b>31 700</b>	12 298
	<b>104 155</b>	154 723
	<b>104 155</b>	121 291
	<b>-</b>	33 432
	<b>135 855</b>	167 021
	<b>131 878</b>	152 825
	<b>3 977</b>	14 196
	<b>135 855</b>	167 021

Allocated as follows:

Property, plant and equipment  
Computer software

The expenditure will be financed from operating income, cash reserves and borrowed funds, in accordance with a budget approved by the Board.



**35. Related-party transactions**

Quantum Foods Holdings Ltd is the ultimate holding company of the Quantum Foods group of companies. The Group consists of:

- Quantum Foods (Pty) Ltd
- Quantum Foods Uganda Ltd (incorporated in Uganda)
- Quantum Foods Zambia Ltd (incorporated in Zambia)
- Quantum Foods Mozambique, S.A. (incorporated in Mozambique)
- Bergsig Breeders (Pty) Ltd – associate company disposed of on 18 June 2021 (refer to note 6)
- Klipvei Broilers (Pty) Ltd – associate company (refer to note 6)

The Group holds a 100% (2021: 100%) interest in Quantum Foods (Pty) Ltd, and this entity holds a 100% (2021: 100%) interest in all the other subsidiaries listed above. The subsidiaries are incorporated in South Africa unless indicated otherwise.

During the reporting period the Company and its subsidiaries conducted the following transactions with its associate companies and key management personnel:

	2022 R'000	2021 R'000
<b>35.1 Sale of goods</b>		
Bergsig Breeders (Pty) Ltd (sales up to date of disposal)	-	45 648
Klipvei Broilers (Pty) Ltd	7	46
	<b>7</b>	<b>45 694</b>
<b>35.2 Purchase of goods/services</b>		
Bergsig Breeders (Pty) Ltd (purchases up to date of disposal)	-	52 237
Klipvei Broilers (Pty) Ltd (grower fee paid)	<b>28 496</b>	<b>24 282</b>
	<b>28 496</b>	<b>76 519</b>
<b>35.3 Key management personnel compensation</b>		
Salaries and other short-term employee benefits	<b>20 842</b>	<b>19 199</b>
Post-employment benefits	<b>2 139</b>	<b>2 112</b>
Bonuses and incentives	-	-
Other long-term benefits	-	-
Share-based payments	<b>2 516</b>	<b>6 793</b>
	<b>25 497</b>	<b>28 104</b>

Key management personnel include the executive directors of the Board and members of the Group's executive committee.

36.

Financial instruments by category

30 September 2022

Assets as per statement of financial position

Amortised cost R'000	Assets at fair value through profit and loss R'000	Total R'000
-	53	53
666 803	-	666 803
63 845	-	63 845
730 648	53	730 701

30 September 2021

Assets as per statement of financial position

Derivative financial instruments			
Trade and other receivables <sup>1</sup>	-	23	23
Cash and cash equivalents	518 652	-	518 652
	73 311	-	73 311
591 963	23		591 986

<sup>1</sup> Financial assets do not include prepaid expenses and VAT amounts receivable.

30 September 2022

Liabilities as per statement of financial position

Lease liabilities	81 619	81 619
Bank overdraft	74 908	74 908
Trade and other payables <sup>2</sup>	567 170	567 170
723 697	723 697	723 697

30 September 2021

Liabilities as per statement of financial position

Lease liabilities	109 015	109 015
Trade and other payables <sup>2</sup>	360 912	360 912
469 927	469 927	469 927

<sup>2</sup> Financial liabilities do not include accruals for 13th cheque, leave, short-term incentive bonus and VAT amounts payable.

## 37. Financial risk management

### 37.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information is included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	<ul style="list-style-type: none"> <li>– Future commercial transactions</li> <li>– Recognised assets and liabilities denominated in foreign currency</li> </ul>	<ul style="list-style-type: none"> <li>– Cash flow forecasting</li> <li>– Sensitivity analysis</li> </ul>	Forward foreign exchange contracts for future commercial transactions
Market risk – price risk	Fluctuations in prices of feed raw materials, mainly maize and soya bean meal	Sensitivity analysis	<ul style="list-style-type: none"> <li>– Futures contracts</li> <li>– Contracting at fixed delivery prices</li> </ul>
Market risk – interest rate	Deposits and bank overdraft at variable rates	Sensitivity analysis	Treasury function based on a rolling cash flow forecast
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments	<ul style="list-style-type: none"> <li>– Ageing analysis</li> <li>– Credit ratings</li> <li>– Sensitivity analysis</li> </ul>	<ul style="list-style-type: none"> <li>– Deposits placed at banks with high credit ratings</li> <li>– Credit limits, credit control, letters of credit and insurance for trade receivables</li> </ul>
Liquidity risk	Investment in working capital, capital expenses, changes in profitability	Rolling cash flow forecasts	<ul style="list-style-type: none"> <li>– Committed working capital facility</li> <li>– Vendor payment terms</li> </ul>

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Board approved a broad decision-making framework in terms of which financial risks are evaluated, managed and hedged by executive management.

### 37. Financial risk management (continued)

#### 37.1 Financial risk factors (continued)

##### (a) Market risk

##### (i) Cash flow interest rate risk

The Group's interest rate risk arises from financial assets and financial liabilities.

Financial liabilities exposed to interest rate risk include interest-bearing short and long-term borrowings. At year-end the Group had a bank overdraft balance which exposes the Group to cash flow interest rate risk. The Group's lease liabilities has minimal exposure to variable interest rates.

Financial assets exposed to cash flow interest rate risk include cash and short-term bank deposits. Changes in the prime interest rate will result in a minimal impact on profit after tax.

##### (ii)

##### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, British pound, US dollar, Zambian kwacha, Ugandan shilling and Mozambican metical. Foreign exchange risk arises from future commercial transactions denominated in foreign currencies, recognised assets and liabilities denominated in foreign currencies and derivative financial instruments. Apart from the Group's exposure to trade receivables and payables and cash denominated in foreign currencies, no other financial assets or liabilities expose the Group to significant foreign exchange risk.

##### Instruments used by Group

The Group manages short-term foreign exchange exposure relating to raw material imports (primarily US dollar based), in terms of formal hedging policies. Foreign exchange risk arising from capital imports is hedged in total. The Group either uses a foreign exchange forward contract ("FEC") to hedge its exposure to foreign currency risk or procures the relevant imported goods at a ZAR price which includes an FEC entered into on the Group's instruction. Only the spot component of forward contracts entered into by the Group is designated as a hedging instrument. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is the forward element, which is recognised in profit or loss.

Refer to note 10 for material FECs. Refer to notes on trade and other receivables, trade payables for financial exposure to foreign currency risk.

Refer to note 21 - other gains/(losses) - net for foreign exchange-related amounts recognised in profit or loss for the year.

##### (iii)

##### Price risk

The Group is exposed to commodity price risk. The risk arises from the Group's need to buy specific quantities and qualities of raw materials to meet its feeds business' requirements. These raw materials include maize and soya bean meal.

The Group uses exchange-for-physical contracts to hedge itself against the price risk of the maize commodity acquired in South Africa. These contracts hedge the future purchase price of raw materials. Settlement of the physical contracts and local futures are effected by physical delivery. The commodity price risk arising from maize and soya bean meal imports are hedged by contracting at a fixed delivered price.



**37. Financial risk management (continued)****37.1 Financial risk factors (continued)****(a) Market risk (continued)****(iv) Sensitivity analysis**

The table below summarises the impact on post-tax profit and equity of changes in market risks relating to the Group's financial instruments exposed to foreign exchange risk.

*Change in foreign currency*

Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 4% (2021: 3%), British pound of 2% (2021: 3%), Euro of 4% (2021: 3%), Zambian kwacha of 5% (2021: 3%), Ugandan shilling of 3% (2021: 3%) and Mozambique metical 2% (2021: 3%), with all other variables held constant.

	2022 R'000	2021 R'000
Rand depreciates against foreign currencies - Increase/(decrease) in profit after income tax Trade receivables Cash and cash equivalents Trade payables - Increase in equity after income tax Derivative financial instruments earmarked for hedging	614 2 356 (681) 52 2 341	408 1 097 (204) 25 1 326
<i>Change in commodity prices</i> Derivative financial instruments affected by changes in the commodity prices relate to futures. The summary below reflects the results of an expected change in the maize price of 5% (2021: 2%), with all other variables held constant. Commodity price increase - Increase in equity after income tax Derivative financial instruments earmarked for hedging	2022 R'000 1 904	2021 R'000 3 645

If these prices were to decrease it will result in a decrease in reserves of the same amount.

### 37. Financial risk management (continued)

#### 37.1 Financial risk factors (continued)

##### (b) Credit risk

Financial assets that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents and derivative financial instruments, as well as credit exposure to trade receivables, including outstanding receivables and committed transactions.

The Group's credit risk exposure relating to derivative financial instruments is managed on a Group level and are placed with a limited number of creditable financial institutions, all of which have Moody's short-term credit ratings of NP. The Group continually monitors its positions and the credit ratings of its counterparties.

The Group's credit risk exposure relating to trade receivables is managed centrally. Trade receivables are subject to credit limits, credit control and credit approval procedures. The credit quality of customers is assessed, taking into account their financial position, past experience with the customer and other factors when approving new customers and determining or revising individual credit limits. The utilisation of credit limits is regularly monitored.

The Group insures its South African debtors with Credit Guarantee Insurance. In 2022, 42% (2021: 44%) of the Group's total unimpaired trade receivables have been covered by credit insurance. National customers have a limited risk profile and a national geographical representation. The credit quality of the national customers is considered to be good based on historical default rates. These customers include large national customers in the formal retail sector. The large national customers and other listed companies are assessed as having a low risk of default, and are thus not insured. These customers amounted to approximately 47% (2021: 42%) of trade receivables – net at the reporting date. Of the remaining other customers, 78% (2021: 76%) of the Group's trade receivables – net were insured.

Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for credit worthiness before delivery and payment terms are offered. The Group's risk is limited to 30% (2021: 30%) of the net invoiced sales to insured debtors. The Group's review includes external ratings where available and, in some cases, bank references. Limits are established for each customer, which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas.

A specific provision for losses of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators of objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables and that the trade receivable is impaired.

The amount of the specific provision for losses, included in the loss allowance, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss within other operating expenses. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, they are written off as other operating expenses in profit or loss. Subsequent recoveries of amounts previously written off are credited against other operating expenses in profit or loss.

Other receivables consist mainly of prepayments, value-added tax receivable and other debtors. The risk of default is assessed as low. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

**37. Financial risk management (continued)****37.1 Financial risk factors (continued)****(b) Credit risk (continued)**

The credit quality of trade debtors that are neither past due nor impaired, is as follows:

	2022 R'000	2021 R'000
External customer (history of more than six months) – not previously impaired	<b>646 414</b>	490 021
External customer (history of more than six months) – previously impaired – debt repaid	<b>226</b>	73
New customers (history less than six months)	<b>3 884</b>	13 051
<b>Total</b>	<b>650 524</b>	503 145
The Group deposits cash surpluses with financial institutions of high quality and standing. The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.		
NP short-term credit rating	<b>63 650</b>	72 599
Not rated	<b>1</b>	314
Cash on hand	<b>194</b>	398
	<b>63 845</b>	73 311

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, payment terms agreed with suppliers and the ability to close out market positions. The significant increase in the prices of commodities procured by the Group resulted in a substantial increase in the working capital investment in 2022. Liquidity was improved by increasing the committed borrowing facility by R150m and by agreement of a temporary extension in the payment terms of two large suppliers. These payment terms, which were extended by between one and two weeks, reduced the net debt position of the Group by R110m on 30 September 2022. The short-term commitments of the Group will be settled by cash realised from trade receivables and the utilisation of the borrowing facilities available.

The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generating capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate. The Group's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity.

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held no short-term bank deposits.

At year-end the Group had a borrowing facility in the form of a debtors' finance facility at one of the major South African banks for the value of R358.1 million (2021: R206.9 million). Trade receivables is provided as security for the debt. The facility agreement determines that any positive cash balances available in the South African bank account of the Group can be offset against any amount drawn. The Group has a legally enforceable right to offset these amounts, and there is an intention to settle on a net basis.

## 37. Financial risk management (continued)

## 37.1 Financial risk factors (continued)

## (c) Liquidity risk (continued)

	2022 R'000	2021 R'000
Positive cash balances	47 100	44 962
Amount drawn on facility agreement	(122 008)	(42 621)
Net balance of (bank overdraft)/cash at bank	(74 908)	2 341
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	283 222	206 858

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed are the contractual undiscounted cash flows.

Maturity analysis of financial liabilities	Not later than 1 year R'000	Between 1 and 2 years R'000	More than 2 years R'000	Total R'000
<b>30 September 2022</b>				
Capital and interest – total	(32 425)	(28 689)	(34 611)	(95 725)
Lease liabilities	(477)	-	-	(477)
Dividends payable	(567 178)	-	-	(567 178)
Trade and other payables	(74 908)	-	-	(74 908)
Bank overdraft	(14 763)	-	-	(14 763)
Financial guarantees*	(689 751)	(28 689)	(34 611)	(753 051)
<b>30 September 2021</b>				
Capital and interest – total	(33 354)	(31 611)	(69 705)	(134 670)
Lease liabilities	(470)	-	-	(470)
Dividends payable	(360 427)	-	-	(360 427)
Trade and other payables	(19 250)	-	-	(19 250)
Financial guarantees*	(413 501)	(31 611)	(69 705)	(514 817)

\* Financial guarantees relate to guarantee contracts in terms of loans by third parties to contracted service providers. The fair value of the financial guarantee contracts is measured at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9 – Financial Instruments and the fair value initially recognised. The amount determined in accordance with the expected credit loss model was not material due to the low probability of default by the contracted service provider. The value of the financial guarantee contracts is therefore equal to the initial recognition fair value, which is nil (2021: nil). The maximum possible exposure of the Group at 30 September 2022 is R14.8 million (2021: R19.3 million).

Note: Financial liabilities do not include provisions, accrual for 13th cheque, deferred revenue, accrual for leave and VAT amounts payable.



### 37. Financial risk management (continued)

#### 37.2 Capital risk management

The Board's policy is to maintain a strong capital base to ensure the Group continues as a going concern in order to provide returns for shareholders and benefits for other stakeholders. When allocating capital, the Group's target is to achieve a return on invested capital in excess of its weighted average cost of capital.

	2022 R'000	2021 R'000
Net debt	92 682	35 704
Total equity (as shown in the statement of financial position)	2 100 788	1 999 802
	4.41%	1.79%

The main focus of the Group's capital management is to ensure liquidity, in the form of short-term borrowing facilities, in order to have sufficient available funding for the Group's working capital requirements.

#### 37.3 Fair value measurement

All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:

Level 1:

Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities at the end of the reporting period. No financial assets have been classified as level 1.

Level 2:

Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable inputs, which reflect the market conditions, in their expectations of future cash flows for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:

Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 37. Financial risk management (continued)

#### 37.3 Fair value measurement (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>30 September 2022</b>				
<b>Assets measured at fair value</b>				
Derivative financial instruments	-	53	-	53
- Foreign exchange contracts	-	-	433 910	433 910
Biological assets	-	53	433 910	433 963
- Livestock	-			
<b>Total</b>				
<b>30 September 2021</b>				
<b>Assets measured at fair value</b>				
Derivative financial instruments	-	23	-	23
- Foreign exchange contracts	-	-	403 308	403 308
Biological assets	-	23	403 308	403 331
- Livestock	-			
<b>Total</b>				

There were no transfers between any levels during the year, nor were there any significant changes to the valuation techniques and inputs used to determine fair values.

#### Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Group uses a variety of methods that make assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for derivative financial instruments. The fair value of foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

#### Financial instruments in level 3: Biological assets

The layer and broiler livestock and agricultural produce are measured at fair value which is determined by using unobservable inputs and is categorised as level 3. Fair values of livestock held for breeding, layer-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

The fair value of the layer birds, which include rearing and layer livestock, are determined by the market prices of day-old chicks, point-of-lay hens and culls. These are the only selling points during the life cycle of the bird. The fair value of the layer birds are determined by their age at the different stages in the life cycle.

### 37. Financial risk management (continued)

#### 37.3 Fair value measurement (continued)

The fair value of broiler livestock is determined by the market prices of day-old chicks and live birds at slaughter age. These are the only selling points during the life cycle of the bird. The fair value of the broiler livestock is determined by their age at the different stages in the life cycle.

The market prices used in the valuation are based on actual selling prices realised by the Group. The fair value estimation of the Group's biological assets was not materially impacted by the HPAI outbreak in South Africa.

Changes in the fair value are included in profit or loss, with a loss of R8 702 206 (2021: R18 893 637) being recognised as the unrealised fair value adjustment in profit or loss in the current period to adjust the biological asset livestock to fair value.

In measuring the fair value of biological assets, the following significant unobservable inputs were used:

Unobservable input	Range of unobservable inputs	
	2022	2021
Layer livestock		
Market price of day-old chicks	<b>R10.96 to R11.16</b>	R9.87 to R10.07
Market price of point-of-lay hens	<b>R77.49 to R80.73</b>	R70.37 to R73.95
Market price of culls	<b>R30.7 to R33.16</b>	R26.57 to R31.16
Broiler livestock		
Market price of day-old chicks	<b>R6.58 to R6.78</b>	R5.62 to R5.82
Market price of live birds	<b>R37.66 to R38.06</b>	R30.04 to R30.44

#### Sensitivity analysis

A sensitivity analysis of a 2% change in the market price is shown for the significant unobservable inputs below:

Input	Sensitivity
Day-old chick market prices	A change in market price would result in a R0.3 million (2021: R0.4 million) change in the fair value of poultry livestock.
Point-of-lay hens market prices	A change in the market price would result in a R3.4 million (2021: R3.5 million) change in the fair value of laying hens.
Cull market prices	A change in the market price would result in a R0.7 million (2021: R0.6 million) change in the fair value of laying hens.
Live bird market prices	A change in the market price would result in a R1.2 million (2021: R1.0 million) change in the fair value of broiler livestock.

The effect of an increase in market prices will result in an increase in the fair value of the livestock.

The carrying amounts of cash and cash equivalents, trade and other receivables less provision for impairment, trade and other payables and short-term borrowings are assumed to approximate their fair values due to the short-term maturity of these assets and liabilities.

### 38. Segment information

Management has determined the operating segments based on the reports reviewed on a regular basis by the CODM in order to make strategic decisions.

Reportable segments are divided into the following:

- Eggs
- Farming
- Animal feeds
- Other African countries
- Head office costs

Quantum Foods comprises eggs, broiler and layer farming and animal feeds in South Africa and the businesses of Quantum Foods Zambia Ltd, Quantum Foods Uganda Ltd and Quantum Foods Mozambique, S.A.

The egg business is the commercial egg business, which consists of the sale of ungraded eggs and the processing of eggs in the pack stations and distribution thereof, to the market.

The layer farming business includes the layer livestock and commercial layer farms. The broiler farming business includes the broiler livestock and commercial broiler farms. The broiler farming and layer farming operating segments are aggregated for segment reporting. Both operations have similar risk profiles, being the production risk inherent to live bird farming. The exposure of these operations to market risk is lower than the exposure to production risk.

The animal feeds business produces animal feed at its feed mills located in South Africa, and delivers the manufactured product to the market (its customers).

The nature of the Quantum Foods Zambia, Quantum Foods Uganda and Quantum Foods Mozambique businesses' operations are similar. They comprise predominantly the production and sale of animal feeds, commercial eggs and day-old chicks. Based on management's assessment these three entities are aggregated for segmental reporting due to the homogeneous nature of their economic characteristics, similarity in their risk profiles, the nature of their production processes as well as their customer and distribution profiles.

The segment results disclosed per segment below are the CODM's measure of each segment's operational performance. The measure represents operating profit as per the statement of comprehensive income.

External revenue and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the statement of comprehensive income.

Segment assets consist of property, plant and equipment, intangible assets, inventories, biological assets, trade and other receivables and derivative financial instrument assets and exclude cash and cash equivalents, investment in associates and deferred and current income tax assets.

Segment liabilities consist of trade and other payables, provisions for other liabilities and charges, and derivative financial instrument liabilities, and exclude current and deferred income tax liabilities.

Segment capital expenditure consists of additions and replacements of property, plant, equipment and intangible assets.



## 38. Segment information (continued)

	2022 R'000	2021 R'000
<b>Segment revenue</b>	<b>6 030 053</b>	<b>5 409 490</b>
- Eggs	1 350 127	1 228 789
- Farming	1 597 375	1 420 004
- Animal feeds	2 688 142	2 440 511
- Other African countries	394 409	320 186
Less: Internal revenue	(9 495)	(8 374)
- Farming	(9 495)	(8 374)
<b>External revenue</b>	<b>6 020 558</b>	<b>5 401 116</b>
- Eggs	1 350 127	1 228 789
- Farming	1 587 880	1 411 630
- Animal feeds	2 688 142	2 440 511
- Other African countries	394 409	320 186
<b>Segment results (operating profit)</b>	<b>32 505</b>	<b>147 589</b>
- Eggs	(42 185)	(5 016)
- Farming	(14 007)	33 497
- Animal feeds	87 832	100 810
- Other African countries	18 476	31 057
- Head office costs	(17 611)	(12 759)
A reconciliation of the segment results (operating profit) to profit before income tax is provided below:		
Segment results	32 505	147 589
Adjusted for:		
Investment income	4 244	4 747
Finance costs	(16 301)	(11 844)
Share of profit/(loss) of associate companies	(180)	1 767
<b>Profit before income tax per statement of comprehensive income</b>	<b>20 268</b>	<b>142 259</b>

## 38. Segment information (continued)

	2022 R'000	2021 R'000
<b>Segment information (continued)</b>		
<b>Segment assets</b>	<b>3 053 532</b>	<b>2 699 073</b>
- Eggs	293 544	289 783
- Farming	1 336 157	1 215 990
- Animal feeds	872 783	778 198
- Other African countries	482 462	393 070
- Head office costs	68 586	22 032
<b>A reconciliation of the segments' assets to the Group's assets is provided below:</b>		
Segment assets per segment report	<b>3 053 532</b>	<b>2 699 073</b>
<i>Adjusted for:</i>		
Investment in associate	<b>10 130</b>	10 310
Current and deferred income tax assets	<b>3 286</b>	1 810
Cash and cash equivalents	<b>63 845</b>	73 311
<b>Total assets per statement of financial position</b>	<b>3 130 793</b>	<b>2 784 504</b>
<b>Segment liabilities*</b>	<b>695 366</b>	<b>515 473</b>
- Eggs	123 929	120 577
- Farming	110 854	103 980
- Animal feeds	420 910	266 166
- Other African countries	20 141	16 144
- Head office costs	19 532	8 606
<b>A reconciliation of the segments' liabilities to the Group's liabilities is provided below:</b>		
<b>Segment liabilities per segment report</b>	<b>695 366</b>	<b>515 473</b>
<i>Adjusted for:</i>		
Current and deferred income tax liabilities	<b>259 731</b>	269 229
Bank overdraft	<b>74 908</b>	-
<b>Total liabilities per statement of financial position</b>	<b>1 030 005</b>	<b>784 702</b>

\* The previous year segment liabilities were updated to include the allocation of the long-service awards provision, accrued leave pay and accrued 13th cheque. These amounts were previously included in the Head office costs liability.

**38. Segment information (continued)**

	2022 R'000	2021 R'000
<b>Total segment capital expenditure (excluding business combination)</b>	<b>125 224</b>	<b>108 602</b>
- Eggs	3 881	7 793
- Farming	77 214	43 442
- Animal Feeds	18 561	33 093
- Other African countries	15 297	22 622
- Head office costs	10 271	1 652
<b>Total segment capital expenditure (business combinations)</b>	<b>-</b>	<b>73 124</b>
- Farming	-	73 124
<b>Total segment depreciation and amortisation</b>	<b>106 958</b>	<b>96 556</b>
- Eggs	19 492	17 432
- Farming	41 631	39 204
- Animal Feeds	22 222	19 744
- Other African countries	23 613	20 176
<b>Items of a capital nature per segment included in other gains/(losses) - net Profit/(loss) on disposal of property, plant and equipment and intangible assets before income tax</b>	<b>1 115</b>	<b>(674)</b>
- Eggs	(81)	(13)
- Farming	1 431	(778)
- Animal Feeds	(49)	(106)
- Other African countries	(186)	223
<b>Profit on disposal of interest in associate before income tax</b>	<b>-</b>	<b>3 965</b>
- Head office costs	-	3 965
<b>Impairment of intangible assets</b>	<b>(5 428)</b>	<b>-</b>
- Animal feeds	(5 428)	-

**Geographical information**

The Group mainly operates in South Africa. Other operations are located in other African countries. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.

**38. Segment information (continued)**

Revenue derived by Group companies domiciled in South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.

	2022 R'000	2021 R'000
<b>External revenue</b>	<b>6 020 558</b>	5 401 116
South Africa	5 626 149	5 080 930
Other African countries	394 409	320 186
<b>Total segment non-current assets</b>	<b>1 416 940</b>	1 360 639
South Africa	1 123 876	1 107 276
Other African countries	293 064	253 363
<b>Total segment capital expenditure (excluding business combination)</b>	<b>125 224</b>	108 602
South Africa	109 927	85 980
Other African countries	15 297	22 622

**39. Retirement benefits**

The Group contributes to retirement and provident funds for all its South African employees which are administered by several service providers. These retirement and provident funds are defined contribution plans which are arranged and governed by the Pension Fund Act of 1956, and no actuarial valuation is required.



40. Business combination

*Helderfontein Broiler Farm*

On 31 January 2021, 100% of the issued shares in LP Buhr Boerdery (Pty) Ltd was acquired. LP Buhr Boerdery (Pty) Ltd owns Helderfontein Broiler Farm, a broiler chickens rearing business based in the Western Cape. Helderfontein Broiler Farm has been a contract grower to the Group for the last 25 years.

The acquisition of LP Buhr Boerdery (Pty) Ltd was considered a business combination in terms of IFRS 3 – Business Combinations. The acquisition consisted of the assets, employees (and related liabilities) for a total consideration of R54.7 million, which does not include any settlement in respect of the pre-existing contract grower agreement. Details of the purchase consideration and the net assets acquired are as follows:

	2021 R000
<i>Fair value</i>	
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

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.

41. Events after the reporting period

*Dividend*

The Board has resolved not to declare a final dividend for the year ended 30 September 2022 (2021: nil cents).

An interim dividend of 8.0 cents (2021: nil cents) per ordinary share was declared and paid during the year.

There have been no other events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the consolidated annual financial statements by the Board.

42. Going concern statement

The Board evaluated the going concern assumption as at 30 September 2022. As part of its assessment, the Board considered the following:

- the Group's cash flow forecasts for the next 12 months following year-end in terms of their current knowledge and expectations of ongoing developments;
- the Group's ability to settle its obligations as they become due and payable in the next 12 months;
- the solvency and liquidity ratios of the Group; and
- the current and forecasted debt utilisation of the Group.

The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

## 43. Remuneration of directors

## 30 September 2022

## Executive directors

HA Lourens

AH Muller

Total executive directors

Non-executive directors\*

WA Haneekom

GG Fortuin

T Golden

LW Riddle

G Vaughan-Smith

Total non-executive directors

Total directors

## 30 September 2021

## Executive directors

HA Lourens

AH Muller

Total executive directors

Non-executive directors\*

WA Haneekom

Prof. ASM Karoan (passed away  
13 January 2021)

GG Fortuin

T Golden

LW Riddle

G Vaughan-Smith (appointed  
19 February 2021)

Total non-executive directors

Total directors

Total directors

Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Retirement fund contributions R'000	Long-term incentives R'000	Directors' fees R'000	Total R'000
3 740	62	-	405	3 414	-	7 621
2 407	88	-	265	827	-	3 587
6 147	150	-	670	4 241	-	11 208
-	-	-	-	-	752	752
-	-	-	-	-	676	676
-	-	-	-	-	600	600
-	-	-	-	-	600	600
-	-	-	-	-	504	504
-	-	-	-	-	3 132	3 132
6 147	150	-	670	4 241	3 132	14 340

3 570	62	-	387	5 643	-	9 662
2 228	88	-	246	1 452	-	4 014
5 798	150	-	633	7 095	-	13 676

-	-	-	-	-	237	237
-	-	-	-	-	107	107
-	-	-	-	-	189	189
-	-	-	-	-	156	156
-	-	-	-	-	185	185
-	-	-	-	-	-	-
-	-	-	-	-	874	874
5 798	150	-	633	7 095	874	14 550

\* The non-executive directors' fees were paid for the period 1 April 2021 to 30 September 2022 following the approval of the special resolution at the AGM on 25 February 2022.

\* The non-executive directors' fees were paid for the period 1 October 2020 to 31 March 2021. No director's fees were paid after this period as the special resolution to outsource this was not passed at the 19 February 2021 AGM.

#### 43. Remuneration of directors (continued)

### 248 Directors' share appreciation rights (SARs)

#### 30 September 2022

Executive directors

HA Lourens

Number of SARs initially allocated	Date awarded	Exercisable up to date	Strike price Cents	Fair value per SAR at grant date* Cents	Fair value of total SARs granted during the year R'000	Number of SARs redeemed cumulative	Number of SARs redeemed in current year	Number of SARs forfeited** in current year	Exercise price at date of redemption Cents	Value increase from strike price to price at redemption R'000	Number of SARs not redeemed
2 280 786	2017/02/23	2023/02/23	309	-	-	2 280 786	760 262	-	611	2 295	-
2 267 972	2018/02/22	2024/02/22	391	-	-	1 511 980	755 990	377 995	589	750	755 992
1 912 728	2019/02/11	2025/02/11	425	-	-	637 576	637 576	318 788	540	369	1 275 152
1 404 498	2020/02/17	2026/02/17	357	-	-	-	-	-	-	-	1 404 498
1 168 730	2021/02/15	2027/02/15	609	-	-	-	-	-	-	-	1 168 730
1 737 372	2022/02/21	2028/02/21	539	190	3 301	-	-	-	-	-	1 737 372
510 736	2017/02/23	2023/02/23	309	-	-	510 736	170 248	-	611	514	-
656 978	2018/02/22	2024/02/22	391	-	-	437 984	218 992	109 496	589	217	218 994
497 266	2019/02/11	2025/02/11	425	-	-	165 754	165 754	82 877	540	96	331 512
433 542	2020/02/17	2026/02/17	357	-	-	-	-	-	-	-	433 542
307 084	2021/02/15	2027/02/15	609	-	-	-	-	-	-	-	307 084
514 604	2022/02/21	2028/02/21	539	190	978	-	-	-	-	-	514 604

#### 30 September 2021

Executive directors

HA Lourens

634 240	2016/02/18	2022/02/18	266	-	-	599 356	176 532	34 884	684	738	-
2 280 786	2017/02/23	2023/02/23	309	-	-	1 520 524	760 262	-	684	2 851	760 262
2 267 972	2018/02/22	2024/02/22	391	-	-	755 990	755 990	-	662	2 054	1 511 982
1 912 728	2019/02/11	2025/02/11	425	-	-	-	-	-	-	-	1 912 728
1 404 498	2020/02/17	2026/02/17	357	-	-	-	-	-	-	-	1 404 498
1 168 730	2021/02/15	2027/02/15	609	204	2 384	-	-	-	-	-	1 168 730
187 902	2016/02/18	2022/02/18	266	-	-	177 567	52 299	10 335	684	219	-
510 736	2017/02/23	2023/02/23	309	-	-	340 488	170 244	-	684	638	170 248
656 978	2018/02/22	2024/02/22	391	-	-	218 992	218 992	-	662	595	437 986
497 266	2019/02/11	2025/02/11	425	-	-	-	-	-	-	-	497 266
433 542	2020/02/17	2026/02/17	357	-	-	-	-	-	-	-	433 542
307 084	2021/02/15	2027/02/15	609	204	626	-	-	-	-	-	307 084

\* These fair values were calculated using the actuarial binomial option pricing model.

\*\* These forfeitures are due to the performance conditions on the SARs not being fully met.

#### 4.4. Directors' interest in shares

The direct and indirect interest of the directors in the issued share capital of the Company are reflected in the table below:

	Number of shares <sup>#</sup>			% of issued ordinary share capital
	Direct	Indirect	Total	
<b>30 September 2022</b>				
HA Lourens	2 008 054	-	2 008 054	1,004
AH Muller	653 457	-	653 457	0,327
WA Hanekom	-	10 355 320	10 355 320	5,177
GG Fortuin	-	-	-	-
T Golden	-	-	-	-
LW Riddle	-	-	-	-
G Vaughan-Smith <sup>^</sup>	-	67 893 179	67 893 179	33,942
	2 661 511	78 248 499	80 910 010	40,450
<b>30 September 2021</b>				
HA Lourens	1 930 925	-	1 930 925	0,965
AH Muller	613 897	-	613 897	0,307
WA Hanekom	-	10 355 320	10 355 320	5,177
Prof. ASM Karaan**	-	-	-	-
GG Fortuin	-	-	-	-
T Golden	-	-	-	-
LW Riddle	-	-	-	-
G Vaughan-Smith**	-	65 057 163	65 057 163	32,525
	2 544 822	75 412 483	77 957 305	38,974

Notes:

\* Appointed during the year.

\*\* Passed away during the year.

<sup>^</sup> This interest in shares is held by an associate of the director, Aristotle Africa Sàrl.

<sup>#</sup> There has been no change in the directors' interest in shares from the end of the financial year to the date of the approval of the annual financial statements. None of the shares held by directors or prescribed officer are pledged as security.



# Company financial statements

for the year ended 30 September 2022  
Registration number 2013/208598/06

# Company statement of financial position

as at 30 September 2022

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	Notes	2022 R'000	2021 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary	3	1 585 386	1 585 386
<b>Current assets</b>			
Trade and other receivables		911	781
Cash and cash equivalents		198	90
		713	691
<b>Total assets</b>		1 586 297	1 586 167
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	4	1 578 240	1 572 416
Retained earnings		1 465 069	1 465 069
		113 171	107 347
<b>Total equity</b>		1 578 240	1 572 416
<b>Current liabilities</b>			
Dividends payable		8 057	13 751
Trade and other payables		477	470
Borrowings from related party	5	7 393	959
		187	12 322
<b>Total liabilities</b>		8 057	13 751
<b>Total equity and liabilities</b>		1 586 297	1 586 167

# Company statement of comprehensive income

for the year ended 30 September 2022

	Notes	2022 R'000	2021 R'000
Revenue	6	32 000	24 502
Other income	7	2 505	699
Administrative expenses		(9 713)	(9 571)
Other operating expenses		(2 992)	(1 093)
Operating profit	8	21 800	14 537
Investment income	9	26	16
Profit before income tax		21 826	14 553
Income tax expense	10	-	-
<b>Profit for the year</b>		<b>21 826</b>	<b>14 553</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>21 826</b>	<b>14 553</b>
Profit for the year attributable to owners of the parent		21 826	14 553
Total comprehensive income for the year attributable to owners of the parent		21 826	14 553

# Company statement of changes in equity

for the year ended 30 September 2022

Balance as at 1 October 2020  
 Comprehensive income:  
 Profit for the year  
 Final dividend for 2020  
**Balance as at 30 September 2021**  
 Balance as at 1 October 2021  
 Comprehensive income:  
 Profit for the year  
 Interim dividend for 2022  
**Balance as at 30 September 2022**

Note

Share capital R'000	Retained earnings R'000	Total R'000
1 465 069	112 796	1 577 865
-	14 553 (20 002)	14 553 (20 002)
1 465 069	107 347	1 572 416
1 465 069	107 347	1 572 416
-	21 826 (16 002)	21 826 (16 002)
1 465 069	113 171	1 578 240

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# Company statement of cash flows

for the year ended 30 September 2022

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	Notes	2022 R'000	2021 R'000
<b>Cash flow from operating activities</b>			
Cash loss from operating activities	12	(3 874)	(12 351)
Working capital changes	13	(10 200) 6 326	(9 965) (2 386)
<b>Cash flow from investing activities</b>			
Interest received	9	32 026	24 518
Dividends received	6	26 32 000	16 24 502
Cash surplus		28 152	12 167
<b>Cash flow from financing activities</b>			
Loan received from related party	5	(28 130)	(12 129)
Loan repaid to related party	5	6 916	13 984
Dividends paid to ordinary shareholders	5	(19 051)	(6 145)
Increase in cash and cash equivalents	14	(15 995)	(19 968)
Cash and cash equivalents at beginning of year		22	38
Cash and cash equivalents at end of year		691	653
		713	691

# Notes to the Company financial statements

for the year ended 30 September 2022

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	2022 R'000	2021 R'000
<b>1. Accounting policies</b>		
The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to the accounting policies on page 17.		
<b>2. Critical accounting estimates and judgements</b>		
The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.		
<b>3. Interest in subsidiary</b>		
<b>Cost of shares</b>		
Quantum Foods (Pty) Ltd	1 585 386	1 585 386
The Company holds a 100% interest in the subsidiary listed above.		
The subsidiary is incorporated in South Africa.		
The interest in subsidiary was assessed for impairment at the end of the reporting period. The recoverable amounts of the relevant CGUs of the subsidiary were determined through fair value less cost to sell and value-in-use calculations. No impairment loss is recognised since the recoverable amount of the subsidiary exceeds the carrying value of the investment.		
Refer to note 2 of the consolidated financial statements for further disclosure on the critical accounting estimates and judgements used as part of the impairment assessment.		
<b>4. Share capital</b>		
Authorised – ordinary shares		
400 000 000 (2021: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares		
200 024 716 (2021: 200 024 716) ordinary no par value shares	1 465 069	1 465 069
During the reporting period, nil (2021: nil) ordinary shares were repurchased by the Company and cancelled.		

**5. Borrowings from related party**

Loan from Quantum Foods (Pty) Ltd  
 Beginning of year  
 Loans advanced during the year  
 Loans repaid during the year  
 End of year

Unsecured interest-free loan with no fixed terms of repayment.

**6. Revenue**

Dividends received from Quantum Foods (Pty) Ltd

**7. Other income**

Administration fees received from Quantum Foods (Pty) Ltd

**8. Operating profit**

The operating profit is calculated after taking into account other income (refer to note 7), as well as the following:

Auditors' remuneration\*

Consulting fees\*

Listing fees and shareholder communication\*

Directors' remuneration\*\* (refer to note 4.3 of the consolidated financial statements)

\* Included in administrative expenses in the statement of comprehensive income.

\*\* Included in other operating expenses in the statement of comprehensive income.

	2022 R'000	2021 R'000
	12 322	4 483
	6 916	1 3 984
	(19 051)	(6 145)
	187	12 322
	32 000	24 502
	2 505	699
	20	17
	6 542	6 976
	1 479	1 584
	3 132	874

**9. Investment income**

Interest income on call accounts and other

2022 R'000	2021 R'000
26	16

**10. Income tax expense**

Current income tax

Current year

-	-
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Standard rate for companies

Exempt income

Non-deductible expenditure

Exempt income consists of R32,0 million (2021: R24,5 million) exempt local dividends received. Non-deductible expenses include the Company's total administrative expenses of R9,7 million (2021: R9,6 million) and other operating expenses of R3,0 million (2021: R1,1 million).

%	%
28,0	28,0
(41,1)	(47,1)
13,1	19,1
-	-

**11. Dividend per ordinary share**

Interim 8,0 cents (2021: nil cents) per ordinary share

Final nil cents (2021: nil cents) per ordinary share

2022 R'000	2021 R'000
16 002	-
-	-
16 002	-

Dividends payable are not accounted for until they have been declared by the Board. The statement of changes in equity does not reflect the final dividend payable. The final dividend will be accounted for as an appropriation of retained earnings in the following year. Withholding tax on dividends became effective from 1 April 2012 at a rate of 15%, which rate was increased to 20% from 22 February 2017.



**12. Cash loss from operating activities**

Reconciliation of profit before tax and cash loss from operating activities:  
Profit before income tax

*Adjusted for:*

Dividends received  
Interest received

**13. Working capital changes**

(Increase)/decrease in trade and other receivables  
Increase/(decrease) in trade and other payables

**14. Dividends paid**

Amounts unpaid at beginning of year  
As disclosed in statement of changes in equity  
Amounts unpaid at end of year

**15. Financial instruments by category**

**Assets as per statement of financial position**  
Cash and cash equivalents – at amortised cost

**Liabilities as per statement of financial position**

Dividends payable – at amortised cost

Trade and other payables – at amortised cost

Borrowings from related party – at amortised cost

	2022 R'000	2021 R'000
<b>21 826</b>	14 553	
<b>(32 000)</b>	(24 502)	
<b>(26)</b>	(16)	
<b>(10 200)</b>	(9 965)	
<b>(108)</b>	14	
<b>6 434</b>	(2 400)	
<b>6 326</b>	(2 386)	
<b>(470)</b>	(436)	
<b>(16 002)</b>	(20 002)	
<b>477</b>	470	
<b>(15 995)</b>	(19 968)	
<b>713</b>	691	
<b>477</b>	470	
<b>7 393</b>	959	
<b>187</b>	12 322	
<b>8 057</b>	13 751	

## 16. Financial risk management

### 16.1 Credit risk

Financial assets that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents.

The Company deposits cash surpluses with financial institutions with a Moody's short-term credit rating of NP (2021: NP).

### 16.2 Liquidity risk

The disclosure in this note should be read together with the disclosure in note 37 of the consolidated financial statements, which includes a complete analyses of the liquidity risk of the Group and includes that of the Company.

At the end of the reporting period the Company had a loan payable of R0.2 million (2021: R12.3 million) from a wholly-owned subsidiary. The loan is repaid annually from dividends received from the wholly-owned subsidiary.

The Company has no other utilised or unutilised borrowing facilities from financial institutions.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2022 R'000	2021 R'000
<b>Maturity analysis of financial liabilities</b>		
Not later than 1 year		
Capital and interest - total	477	470
Dividends payable	7 393	959
Trade and other payables	187	12 322
Borrowings from related party	8 057	13 751

## 17. Going concern

Quantum Foods Holdings Ltd is the holding company of the Group. The Board evaluated the going concern assumption as at 30 September 2022, taking into account the current financial position and their best estimate of the cash flow forecasts for the next 12 months following year-end. The Company's current liabilities exceed its current assets at the end of the reporting period. As at 30 September 2022, the subsidiary is sufficiently solvent and liquid to declare a dividend to the Company to settle the outstanding creditors payable as at year end and to meet any cash flow requirements for the next 12 months.

Based on this assessment, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

# Shareholder information

for the year ended 30 September 2022

## Shareholder spread

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
<i>Ordinary shares</i>				
Individuals	3 908	92.3	19 326 300	9.7
Nominees and trusts	194	4.6	4 587 869	2.3
Investment companies and corporate bodies	130	3.1	176 110 547	88.0
	4 232	100.0	200 024 716	100.0

## Non-public/public shareholders

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2022, is as follows:

Analysis of shareholding and shareholders holding 5% or more – ordinary shares

### Public shareholding

*Major shareholding*  
Astral Operations Ltd  
Country Bird Holdings (Pty) Ltd  
*Other shareholders*

### Non-public shareholding

*Major shareholding*  
Aristotle Africa Sàrl,  
Braemar Trading Ltd  
*Other shareholders*  
Directors  
WA Hanekom  
Other directors  
Quantum Foods (Pty) Ltd

	1	0.0	19 550 855	9.8
	1	0.0	11 411 181	5.7
	4 224	99.9	26 118 428	13.1
	1	0.0	67 893 179	33.9
	1	0.0	61 620 084	30.8
	3	0.1	13 016 831	6.5
	1	0.0	10 355 320	5.2
	2	0.0	2 661 511	1.3
	1	0.0	414 158	0.2
	4 232	100.0	200 024 716	100.0

## Distribution of ordinary shareholders

Number of shares				
1 – 1 000 shares	3 043	71.9	513 532	0.3
1 001 – 10 000 shares	792	18.7	3 078 616	1.5
10 001 – 100 000 shares	349	8.3	10 626 837	5.3
100 001 – 1 000 000 shares	40	0.9	11 128 485	5.6
1 000 001 shares and over	8	0.2	174 677 246	87.3
	4 232	100.0	200 024 716	100.0

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## ENSURING RESPONSIBLE BUSINESS

Quantum Foods' stakeholders contribute to the success of its business. The Group therefore takes stakeholder concerns seriously, and strives to continuously improve its governance, transformation and sustainability initiatives.

The Group is committed to creating value for its stakeholders by ensuring the sustainability of its business model. The value of sustainability will be realised through an improved ability to attract capital from socially responsible investors, an increased ability to attract and retain a diverse pool of talent, and the ability to provide shareholders with positive returns on their investment.



*Read more about the Group's approach to stakeholder engagement on page 71.*

### PRODUCT SAFETY AND CUSTOMER COMPLAINTS

#### Feeds business

Quantum Foods aims to provide safe feed according to good manufacturing practices in the animal feeds industry and is also a member of the Animal Feed Manufacturers Association ("AFMA"). Quality assurance is crucial and all feed mills have Integrated Management Systems ("IMS") in place that are subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Some of the audits are conducted by internationally accredited certification bodies. This includes a complete re-certification audit which is done every three years. An internal audit programme is in place that enables continuous monitoring and improvement of the IMS.

Customer satisfaction is important and the Group has a formal customer complaint system in place. Furthermore, an independent customer satisfaction survey is conducted on an annual basis to measure overall satisfaction, identify trends and benchmark performance.

Quality assurance and customer satisfaction remain the responsibility of management and form part of monthly reporting. The quality system is used to identify non-conformance, record specific customer complaints and identify preventative and corrective actions. These trends are used by management to improve the IMS, as well as customer satisfaction.

#### Farming business

The Group's farming operations and subsequent health of poultry flocks play an important role in the production of safe food. Stringent biosecurity measures are in place at all farms and are audited at regular intervals by both internal employees, as well as by the external veterinarians contracted by the Group.

In addition to biosecurity measures, the Group implemented vaccination programmes and monitors serology, environmental and water quality results to maintain a healthy flock capable of producing safe food. At a minimum, internal health and safety audits are conducted annually at all layer farms, cull depots and broiler farms.

#### Egg business

It is important that Quantum Foods provides safe and reliable products to its customers and consumers. The Group's grading facilities are subject to external audits, which are conducted at regular intervals to ensure compliance to food safety management systems, applicable laws and regulations. The Group's grading facilities are also subject to audits from national retail customers. An internal health and safety audit is conducted annually at all grading facilities.

As complaints in the egg business are generally more generic than those received in the feeds business,



the Group uses an external company to monitor complaints. A toll-free number is available to both customers and consumers, and all calls are logged and managed. A weekly report is generated and monitored by senior management to identify trends and assist the Group in developing a customer-centric culture.

### Environment


As a business reliant on agriculture, the Group is concerned about changing weather patterns, droughts, floods and the other likely effects of climate change. A conscious effort is made to minimise Quantum Foods' environmental impact and to support the effective consumption of resources, with a specific focus on water and energy.

Poultry farming contributes a large component of the Group's water consumption requirements, with limited opportunities for reduction beyond ensuring that water

is not wasted. The aim is to critically analyse waste production and to ensure that all relevant aspects are managed responsibly.

The table below outlines the Group's overall performance for 2018 and in comparison with the previous year. This enables stakeholders to monitor performance, and helps the Group identify improvement opportunities.

### Environmental performance indicators

Consumption	Units	2018	(Decrease)/ increase from 2017	Commentary to explain shifts in environmental performance indicators
Water	Kilolitres	1 337 449	21%	The Group increased production of live broilers on own farms, which were previously supplied by contract producers. Water meters have been installed at all layer farms, increasing the accuracy of consumption figures.
Electricity	kWh'000	42 415	(1%)	Energy saving initiatives are being continuously rolled out. Read more on page 54. 
Coal	Tons	2 986	45%	A gas heating system was replaced by coal heating on a broiler farm as a cost-saving initiative.
Gas	Kg	1 401 808	0%	The increased production of live broilers on own farms offset a decrease following the gas to coal conversion. Consumption reduced on the layer rearing farms affected by AI.
Diesel/petrol/ paraffin	Litres	924 053	(7%)	Lower volumes of product were transported in the layer farming business due to the 2017 AI outbreak.
Heavy fuel oil ("HFO")	Litres	1 025 030	2%	
Packaging	Tons	13 121	(15%)	Lower volumes were sold in the egg business.
<b>Waste</b>				
Litter/manure produced	Tons	135 720	(7%)	There were lower hen numbers on layer farms due to the 2017 AI outbreak.
Mortalities to landfill/waste pit	Tons	714	(65%)	Birds were culled on layer farms in 2017 due to the AI outbreak.
Effluent water	Kilolitres	60 909	4%	

## Conservation

The relationship with the Western Cape Nature Conservation Board in respect of the perpetual biodiversity agreement at a portion of the Farm Zouterivier continues. This conservation area is known as the Quantum Foods' Atlantis Sand Fynbos Conservation Area, and critically endangered Atlantis Sand Fynbos is conserved on the property.

## Energy efficiency

With the assistance of external service providers, energy-saving opportunities are continuously evaluated across the Group's integrated value chain. Quantum Foods' main energy-intensive activities relate to the boilers used in the preparation of animal feeds, the temperature control of hatching eggs, the rearing of layer and broiler chicks and the overall production of egg packing stations. Opportunities for energy efficiency and savings include process optimisation and the introduction of advanced technologies to reduce the burden of the Group's energy-intensive activities.

In the last quarter of 2018, a solar panel system was installed on a layer farm near Port Elizabeth. This system provides enough electricity for both the farm and pack station operations. Additionally, energy-efficient LED lights were fitted on two farms, two pack stations and at the head office. Performance of all these initiatives is measured monthly and meets expectations. Further initiatives will be undertaken in the future, with an emphasis on improving efficiencies at an optimal cost-benefit ratio.

Going forward, Quantum Foods will expand these programmes and identify opportunities to reduce energy consumption within the business.

## Human resources

### Diversity and employment equity

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability. The Group believes that a diverse and transformed workplace adds value in the form of improved employee capabilities and shared values that strengthen, motivate and enhance employee productivity to the ultimate benefit of society. Increasing the percentage of management deemed HDSA is a direct focus area in terms of the Group's employment equity strategy.

The employment equity statistics for the Group's South African operations are provided in the table below:

1 756 (2017: 1 609) employees were permanently employed by the South African operations of the Group at 30 September 2018	Permanent employees HDSA: <b>91.9%</b> (2017: 88.9%)	Management HDSA grade 12+ (employees): <b>34.2%</b> (2017: 28.3%)	Permanent employees who are women: <b>42.3%</b> (2017: 42.1%)	South African employees on fixed-term contracts: <b>3.19%</b> (2017: 4.1%)
---	--	---	---	--



### Employment equity statistics as at 30 September 2018

Occupational levels	African		Coloured		Indian		White		Foreigners		Total
	F	M	F	M	F	M	F	M	F	M	
Top management	0	1	2	0	0	0	1	6	0	0	10
Senior management	1	3	2	0	0	0	2	17	0	0	25
Professionally qualified, experienced specialists and mid-management	1	15	5	9	1	1	8	45	0	0	85
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	27	100	46	49	4	4	32	32	0	0	294
Semi-skilled and discretionary decision-making employees	115	203	101	71	1	2	7	1	0	0	501
Unskilled and defined decision-making employees	321	390	41	29	0	0	0	0	0	3	784
Total permanent employees	465	712	197	158	6	7	50	101	0	3	1 699
Non-permanent employees	15	16	1	8	1	0	5	10	0	1	57
Total	480	728	198	166	7	7	55	111	0	4	1 756

### Total number of employees as at 30 September 2018

The employee numbers for the South African operations are reflected in the table below:

	2018	2017
Salaried	480	470
Salaried contractors	38	35
Waged	1 219	1 073
Waged contractors	19	31
Total	1 756	1 609

During the year the Group's employee complement increased by 9% as the business made a concerted effort to shift from temporary to permanent labour.

By ensuring a high percentage of permanent employees, the Group provides more individuals with access to the retirement and disability benefits provided by the Group. Permanent employees further provide the Group with a stable and experienced skills base that will increase the competence of the business over time.

The Group employs 371 (2017: 382) individuals in Zambia, 98 (2017: 101) individuals in Uganda and 70 (2017: 67) individuals in Mozambique.



## Training

The Group invests in the development of its employees' skills, knowledge and capabilities. Legislative training was completed and several workshops and seminars were attended by employees during the year. Workshops included a specific focus on the Group's values and the associated behaviours that support Quantum Foods' strategy.

The graphs below indicate the number of participants in the different training initiatives:

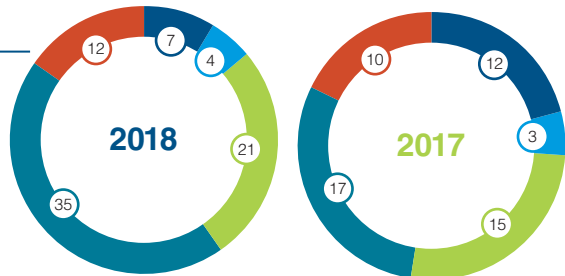
The table below indicates the training spend for 2018:

Training spend	2018	2017
Total number of employees trained	318 <sup>1</sup>	306 <sup>1</sup>
Employee training spend	R3.20m	R2.08m
Employee training spend as a percentage of payroll	1.0%	0.7%

<sup>1</sup> Excludes the Group's value sessions, which formed part of the roll out of its employee engagement model.

## Skills pipeline

- Internships
- Apprenticeships
- Learnerships
- Bursaries
- Adult basic education and training ("ABET")



## Occupational health and safety

To provide a safe work environment for its employees, Quantum Foods strives to adhere to and comply with all relevant health and safety legislation across its operations. Occupational health and safety training is conducted annually.

	2018	2017	Narrative to explain year-on-year trend
Number of fatalities	0	1	
Total number of recordable injuries	84	58	The increase is due to more vigilant recording of incidents to better inform the Group's occupational health and safety strategy going forward.
Number of lost days	658	195	Three serious incidents were recorded during the period resulting in significant increase in the number of lost days year on year.

All appointments in terms of sections 16(1) and 16(2) of the Occupational Health and Safety Act, Act 85 of 1993, have been implemented, and health and safety meetings are held regularly. The Group's feed factories are on the National Occupational Safety Association ("NOSA") system, which formalises the management of occupational health and safety systems. ISO 14001 is an internationally accepted environmental management certification system used to manage environmental risks at the Group's feed factories.



### Employee turnover

	2018	2017
Total turnover <sup>1</sup>	19.2%	23.1%
Management turnover (South African operations)	2.9%	3.4%
Not in management turnover (South African operations)	16.3%	19.7%

<sup>1</sup> Number of individuals who departed relative to the total number of employees at year-end. 2017 turnover includes the restructure of operations in the layer business.

### Labour union management

	2018	2017
Percentage of employees who belong to a trade union	48.9%	51.9%

Quantum Foods supports  
it employees' rights to  
collective bargaining.  
Employees are represented  
by nine trade unions.

The Food and Allied Workers' Union ("FAWU") has the highest overall representation among Quantum Foods' employees. At 30 September 2018, 34% of the Group's wage employees in its South African operations belonged to FAWU (2017: 36%). While negotiations between FAWU and the animal feeds business are centralised, negotiations between the union and the Group's other business units are decentralised. Wage negotiations were concluded between March and August 2018. The next round of negotiations will commence in January 2019 for implementation in March 2019.

### B-BBEE

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of HDSAs. The introduction of the amended AgriBEE Sector Code in December 2017 significantly raised the bar for compliance, specifically with the introduction of subminimum requirements for the ownership, skills development and enterprise and supplier development (including preferential procurement) elements, which, if not achieved, immediately result in a lower overall B-BBEE score.

In addition to this, the percentage of manpower costs to be spent on training of HDSAs to achieve compliance has been increased significantly. This resulted in a reduction of the level 6 achieved by Quantum Foods in 2017 on the previous scorecard to non-compliance according to the 2018 measurement. The level 8 achieved on the overall score was discounted to a non-compliant status due to the subminimum on the ownership, preferential procurement and skills development elements not being achieved in 2018. Achieving a B-BBEE compliant status with the next measurement is a key management focus area for the new year.

The audit was carried out by AQRate (2017: Empowerdex), an accredited verification agency, using the revised scorecard introduced in December 2017. The 2017 rating was verified by Empowerdex using the previous Agricultural Sector Code. This rating for Quantum Foods is valid from 19 December 2018 to 18 December 2019.

Empowerment indicator	AgriBEE indicative scorecard	Quantum Foods' score
Ownership (land and equity)	25	7.95
Management control – including employment equity	19	6.57
Skills development	20	5.10
Enterprise and supplier development – including preferential procurement	40	13.66
Socio-economic development	15	9.20
Total score*	119	42.48

\* Discounted to non-compliant due to not achieving subminimum requirements.

The Group continues to contribute to enterprise and supplier development. Current initiatives include the rental of a farm in Bronkhorstspuit from an HDSA, as well as egg procurement from an HDSA egg producer in the Western Cape. Benefits of R7.5 million (2017: R5.0 million) accrued for the year.

Other projects to assist smaller HDSA suppliers continued during the year. This includes assisting suppliers with their administrative systems. The Group identified a number of senior appointments that will increase its management control and employment equity scores. Some of these appointments were made in 2017 with three more in 2018.

### Community projects

The Group's involvement in its "adopted" primary school, which is situated close to its head office in Wellington, has grown. Quantum Foods' funding to the school increased by 38% to R1.25 million. Through its Social Club, Quantum Foods' employees involved the school in a number of its social activities.

As the Group is passionate about education, it provided R450 000 in funding to Khula Development – an organisation that supports out-of-school children in the Paarl east area. The organisation's mission is to integrate at-risk children back into the school system.

To improve food security and support this basic human requirement, Quantum Foods continued its support of FoodForward SA. FoodForward SA collects edible surplus food from manufacturers, wholesalers and

retailers, and redistributes this food to verified non-profit organisations that collectively feed thousands of hungry people daily.

**The Group contributed R800 000 to FoodForward SA in 2018 (2017: R285 000) and was listed as one of the initiative's top financial donors in its 2018 annual report.**

In 2018 Quantum Foods became involved with 2nd Harvest, a non-profit organisation dedicated to providing meals to the hungry and skills development to youth across South Africa. In particular, the Group contributed R500 000 to 2nd Harvest's Vita Kidz programme. This programme aims to ensure that junior school learners' nutritional requirements are met, thereby strengthening their ability to concentrate and learn while at school.

The Group will continue with its scholarship programme by offering bursaries to HDSAs who are studying towards an agricultural qualification. Currently, the Group is supporting three students studying at the Elsenburg Agricultural College.



### Corporate social investment spend

	2018	2017
Total corporate social investment spend	<b>R3 304 745</b>	R1 495 291
Spend on feeding programmes	<b>R1 300 000</b>	R286 800
Product donations	<b>R304 745</b>	R291 424
Spend on education	<b>R1 700 000</b>	R917 067

### Human rights

Quantum Foods is committed to, and strives to protect, basic human rights as defined in the Constitution of the Republic of South Africa, and according to internationally proclaimed human rights standards. No incidents of human rights violations were reported during the year.

### Animal welfare

The welfare of the Group's birds remains a major focus area. Regular internal audits are conducted on all the Group's farms to ensure adherence to set internal

standards. These audits were, however, reduced during the reporting period due to the additional biosecurity measures in place to mitigate the spread of AI.

Quantum Foods regularly engages with the NSPCA and conducts audits with inspectors from the NSPCA to ensure compliance. In addition, strict biosecurity measures are in place at all farms to protect chickens against diseases and illnesses. Animal welfare and biosecurity training, also using video media, has been rolled out to farming operations.











## Ensuring responsible business

Quantum Foods' stakeholders contribute to the success of its business. The Group therefore takes stakeholder concerns seriously and strives to continuously improve its governance, transformation and sustainability initiatives.

The Group is committed to creating value for its stakeholders by ensuring the sustainability of its business model. The value of sustainability will be realised through an improved ability to:

- attract capital from socially responsible investors;
- attract and retain a diverse pool of talent; and
- provide shareholders with positive returns on their investment.

 Read more about the Group's approach to stakeholder engagement on page 64.

### PRODUCT SAFETY AND CUSTOMER COMPLAINTS

#### Feeds business

Quantum Foods aims to provide safe feed according to good manufacturing practices in the animal feeds industry and is a member of the Animal Feed Manufacturers Association ("AFMA"). Quality assurance is crucial and all feed mills have Integrated Management Systems ("IMS") in place that are subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Certain audits are conducted by internationally accredited certification bodies. This includes a complete re-certification audit done every three years. An internal audit programme enables continuous monitoring and improvement of the IMS.

Customer satisfaction is important and the Group has a formal customer complaint system in place. Furthermore, an independent customer satisfaction survey is conducted annually to measure overall satisfaction, identify trends and benchmark performance.

Quality assurance and customer satisfaction remain the responsibility of management and form part of monthly reporting. The quality system is used to identify non-conformance, record specific customer complaints and identify preventative and corrective actions. These trends are used by management to improve the IMS and enhance customer satisfaction.

#### Farming business

The Group's farming operations and the health of poultry flocks are important in the production of safe food. Stringent biosecurity measures are in place at all farms and are audited regularly by internal employees and external veterinarians contracted by the Group.

In addition to biosecurity measures, the Group implemented vaccination programmes and monitors serology, environmental and water quality results to maintain a healthy flock capable of producing safe food. At a minimum, internal health and safety audits are conducted annually at all layer farms, cull depots and broiler farms.

#### Egg business

It is important that Quantum Foods provides safe and reliable products to its customers and consumers.

The Group's grading facilities are subject to regular external audits, which ensure compliance to food safety management systems, applicable laws and regulations. The Group's grading facilities are also subject to audits from national retail customers. An annual internal health and safety audit is conducted at all grading facilities.

As complaints in the egg business are generally more generic than those received in the feeds business the Group uses an external company to monitor complaints. A toll-free number is available to customers and consumers, and all calls are logged and managed. A weekly report is generated and monitored by senior management to identify trends and assist the Group develop a customer-centric culture.

### ENVIRONMENT

As a business reliant on agriculture, the Group is concerned about changing weather patterns, droughts, floods and the other likely effects of climate change. A conscious effort is made to minimise Quantum Foods' environmental impact and to support the effective consumption of resources, with a specific focus on water and energy. Poultry farming contributes a large component of the Group's water consumption, with limited opportunities for reduction beyond ensuring that water is not wasted. The aim is to critically analyse waste production and ensure that all relevant aspects are managed responsibly.

The Group is acutely aware of the impact of its operations on the environment, particularly in terms of its carbon emissions. During 2019, a baseline assessment was done to evaluate the Group's carbon emissions. Going forward, performance will be reported to the social and ethics committee ("SEC") and will be a key consideration when evaluating new capital projects.

The table below outlines the Group's overall performance for 2019 and in comparison with the previous year. This enables stakeholders to monitor performance, and helps the Group identify improvement opportunities.

#### Environmental performance indicators

Consumption	2019	(Decrease)/ increase from 2018	Commentary to explain shifts in environmental performance indicators
Water (kℓ)	1 413 077	6%	Water consumption increased due to higher production on Western Cape layer farms that were empty in 2018 due to AI.
Electricity (kWh'000)	44 450	5%	Electricity consumption increased due to higher feed volumes produced and higher production on Western Cape layer farms that were empty in 2018 due to AI.
Coal (tons)	2 520	(16%)	This decreased due to the timing of broiler production cycles compared to the previous year (heating is only used at the start of the cycle). There was a higher production of point-of-lay birds in the layer farming business, with the Western Cape farm empty in 2018 due to AI.
Gas (kg)	1 427 225	2%	There was an increased use of generators during load shedding and higher production volumes in the feed and layer farming businesses.
Diesel/petrol/paraffin (ℓ)	1 022 507	11%	There was an increased use of generators during load shedding and higher production volumes in the feed and layer farming businesses.
Heavy fuel oil ("HFO") (ℓ)	1 042 513	2%	Large volumes of eggs were transported to the Western Cape in 2018 to supplement the production deficit caused by AI. This resulted in additional packaging material required in 2018.
Packaging (tons)	12 390	(6%)	Feed volumes increased.
Waste			
Litter/manure produced (tons)	144 078	6%	Higher production on Western Cape layer farms that were empty in 2018 due to AI.
Mortalities to landfill/waste pit (tons)	743	4%	
Effluent water (kℓ)	204 993	5% <sup>1</sup>	

<sup>1</sup> 2018 figure restated – accuracy improved with the installation of additional water consumption meters.



### Conservation

The relationship with the Western Cape Nature Conservation Board in respect of the perpetual biodiversity agreement at a portion of the Farm Zoutervier continues. This conservation area is known as the Quantum Foods' Atlantis Sand Fynbos Conservation Area, and critically endangered Atlantis Sand Fynbos is conserved on the property.

### Energy efficiency

With the assistance of external service providers, energy-saving opportunities are continuously evaluated across the Group's integrated value chain. Quantum Foods' main energy-intensive activities relate to the boilers used in the preparation of animal feeds, the temperature control of hatching eggs, the rearing of layer and broiler chicks and the overall production of egg packing stations. Opportunities for energy efficiency and savings include process optimisation and the introduction of advanced technologies to reduce the burden of the Group's energy-intensive activities.

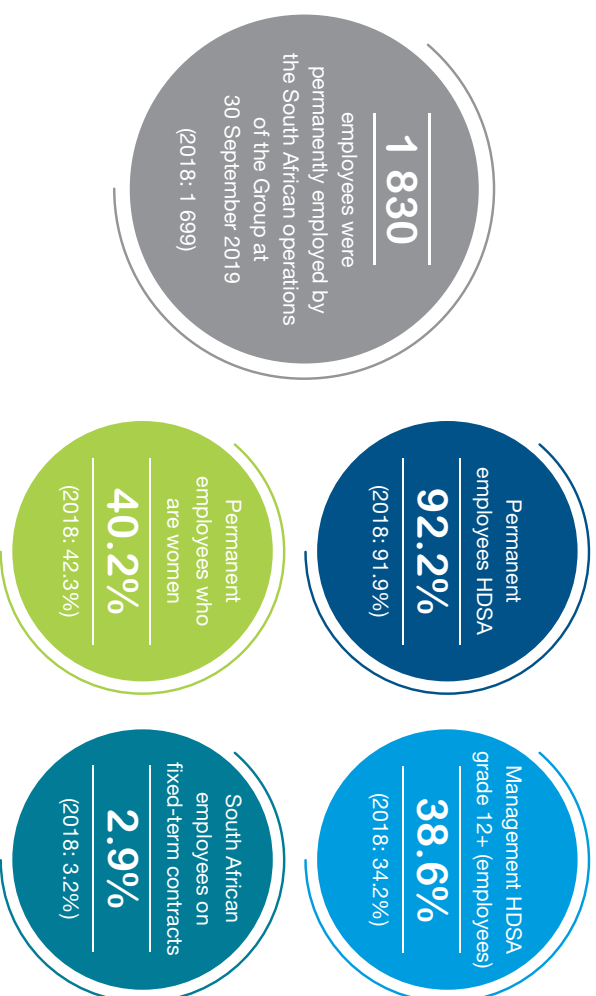
During 2019, a solar panel system was installed at the Brackenfell egg packing station. Three of the Group's egg packing stations are now equipped with these systems, which reduce Quantum Foods' dependency on electricity generated from non-renewable sources. The further implementation of energy-efficient lighting continued during the year. The performance of all initiatives is measured monthly and meets expectations. Further initiatives will be undertaken in future, with an emphasis on improving efficiencies at an optimal cost-benefit ratio.

### HUMAN RESOURCES

#### Diversity and employment equity

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability. The Group believes that a diverse and transformed workplace adds value in the form of improved employee capabilities and shared values that strengthen, motivate and enhance employee productivity to the ultimate benefit of society. Increasing the percentage of management deemed HDSA is a direct focus area in terms of the Group's employment equity strategy.

The employment equity statistics for the Group's South African operations are provided in the table below:



### Employment equity statistics as at 30 September 2019

Occupational levels	African		Coloured		Indian		White		Foreigners		Total
	F	M	F	M	F	M	F	M	F	M	
Top management	0	1	2	0	0	0	1	6	0	0	10
Senior management	1	3	2	0	0	0	2	17	0	0	25
Professionally qualified, experienced specialists and mid-management	2	19	7	10	1	1	8	44	0	0	92
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	32	112	46	52	4	4	28	33	0	0	311
Semi-skilled and discretionary decision-making employees	149	241	78	114	2	2	3	1	0	0	590
Unskilled and defined decision-making employees	329	408	38	25	0	0	0	0	0	2	802
Total permanent employees	513	784	173	201	7	7	42	101	0	2	1 830
Non-permanent employees	10	15	8	8	1	0	3	8	0	1	54
Total	523	799	181	209	8	7	45	109	0	3	1 884

### Total number of employees as at 30 September 2019

The employee numbers for the South African operations are reflected in the table below:

	2019	2018
Salaried	504	480
Salaried contractors	40	38
Waged	1 326	1 219
Waged contractors	14	19
Total	1 884	1 756

During the year, the Group's South African employee complement increased by 7.3% as the business continued its efforts to shift from temporary to permanent labour. The increase can also be attributed to increased production at the Group's Western Cape layer farms and a previously dormant Western Cape broiler farm being utilised. Employees at a rented broiler farm in the North West were also permanently employed.

The Group employs 389 (2018: 371) individuals in Zambia, 112 (2018: 98) individuals in Uganda and 72 (2018: 70) individuals in Mozambique.

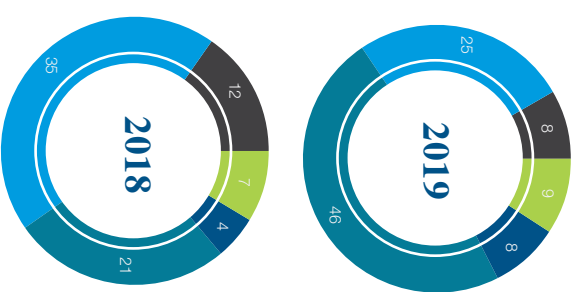
By ensuring a high percentage of permanent employees, the Group provides more individuals with access to the retirement and disability benefits provided by the Group. Permanent employees further provide the Group with a stable and experienced skills base that will increase the competence of the business over time.



Training

The Group invests in the development of its employees' skills, knowledge and capabilities. Several life skills development workshops were held for employees during the year. This will continue in the new year. Legislative training was completed and several workshops and seminars were attended by employees during the year. The number of participants in the Group's learnerships and skills development programmes increased substantially year-on-year. This is in line with Quantum Foods' focus on strengthening the capabilities of its junior management.

The below indicates the number of participants in the different training initiatives:



- Internships ● Apprenticeships ● Learnerships
- Bursaries ● Adult basic education and training (ABET)

The below indicates the training spend for 2019:

Training spend	2019	2018
Total number of employees trained	701 <sup>1,2</sup>	318 <sup>1</sup>
Employee training spend	R5.04m	R3.20m
Employee training spend as a percentage of payroll	1.4%	1.0%

<sup>1</sup> Excludes the Group's value sessions, which formed part of the roll out of its employee engagement model.  
<sup>2</sup> A large number of the Group's employees in the eggs business were involved in a life skills training programme.

The Group will continue with its scholarship programme by offering bursaries to HDSAs who are studying towards an agricultural qualification. Currently, the Group is supporting three students studying at the Eisenburg Agricultural College.

Occupational health and safety

To provide a safe work environment for its employees, Quantum Foods strives to adhere to and comply with all relevant health and safety legislation across its operations. Occupational health and safety training is conducted annually.

	2019	2018
Number of fatalities	0	0
Total number of recordable injuries	103	84
Number of lost days	551	658

All appointments in terms of sections 16(1) and 16(2) of the Occupational Health and Safety Act, Act 85 of 1993, have been implemented, and health and safety meetings are held regularly. The Group's feed factories are on the National Occupational Safety Association ("NOSA") system, which formalises the management of occupational health and safety systems. ISO 14001 is an internationally accepted environmental management certification system used to manage environmental risks at the Group's feed factories.

Employee turnover

	2019	2018
Total turnover	12.1%	19.2%
Management turnover (South African operations)	2.1%	2.9%
Not in management turnover (South African operations)	9.9%	16.3%

Quantum Foods supports its employees' rights to collective bargaining.

Employees are represented by nine trade unions.

Labour union management

	2019	2018
Percentage of employees who belong to a trade union	37.2%	48.9%

The Food and Allied Workers' Union ("FAWU") has the highest overall representation among Quantum Foods' employees. At 30 September 2019, 26% of the Group's wage employees in its South African operations belonged to FAWU (2018: 34%). The reduction in union membership is due to resignations from FAWU at two of the Group's Western Cape farms and lower enrollment from newly appointed employees. Wage negotiations were concluded between March and September 2019. The next round of negotiations will commence in January 2020 for implementation in March 2020.

B-BBEE

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of HDSAs. The introduction of the amended AgriBEE Sector Code in December 2017 significantly raised the bar for compliance, specifically with the introduction of subminimum requirements for ownership, skills development and enterprise and supplier development (including preferential procurement), which, if not achieved, immediately results in a lower B-BBEE score.

In addition to this, the cost to train HDSAs and achieve compliance has increased significantly.

This resulted in the level 8 achieved on the overall score for 2018 being discounted to a non-compliant status due to the subminimum on the ownership, preferential procurement and skills development elements not being achieved in 2018.

Achieving and maintaining a B-BBEE compliant status remains a key management focus area. During 2019, 18 091 661 shares were purchased from B-BBEE shareholders following the end of a lock-in period.



More details are available on page 57.

This resulted in a reduction in the score achieved for the ownership component of the 2019 AgriBEE scorecard. The 2019 audit was carried out by AQRate.



The 2019 scorecard is available at [www.quantumfoods.co.za/company-documents](http://www.quantumfoods.co.za/company-documents).

The Group continues to contribute to enterprise and supplier development. Current initiatives include:

- the provision of an interest-free loan to a HDSA to expand his Western Cape egg farm;
- supplying HDSA farmers with discounted point-of-lay hens;
- feed and farm management assistance to HDSA farmers for improved egg production;
- the rental of a broiler farm in Bronkhorstspuit from a HDSA; and
- egg procurement from a HDSA egg producer in the Western Cape.

Benefits of R12.5 million (2018: R7.5 million) accrued for the year. Other projects to assist smaller HDSA suppliers continued during the year. This includes assisting suppliers with their administrative systems.

The Group considers B-BBEE when any external appointments are made, especially at the senior level to improve its management control and employment equity scores. On 10 December 2018, a black female was appointed as a non-executive Board member. In addition to achieving improved gender and race diversity, this appointment also benefited the Group's scorecard.





COMMUNITY PROJECTS

The Group's involvement in its "adopted" primary school, which is situated close to its head office in Welillington, continues. In 2019, Quantum Foods provided funding of R1.1 million to the school compared with R1.2 million in 2018. Through its Social Club, Quantum Foods' employees were specifically involved in the Santa Shoe box project at the school.

As the Group is passionate about education, it provided R450 000 in funding to Khula Development – an organisation that supports out-of-school children in the Paarl East area. The organisation's mission is to integrate at-risk children back into the school system.

In 2019, employees also contributed towards gifts and made sandwiches for children at Soetendal Primary School in Welillington in support of Mandela Day.

To improve food security and support this basic human requirement, Quantum Foods continued its support of FoodForward SA. FoodForward SA collects edible surplus food from manufacturers, wholesalers, and retailers, and redistributes this food to verified non-profit organisations that collectively feed thousands of hungry people daily.

The Group contributed R450 000 to FoodForward SA in 2019.

Quantum Foods remains involved with 2nd Harvest, a non-profit organisation dedicated to providing meals to the hungry and skills development to youth across South Africa. In 2019, the Group contributed R500 000 to 2nd Harvest's

Vita Kidz programme. This programme aims to ensure that junior school learners' nutritional requirements are met, thereby improving their ability to concentrate and learn while at school.

Corporate social investment spend	2019	2018
Total corporate social investment spend	R3 018 871	R3 304 745
Spend on feeding programmes	R950 000	R1 300 000
Product donations	R495 751	R304 745
Spend on education	R1 573 120	R1 700 000

HUMAN RIGHTS

Quantum Foods is committed to, and strives to protect, basic human rights as defined in the Constitution of the Republic of South Africa and according to internationally proclaimed human rights standards. No incidents of human rights violations were reported during the year.

ANIMAL WELFARE

The welfare of the Group's birds remains a major focus area. Regular internal audits are conducted on all farms to ensure adherence to set internal standards. Quantum Foods regularly engages with and is audited by inspectors from the NSPCA to ensure compliance. Strict biosecurity measures are in place at all farms to protect chickens against diseases and illness. Ongoing animal welfare and biosecurity training is provided to farming employees.





# ENSURING RESPONSIBLE BUSINESS

Quantum Foods’ stakeholders contribute to the success of its business. The Group therefore takes stakeholder concerns seriously and strives to continuously improve its governance, transformation and sustainability initiatives.

The Group is committed to creating value for its stakeholders by ensuring the sustainability of its business model. The value of sustainability will be realised through an improved ability to:

- Attract capital from socially responsible investors
- Attract and retain a diverse pool of talent
- Provide shareholders with positive returns on their investment

 *Read more about the Group’s approach to stakeholder engagement on page 64.*

## Product safety and customer complaints

### FEEDS BUSINESS

Quantum Foods aims to provide safe feed according to good manufacturing practices in the animal feeds industry and is a member of the Animal Feed Manufacturers Association (“AFMA”). Quality assurance is crucial and all feed mills have Integrated Management Systems (“IMS”) in place that are subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Certain audits are conducted by internationally accredited certification bodies. This includes a complete re-certification audit done every three years. An internal audit programme enables continuous monitoring and improvement of the IMS.

Customer satisfaction is important and the Group has a formal customer complaint system in place. Furthermore, an independent customer satisfaction survey is conducted annually to measure overall satisfaction, identify trends and benchmark performance.

Quality assurance and customer satisfaction remain the responsibility of management and form part of monthly reporting. The quality system is used to identify non-conformance, record specific customer complaints and identify preventative and corrective actions. These trends are used by management to improve the IMS and enhance customer satisfaction.

### FARMING BUSINESS

The Group’s farming operations and the health of poultry flocks are important in the production of safe food. Stringent biosecurity measures are in place at all farms and are audited regularly by internal employees and external veterinarians contracted by the Group.

In addition to biosecurity measures, the Group implemented vaccination programmes and monitors serology, environmental and water quality results to maintain a healthy flock capable of producing safe food. At a minimum, internal health and safety audits are conducted annually at all layer farms, cull depots and broiler farms.

### EGG BUSINESS

It is important that Quantum Foods provides safe and reliable products to its customers and consumers. The Group’s grading facilities are subject to regular external audits, which ensure compliance to food safety management systems, applicable laws and regulations. The Group’s grading facilities are also subject to audits from national retail customers. An annual internal health and safety audit is conducted at all grading facilities.

As complaints in the egg business are generally more generic than those received in the feeds business, the Group uses an external company to monitor complaints. A toll-free number is available to customers and consumers, and all calls are logged and managed. A weekly report is generated and monitored by senior management to identify trends and assist the Group to maintain a customer-centric culture.

## Quantum Foods experienced zero product recalls during 2020.

### Environment

As a business reliant on agriculture, the Group is concerned about changing weather patterns, droughts, floods and the other likely effects of climate change. A conscious effort is made to minimise Quantum Foods’ environmental impact and to support the effective consumption of resources, with a specific focus on water and energy. Poultry farming constitutes a large component of the Group’s water consumption, with limited opportunities for reduction beyond ensuring that water is not wasted. The aim is to critically analyse waste production and ensure that all relevant aspects are managed responsibly.

The Group is acutely aware of the impact of its operations on the environment, particularly in terms of its carbon emissions. Performance is reported to the social and ethics committee (“SEC”) and is an important consideration when evaluating new capital projects.

The table below outlines the Group’s overall performance for 2020 and in comparison with the previous year. This enables stakeholders to monitor performance and helps the Group identify improvement opportunities.

### Environmental performance indicators

Consumption	2020	Increase/ (decrease) from 2019	Commentary to explain shifts in environmental performance indicators
Water (kℓ)	1 435 349	2%	Higher volumes of layer type hens in production.
Electricity (kWh 000)	49 170	11%	Higher volumes of feed manufactured and higher volumes of layer type hens in production.
Electricity from renewable sources (kWh 000)	2 276	57%	New solar systems were added at an egg packing station in Brackenfell and an Eastern Cape layer farm.
Coal (tons)	3 082	22%	This increased due to the timing of broiler cycles compared to the previous year (coal heating is only used on a small number of farms and at the start of the rearing cycle).
Gas (kg)	1 372 395	(4%)	Lower number of day-old pullets placed on layer rearing farms resulted in lower consumption of gas for heating.
Diesel/ petrol/ paraffin (ℓ)	1 110 670	9%	Increased use of generators during periods of load shedding and higher production volumes in the feed and farming businesses.
Heavy fuel oil (“HFO”) (ℓ)	1 061 436	2%	Higher volumes of feed manufactured.
Packaging (tons)	13 616	10%	Higher volume of eggs sold.
Waste			
Litter/manure produced (tons)	163 163	13%	Higher volumes of layer type hens in production.
Mortalities to landfill/waste pit (tons)	824	11%	Higher volumes of layer type hens in production, mortality rates the same as in 2019.
Effluent water (kℓ)	297 823	1%*	

\* 2019 figure restated – accuracy improved with the installation of additional water consumption meters.

CONSERVATION

The relationship with the Western Cape Nature Conservation Board in respect of the perpetual biodiversity agreement at a portion of the Farm Zoutenivier continues. This conservation area is known as the Quantum Foods' Atlantis Sand Fynbos Conservation Area, and critically endangered Atlantis Sand Fynbos is conserved on the property.

ENERGY EFFICIENCY

With the assistance of external service providers, energy-saving opportunities are continually evaluated across the Group's integrated value chain. Quantum Foods' main energy-intensive activities relate to the boilers used in the preparation of animal feeds, the temperature control of hatching eggs, the rearing of layer and broiler chicks and the overall production of egg packing stations. Opportunities for energy efficiency and savings include process optimisation and the introduction of advanced technologies to reduce the burden of the Group's energy-intensive activities.

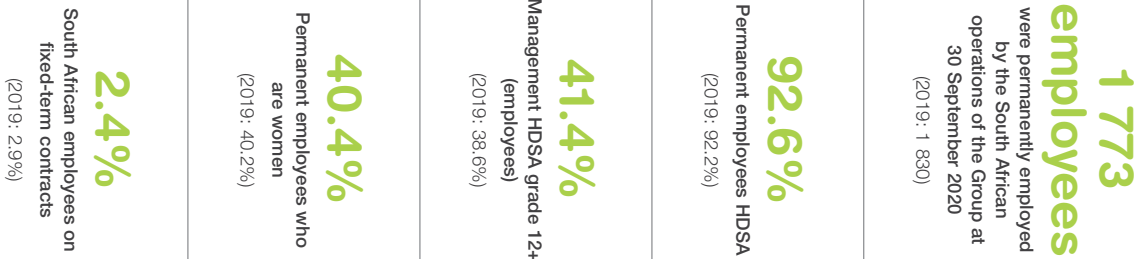
During 2020, solar panel projects were approved for the Hiveld layer hatchery in Bronkhorstspuit and the Boshoek layer farm near Tzartion. Further opportunities for solar systems were identified and will be evaluated for implementation going forward based on improving efficiency at an optimised cost-benefit ratio. This will assist in reducing Quantum Foods' dependency on electricity generated from non-renewable sources.

Human resources

DIVERSITY AND EMPLOYMENT EQUITY

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability. The Group believes that a diverse and transformed workplace adds value in the form of improved employee capabilities and shared values that strengthen, motivate and enhance employee productivity to the ultimate benefit of society. Increasing the percentage of management deemed HDSA is a direct focus area in terms of the Group's employment equity strategy.

The employment equity statistics for the Group's South African operations are provided below:



Employment equity statistics as at 30 September 2020

Occupation levels	African		Coloured		Indian		White		Foreigners		Total
	F	M	F	M	F	M	F	M	F	M	
Top management	0	2	2	0	0	0	1	5	0	0	10
Senior management	1	4	2	0	0	0	2	16	0	0	25
Professionally qualified, experienced specialists and mid-management	1	24	6	9	1	1	10	41	0	0	93
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	33	113	51	53	4	6	24	28	0	0	312
Semi-skilled and discretionary decision-making employees	143	236	86	113	2	2	1	1	0	0	584
Unskilled and defined decision-making employees	313	374	34	26	0	0	0	0	0	2	749
Total permanent employees	491	753	181	201	7	9	38	91	0	2	1 773
Non-permanent employees	8	9	4	14	0	0	3	5	0	1	44
Total	499	762	185	215	7	9	41	96	0	3	1 817

Total number of employees as at 30 September 2020

The employee numbers for the South African operations are reflected in the table below:

	2020	2019
Salaried	505	504
Salaried contractors	38	40
Waged	1 268	1 326
Waged contractors	6	14
Total	1 817	1 884

During the year, the Group's South African employee complement decreased by 2.6%, due to termination of a rental agreement in the Eastern Cape and a slightly higher number of wages employee vacancies.

The Group employs 391 (2019: 389) individuals in Zambia, 143 (2019: 112) individuals in Uganda and 74 (2019: 72) individuals in Mozambique. The increased headcount in Uganda is due to the commencement of operations on a new breeder farm.

By ensuring a high percentage of permanent employees, the Group provides more individuals with access to the retirement and disability benefits provided by the Group. Permanent employees provide the Group with a stable and experienced skills base that will increase the competence of the business over time.

TRAINING

The Group invests in the development of its employees' skills, knowledge and capabilities. Annually, the Group adds training modules to its online platform. This helped mitigate the impact of COVID-19 during the year. Online learning is used to train farm employees, induct new employees and enhance existing software skills (including Microsoft and SAP ERP). Several life skills development workshops were held for employees during the year. Legislative training was completed and several workshops and seminars were attended by employees during the year. The number of participants in the Group's learnerships and skills development programmes decreased due to COVID-19 restrictions. Going forward, these numbers are expected to increase in line with Quantum Foods' focus on strengthening the capabilities of its junior management.

The number of participants in the Group's internship and apprentice programmes increased due to a stronger focus on feed technical skills development and a higher number of junior artisans employed. In 2020, additional bursaries were awarded to employees, students attending the Eisenburg Agricultural Training Institute and students attending Stellenbosch University in the fields of science and engineering.

The below indicates the number of participants in the different training initiatives:

Skills pipeline	2020	2019
Internships	20	9
Apprenticeships	16	8
Learnerships	32	46
Bursaries	36	25
Adult basic education and training ("ABET")	5	8
	109	96

The below indicates the training spend for 2020. The amount spent on training reduced in 2020 due to the restrictions COVID-19 placed on the execution of training programmes.

Training spend	2020	2019
Total number of employees trained	590 <sup>1</sup>	701 <sup>2,3</sup>
Employee training spend	R4,13m	R5,04m
Employee training spend as a percentage of payroll	1.1%	1.4%

<sup>1</sup> A number of the Group's employees in the feeds business were involved in a life skills training programme.  
<sup>2</sup> Excludes the Group's value sessions, which formed part of the roll out of its employee engagement model.  
<sup>3</sup> A large number of the Group's employees in the egg business were involved in a life skills training programme.

The Group will continue with its scholarship programme and offer bursaries to HDSAs who are studying towards agricultural and science qualifications. Currently, the Group supports six students studying at the Eisenburg Agricultural Training Institute (2019: three) and four students involved in the High Performance Sports Programme at Stellenbosch University (2019: nil).

OCCUPATIONAL HEALTH AND SAFETY

To provide a safe work environment for its employees, Quantum Foods strives to adhere to and comply with all relevant health and safety legislation across its operations. Occupational health and safety training is conducted annually.

 Read more on additional measures implemented following the outbreak of COVID-19 on page 12.

	2020	2019
Fatalities	0	0
Recordable injuries	107	103
Lost days	606	551

*Note: no significant outliers to be commented on in terms of the increase in lost days.*

All appointments in terms of sections 16(1) and 16(2) of the Occupational Health and Safety Act, No. 85 of 1993, have been implemented, and health and safety meetings are held regularly. The Group's feed factories are on the National Occupational Safety Association ("NOSA") system, which formalises the management of occupational health and safety systems. ISO 14001 is an internationally accepted environmental management certification system used to manage environmental risks at the Group's feed factories.

EMPLOYEE TURNOVER

	2020	2019
Total turnover <sup>1</sup>	14.1%	12.1%
Management turnover (South African operations)	1.8%	2.1%
Not in management turnover (South African operations)	12.3%	9.9%

<sup>1</sup> Employee turnover increased in 2020 following the termination of a rental agreement for a farm in the Eastern Cape.

LABOUR UNION MANAGEMENT

	2020	2019
Percentage of employees who belong to a trade union	38.1%	37.2%

Quantum Foods supports it employees' rights to collective bargaining. Employees are represented by 11 trade unions.

The Food and Allied Workers' Union ("FAWU") has the highest overall representation among Quantum Foods' employees. At 30 September 2020, 28% of the Group's wage employees in its South African operations belonged to FAWU (2019: 26%). Wage negotiations were successfully concluded during the year.

B-BBEE

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of HDSAs. The introduction of the amended AgriBEE Sector Code in December 2017 significantly raised the bar for compliance, specifically with the introduction of subminimum requirements for ownership, skills development and enterprise and supplier development (including preferential procurement), which, if not achieved, immediately results in a lower B-BBEE score. In addition to this, the cost to train HDSAs and achieve compliance has increased significantly.

This resulted in the level 7 achieved on the overall score for 2019 being discounted to level 8. Improving the B-BBEE score remains a key management focus area. The 2020 audit was carried out by AQRate.

The 2020 scorecard is available at [www.quantumfoods.co.za/company-documents](http://www.quantumfoods.co.za/company-documents).

The Group continues to contribute to enterprise and supplier development. Current initiatives include:

- The provision of an interest-free loan to a HDSA to expand his Western Cape egg farm
- Supplying HDSA farmers with discounted point-of-lay hens and feed
- Feed and farm management assistance to HDSA farmers for improved egg production
- The rental of a broiler farm in Bronkhorstspuit from a HDSA
- Egg procurement from a HDSA egg producer in the Western Cape and Free State.

Benefits of R11.6 million (2019: R12.5 million) accrued for the year. Other projects to assist smaller HDSA suppliers continued during the year. This includes assisting suppliers with their administrative systems.

The Group considers B-BBEE when any external appointments are made, especially at the senior level to improve its management control and employment equity scores. On 1 January 2020, a black male was appointed as Executive: Broiler farming. In addition to achieving improved race diversity, this appointment also benefited the Group's scorecard.

Community projects

The Group's involvement in its "adopted" primary school, Groenheuwel Primary, situated close to its head office in Wellington, continued. In 2020, Quantum Foods provided R945 500 to the school. Through its Social Club, Quantum Foods' employees were specifically involved in the Santa Shoe Box stationery drive at Soetendal Primary School in Wellington.

In 2020, employees also contributed towards food parcels for the children and parents at Windmeul Primary in Paarl in support of Mandela Day.

As the Group is passionate about education, it provided R250 000 in funding to Krula Development – an organisation that supports out-of-school children in the Paarl East area. The organisation's mission is to integrate at-risk children back into the school system. In addition, the Group contributed R150 000 to Warnersvallei Training Centre, a community-based centre in Wellington that provides training to unemployed individuals in the community. Short courses include frail care, child care, home management and cooking and hairdressing assistants. The Group also donated R210 220 to House Andrew Murray, an orphanage in Wellington.



To improve food security and support this basic human requirement, Quantum Foods continued its support of FoodForward SA. FoodForward SA collects edible surplus food from manufacturers, wholesalers and retailers, and distributes this food to verified non-profit organisations that collectively feed thousands of hungry people daily.

The Group contributed R250 000 to FoodForward SA in 2020. Quantum Foods remains involved with 2nd Harvest, a non-profit organisation dedicated to providing meals to the hungry and skills development to youth across South Africa.

In 2020, the Group contributed R294 250 to 2nd Harvest's Vita Kidz programme. This programme aims to ensure that junior school learners' nutritional requirements are met, thereby improving their ability to concentrate and learn while at school. The Group continued to donate egg and egg liquid products to a number of institutions that aim to assist with food security.

Corporate social investment spend	2020	2019
Total corporate social investment spend	R2 628 437	R3 018 871
Spend on feeding programmes	R544 250	R950 000
Product donations	R528 467	R495 751
Spend on education	R1 555 720	R1 573 120

Human rights

Quantum Foods is committed to, and strives to protect, basic human rights as defined in the Constitution of the Republic of South Africa and according to internationally proclaimed human rights standards. No incidents of human rights violations were reported during the year.

Animal welfare

The welfare of the Group's birds remains a major focus area. Regular internal audits are conducted on all farms to ensure adherence to set internal standards. Quantum Foods regularly engages with and is audited by inspectors from the NSPCA to ensure compliance. Strict biosecurity measures are in place at all farms to protect chickens against diseases and illness. Ongoing animal welfare and biosecurity training is provided to farming employees. Supplier and contract production facilities are required to comply with the same standards that apply to the Group's farms in terms of supply agreements.





# Ensuring responsible business

*Quantum Foods' stakeholders contribute to the success of its business. The Group therefore takes stakeholder interests seriously and strives to continuously improve its governance, transformation and sustainability initiatives.*

The Group is committed to creating value for its stakeholders by ensuring the sustainability of its business model. The value of sustainability will be realised through an improved ability to:

- Attract capital from socially responsible investors
- Attract and retain a diverse pool of talent
- Provide shareholders with positive returns on their investment

 Read more about the Group's approach to stakeholder engagement on page 67.

## Product safety and customer complaints



It is important that Quantum Foods provides safe and reliable products to its customers and consumers.

### Feeds business

Quantum Foods aims to provide safe feed according to good manufacturing practices in the animal feeds industry and is a member of the Animal Feed Manufacturers Association. Quality assurance is crucial and all feed mills have integrated Management Systems ("IMS") in place that are subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Certain audits are conducted by internationally accredited certification bodies. This includes a complete re-certification audit done every three years. An internal audit programme enables continuous monitoring and improvement of the IMS.

Customer satisfaction is important and the Group has a formal customer complaint system in place. Furthermore, an independent customer satisfaction survey is conducted annually to measure overall satisfaction, identify trends and benchmark performance.

Quality assurance and customer satisfaction remain the responsibility of management and form part of monthly reporting. The quality system is used to identify non-conformance, record specific customer complaints and identify preventative and corrective actions. These trends are used by management to improve the IMS and enhance customer satisfaction.

### Farming business

The Group's farming operations and the health of poultry flocks are important in the production of safe food. Stringent biosecurity measures are in place at all farms and are audited regularly by internal employees and external veterinarians contracted by the Group. In addition to biosecurity measures, the Group implemented vaccination programmes and monitors serology, environmental and water quality results to maintain a healthy flock capable of producing safe food. At a minimum, internal health and safety audits are conducted annually at all layer farms, cull depots and broiler farms. Customer satisfaction is monitored through engagement with customers on the quality and production performance of livestock supplied.

### Egg business

The Group's grading facilities are subject to regular external audits, which ensure compliance to food safety management systems, applicable laws and regulations. The Group's grading facilities are also subject to audits from national retail customers. An annual internal health and safety audit is conducted at all grading facilities.

As complaints in the egg business are generally more generic than those received in the feeds and farming businesses, the Group uses an external company to monitor complaints. A toll-free number is available to customers and consumers, and all calls are logged and managed. A weekly report is generated and monitored by senior management to identify trends and assist the Group to maintain a customer-centric culture.

Quantum Foods experienced zero product recalls during 2021.

## Environment



As a business reliant on agriculture, the Group is concerned about changing weather patterns, droughts, floods, and the other likely effects of climate change.

A conscious effort is made to minimise Quantum Foods' environmental impact and support the effective consumption of resources, focusing on water and

energy. Poultry farming constitutes a large component of the Group's water consumption, with limited opportunities for reduction beyond ensuring that water is not wasted. The aim is to critically analyse waste production and ensure that all relevant aspects are managed responsibly.

The Group is acutely aware of the impact of its operations on the environment, particularly in terms of its carbon emissions. Performance is reported to the social and ethics committee ("SEC") and is an important consideration when evaluating new capital projects.

The table below outlines the Group's overall performance for 2021 in comparison with the previous year. This enables stakeholders to monitor performance and helps the Group identify improvement opportunities.

### Environmental performance indicators

Consumption	2021	Increase/ (decrease) from 2020	Commentary to explain shifts in environmental performance indicators
Water (Kt)	1 473 424	3%	Acquisition of Helderfontein Broiler Farm.
Electricity (KWh'000)	46 813	(5%)	Lower volume of feed manufactured and additional solar panel systems installed.
Electricity from renewable sources (KWh'000)	2 353	33%*	New solar panel systems installed at a layer hatchery and two layer farms.
Cool (tons)	2 963	(4%)	Decreased due to the timing of broiler cycles compared to the previous reporting period (cool heating is only used on a small number of farms and at the start of the rearing cycle).
Gas (kg)	1 601 939	17%	Acquisition of Helderfontein Broiler Farm.
Diesel/petrol/paraffin (t)	1 282 974	16%	Increased use of generators during periods of load shedding and insourcing of distribution fleet at some units.
Heavy fuel oil ("HFO")/polyfuel (t)	1 112 546	5%	Higher volume of pelletised feed manufactured which consumes more fuel per ton of feed produced.
Packaging (tons)	11 600	(15%)	Lower volume of eggs sold.
Waste	138 604	(15%)	Lower number of layer type hens in production.
Litter/manure produced (tons)	949	15%	Higher mortalities due to lower farming efficiencies.
Mortalities to landfill/waste pit (tons)	285 490	(4%)	Improved efficiency.
Effluent water (Kt)			

\* 2020 figure restated - accuracy of measurement techniques improved.

Conservation

The relationship with the Western Cape Nature Conservation Board in respect of the perpetual biodiversity agreement at a portion of the Zouterivier Farm continues. This conservation area is known as the Quantum Foods' Atlantis Sand Fynbos Conservation Area, and critically endangered Atlantis Sand Fynbos is conserved on the property.

Energy efficiency

With the assistance of external service providers, energy-saving opportunities are continually evaluated across the Group's integrated value chain. Quantum Foods' main energy-intensive activities relate to the boilers used in the preparation of animal feeds, the temperature control of hatching eggs, the rearing of layer and broiler chicks and the overall production of egg packing stations.

Opportunities for energy efficiency and savings include process optimisation and the introduction of advanced technologies to reduce the burden of the Group's energy-intensive activities.

During 2021, solar panel projects were completed for the Hiveld layer hatchery in Bronkhorstspuit and the Boshoeck layer farm near Terton. A solar panel project was also approved and completed for the Rondevley layer farm near Malmesbury. Further opportunities for solar systems will be evaluated for implementation going forward based on improving efficiency at an optimised cost-benefit ratio. This will assist in reducing Quantum Foods' dependency on electricity generated from non-renewable sources.

Human resources



Diversity and employment equity

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability. The Group believes that a diverse and transformed workplace adds value in the form of improved employee capabilities and shared values that strengthen, motivate and enhance employee productivity to the ultimate benefit of society. Increasing the percentage of management deemed HDSA is a direct focus area in terms of the Group's employment equity strategy.

The employment equity statistics for the Group's South African operations are provided below:

1 842 employees

were permanently employed by the South African operations of the Group as at 30 September 2021  
(2020: 1 775)

92.7%

Permanent employees HDSA  
(2020: 92.6%)

41.5%

Management HDSA grade 12+ (employees)  
(2020: 41.4%)

38.6%

Permanent employees who are women  
(2020: 40.4%)

2.9%

South African employees on fixed-term contracts  
(2020: 2.4%)

Employment equity statistics as at 30 September 2021

Occupation levels	African			Coloured			Indian			White			Foreigners			Total
	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Top management	0	2	2	0	0	0	0	1	5	0	0	0	0	0	0	10
Senior management	1	4	2	1	0	0	0	2	17	0	0	0	0	0	0	27
Professionally qualified, experienced specialists and mid-management	2	22	6	12	1	1	13	41	0	0	0	0	0	0	0	98
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	32	114	52	57	3	5	25	28	0	0	0	0	0	0	0	316
Semi-skilled and discretionary decision-making employees	140	277	86	136	1	1	1	1	0	0	0	0	0	0	0	643
Unskilled and defined decision-making employees	306	377	35	28	0	0	0	0	0	0	0	0	0	0	0	748
Total permanent employees	481	796	183	234	5	7	42	92	0	2	1 842					
Non-permanent employees	15	15	6	10	1	1	1	6	0	0	55					
Total	496	811	189	244	6	8	43	98	0	2	1 897					

Total number of employees as at 30 September 2021

The employee numbers for the South African operations are reflected in the table below:

	2021		2020
Salaried	520	46	505
Salaried contractors	1 322	9	1 268
Waged	9		6
Waged contractors	1 897		1 817
Total			

During the year, the Group's South African employee complement increased by 4.4%. The largest contributor to this change was the acquisition of a broiler farm in the Western Cape.

At 30 September 2021, the Group employed 447 (2020: 391) individuals in Zambia, 152 (2020: 143) individuals in Uganda and 71 (2020: 74) individuals in Mozambique. The increased headcount in Zambia is temporary due to staff being appointed to assist during the maize purchase season.

By ensuring a high percentage of permanent employees, the Group provides more individuals with access to the retirement and disability benefits provided by the Group. Permanent employees provide the Group with a stable and experienced skills base that will increase the competence of the business over time.

## Training

The Group invests in the development of its employees' skills, knowledge and capabilities. Annually, the Group adds training modules to its online platform. This helped mitigate the impact of COVID-19 during the year.

Online learning is used to train farm employees, induct new employees and enhance existing software skills (including Microsoft and SAP ERP). Life skills development workshops continued at the unit in the Free State. Legislative training was completed, and all relevant licences and accreditations were obtained. In addition, employees attended several workshops and seminars during the year. The number of participants in the Group's intern and apprenticeship programmes decreased, with fewer students applying for these programmes. Going forward, these numbers are expected to increase in line with Quantum Foods' focus on strengthening the capabilities of its junior management.

Bursaries were awarded to employees and students attending the Eisenburg Agricultural Training Institute and students attending Stellenbosch University in the fields of science and engineering.

The below indicates the number of participants in the different training initiatives:

<b>Skills pipeline</b>	<b>2021</b>	<b>2020</b>
Internships	11	20
Apprenticeships	10	16
Learnerships	34	32
Bursaries	31	36
Adult basic education and training ("ABET")	5	5
<b>Total</b>	<b>91</b>	<b>109</b>

The below indicates the training spend for 2021. The number of employees trained during the year reduced from the previous year. However, training spend increased with relatively more employees enrolled in learnerships.

<b>Training spend</b>	<b>2021</b>	<b>2020</b>
Total number of employees trained	352	590
Employee training spend	<b>R 4.81 m</b>	R4.13 m
Employee training spend as a percentage of payroll	<b>1.2%</b>	1.1%

The Group will continue its scholarship programme and offer bursaries to HDSAs studying agricultural and science qualifications. Currently, the Group supports nine students studying at the Eisenburg Agricultural

Training Institute (2020: six) and three students involved in the High-Performance Sports Programme at Stellenbosch University (2020: four). In 2021, the Group funded learnerships for four disabled students for the first time. This funding will continue next year.

## Occupational health and safety

To provide a safe working environment for its employees, Quantum Foods strives to adhere to and comply with all relevant health and safety legislation across its operations. Occupational health and safety training is conducted annually.

<b>0</b>	<b>87</b>	<b>467</b>
<b>Fatalities</b>	<b>Recordable injuries</b>	<b>Lost days</b>
(2020: 0)	(2020: 107)	(2020: 606)

*Note: The decrease in lost days and recordable injuries followed training interventions and coaching, specifically for farming employees.*

All appointments in terms of sections 16(1) and 16(2) of the Occupational Health and Safety Act, No. 85 of 1993, have been implemented, and health and safety meetings are held regularly. The Group's feed factories are on the National Occupational Safety Association ("NOSA") system, which formalises the management of occupationally health and safety systems. ISO 14001 is an internationally accepted environmental management certification system used to manage environmental risks at the Group's feed factories.

## Employee turnover

	<b>2021</b>	<b>2020</b>
Total turnover <sup>1</sup>	<b>9.2%</b>	14.1%
Management turnover (South African operations)	<b>0.7%</b>	1.8%
Not in management turnover (South African operations)	<b>8.5%</b>	12.3%

<sup>1</sup> The termination of a rental agreement for a farm in the Eastern Cape was the reason for the higher employee turnover rate in 2020.

## Labour union management

	<b>2021</b>	<b>2020</b>
Percentage of employees who belong to a trade union	<b>47.4%</b>	38.1%

The increase in the percentage of employees who belong to a trade union is due to the addition of the Helderfontein Farm employees and smaller unions in the north of South Africa who actively recruited farm workers.

## Quantum Foods supports its employees' rights to collective bargaining. Employees are represented by 15 trade unions.

The Food and Allied Workers' Union ("FAWU") has the highest overall representation among Quantum Foods' employees. As at 30 September 2021, 23% of the Group's wage employees in its South African operations were members of FAWU (2020: 28%). Wage negotiations were more challenging in 2021. This resulted in industrial action at a limited number of operating units – with no significant impact on the business. As at the date of this report, wage negotiations for 2.5% of collective bargaining employees were not concluded.

## B-BBEE

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of HDSAs. The introduction of the amended AgriBEE Sector Code in December 2017 significantly raised the bar for compliance, specifically with the introduction of subminimum requirements for ownership, skills development and enterprise and supplier development (including preferential procurement), which, if not achieved, immediately results in a lower B-BBEE score. In addition to this, the cost to train HDSAs and achieve compliance has increased significantly.

This resulted in the level 7 achieved on the overall score for 2021 being discounted to level 8. Improving the B-BBEE score remains a key management focus area. The 2021 audit was carried out by AQRate.

 The 2021 scorecard is available at [www.quantumfoods.co.za/company-documents](http://www.quantumfoods.co.za/company-documents).

The Group continues to contribute to enterprise and supplier development. Current initiatives include:

- The provision of an interest-free loan to an HDSA to expand his Western Cape egg farm
- Supplying HDSA farmers with discounted point-of-lay hens and feed
- Feed and farm management assistance to HDSA farmers for improved egg production
- The rental of a broiler farm in Bronkhorstspuit from an HDSA
- Egg procurement from HDSA egg producers in the Western Cape and Free State

Benefits of R11.9 million (2020: R11.6 million) accrued for the year. Other projects to assist smaller HDSA suppliers continued during the year. This includes assisting suppliers with their administrative systems.

The Group considers B-BBEE when any external appointments are made, especially at the senior level to improve its management control and employment equity scores.

## Community projects



*Due to COVID-19 restrictions, employees were not able to physically assist with food parcels and Santa Shoe box initiatives. However, the Group again partnered with 2nd Harvest, a non-profit organisation dedicated to providing meals to the hungry and skills development to youth across South Africa, and made monetary contributions to two food drives.*

As the Group is passionate about education, it provided R140 000 in funding to Khula Development – an organisation that supports out-of-school children in the Paarl East area and contributed R310 000 to Hilltop Legacy in support of its "adopted" primary school, Groenheuvel Primary. Khula Development's mission is to integrate at-risk children back into the school system.

In addition, the Group contributed R110 000 to Wamkersvlei Training Centre, a community-based centre in Wellington that provides training to unemployed individuals in the community. Short courses include trail care, childcare, home management and cooking and hairdressing assistants. The Group also donated R310 000 to Huis Andrew Murray, a child and youth care centre in Wellington.

To improve food security and support this basic human requirement, Quantum Foods continued its support to FoodForward SA. FoodForward SA collects edible surplus food from manufacturers, wholesalers and retailers, and distributes this food to verified non-profit organisations that collectively feed thousands of hungry people daily. The Group contributed R140 000 to FoodForward SA in 2021. In addition, the Group contributed R140 000 to 2nd Harvest's Vita Kidz programme. This programme aims to ensure that junior school learners' nutritional requirements are met, thereby improving their ability to concentrate and learn while at school.







The Group continued to donate egg and liquid egg products to several institutions that aim to assist with food security.

Corporate social investment spend

	2021	2020
Total corporate social investment spend	R2 120 424	R2 628 437
Spend on feeding programmes	R280 000	R544 250
Product donations	R970 424	R528 467
Spend on education	R870 000	R1 555 720

Human rights



Quantum Foods is committed to and strives to protect basic human rights as defined in the Constitution of the Republic of South Africa and according to internationally proclaimed human rights standards. No incidents of human rights violations were reported during the year.

Animal welfare



The welfare of the Group's birds remains a major focus area. Regular internal audits are conducted on all farms to ensure adherence to set internal standards. Quantum Foods regularly engages with and is audited by inspectors from the NSPCA to ensure compliance. Strict biosecurity measures are in place at all farms to protect chickens against diseases and illness. Ongoing animal welfare and biosecurity training is provided to farming employees.

Supplier and contract production facilities are required to comply with the same standards that apply to the Group's farms in terms of supply agreements.



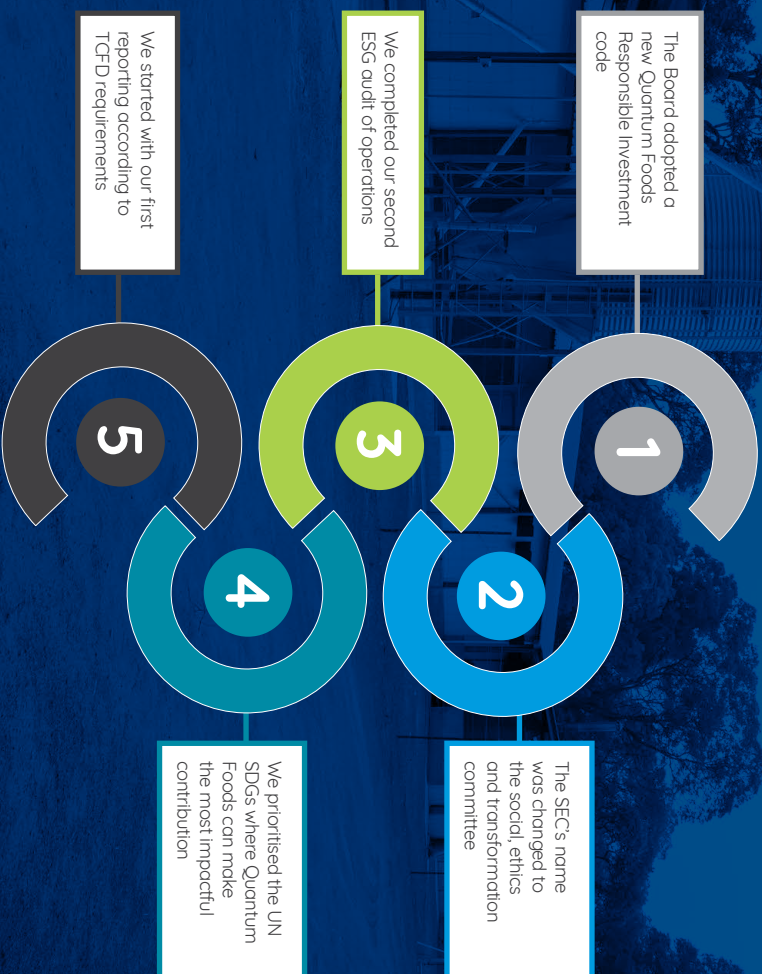


# Ensuring a responsible business

*To build the best feed, poultry and egg business, we implement our strategy. To create and preserve value for our stakeholders, we deliver resilient results.*

## Our ESG journey

We are committed to creating and protecting value for our stakeholders and to supporting sustainable development. This requires responsible business management of ESG matters. This year saw major progress in five areas relating to our ESG journey:



## New responsible investment code

The Board approved a new Quantum Foods responsible investment code this year. It defines the principles, objectives, policies and management systems for sustainable and responsible ESG investment. It also includes an exclusion list, which specifies businesses and activities in which Quantum Foods will not invest.

The objectives of the code are:

- To minimise adverse impacts and enhance positive effects on the environment, as relevant and appropriate.
- To make efficient and sustainable use of natural resources, for example, soil, land, livestock, biodiversity and water; and to take a preventive and precautionary approach to protect the environment wherever possible.
- To support the reduction of greenhouse gas emissions which contribute to climate change.
- To encourage the development of environmentally friendly technologies.
- To ensure the fair treatment of animals.

## SEC renamed

Transformation is a key item on the agenda of this Board committee. The Board decided to include transformation in the committee's name to emphasise the importance of this social and empowerment aspect of its mandate. Our commitment to transformation was also recognised this year through the SAPA Transformation Award.

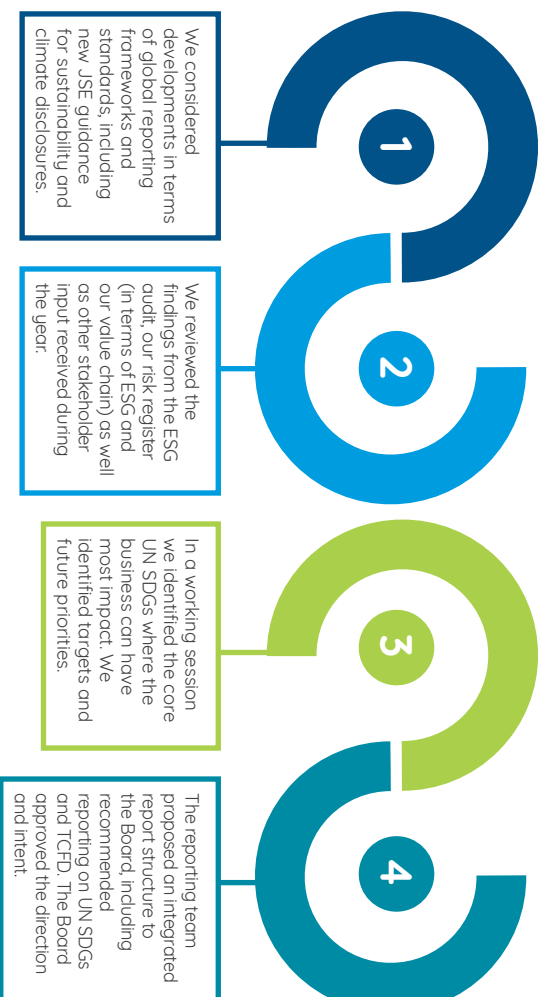
## Second ESG audit done

The IBIS ESG audit highlighted the following progress factors for 2022:

- Additional solar power panels were installed
- Ongoing upgrades were made to water-based fire-fighting systems (sprinklers)
- Additional human resource management capacity was created in Zambia

- With the closure of the Hekpoort facility, all employees will be relocated to other farms
  - *Nulid* achieved the status of the best egg brand in the country for the ninth consecutive year
  - An employee transportation vehicle inspection system was implemented
  - The BioBIN® system was installed in our egg business as a solution to managing organic waste that would otherwise end up in landfill
  - Upgrades at the Hartbeespoort hatchery are in process that will improve wastewater management and incorporate solar power generation and energy efficiency measures into the design
  - An asbestos survey was completed, and an action plan developed
- Core challenges were identified as:
- Widely publicised complaints relating to pest control at the Hekpoort facility
  - An HPAI outbreak at the Lemoenkloof farm
  - Resourcing challenges associated with finding suitably skilled individuals, especially for layer farming
  - Industrial action included protected strikes at four units/farms relating to wage negotiations (all issues have been resolved)

## Our UN SDG priorities



Read more about our priority UN SDGs and contribution on the next page.

# Contributing to the United Nations Sustainable Development Goals

The UN SDGs are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030. While the 17 UN SDGs are interconnected and interdependent, Quantum Foods prioritised three goals that are catalysts for positive change in our context.

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**UN SDG 2:** End hunger, achieve food security and improved nutrition and promote sustainable agriculture



**UN SDG 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



**UN SDG 12:** Ensure sustainable consumption and production patterns



## UN SDG 2: Zero hunger Context and commitment

About 333 million people, representing more than a quarter of Africa's population, are classified as severely food insecure<sup>1</sup>. According to the UN's Food and Agriculture Organization (‘FAO’), undernutrition is a critical issue on our continent, with more than a third of African children suffering from stunted growth. Low-quality food is seen as one of the major contributors to poor growth, both in the womb and during the vulnerable first years of life.

Poultry is a critical source of human nutrition. Layer hens and broilers are highly efficient converters of feed into animal protein, with favourable conversion ratios of feed to final product compared to other animal protein sources. A study published by the FAO suggests that eggs can play a key role in fighting hunger, malnutrition and to prevent stunting in children.

Eggs are almost pure protein of very high quality. They also provide virtually the entire adequate intake for young children of vitamin B12 and choline. The essential fatty acid content of eggs may be especially important in pregnancy.

As a listed producer of animal feeds and poultry products, Quantum Foods plays an important role in the fight against hunger and food insecurity through our products, services and corporate social investment initiatives.

As per our responsible investment code, we are committed to promoting local food production. We are also committed to supporting small producers through supplier and enterprise development.

### UN SDG 2 targets

2.2 By 2030, end all forms of malnutrition, including achieving by 2025 the internationally agreed targets on stunting and wasting in children under five years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women, and older persons

Beneficiaries received food security support through our long-standing donor relationship with Food Forward South Africa

We donated egg and liquid egg products to several institutions that assist with food security

### Measuring progress in 2022

2.3 By 2030, double the agricultural productivity and the incomes of small-scale food producers, particularly women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets, and opportunities for value addition and non-farm employment

Continued supporting small black enterprise suppliers.

Read more on page 51

### Driving nutrition and giving

FoodForward SA ("FFSA") is a non-profit organisation that collects edible surplus food from manufacturers, wholesalers and retailers, which it then distributes to verified organisations that actively feed thousands of hungry people daily. We have been contributing to FFSA for 6 years.

This year, contributions were allocated to the Huis Andrew Murray children's home in the Western Cape, and Puseiso ya Seithoba Community Nutrition and Development Centre in the Free State. At the former institution, our contribution helped feed vulnerable and orphaned children. And at the latter, more than 400 beneficiaries received food assistance.

We also contributed to OTB Africa's project to provide Vita Kidz instant porridge to early child development centres and creches.

The product is a nutritionally smart breakfast designed to sustain the levels of energy that children need to maximise their educational opportunities.

We also continued to donate egg and liquid egg products to several institutions that aim to assist with food security.

### Supporting small-scale producers

Initiatives to support small businesses in our supply chain include:

- Supplying HDSA farmers with discounted point-of-lay hens and feed
- Feed and farm management assistance to HDSA farmers for improved egg production
- The rental of a broiler farm in Bronkhorstspuit from an HDSA
- Egg procurement from HDSA egg producers in the Western Cape, Eastern Cape and Free State

We increased the procurement of products and services from HDSA suppliers by more than 50% during the year and continue to explore opportunities to further support HDSA suppliers.

### Supporting a family business in Philippi

Small farmers have a vital role to play in global food security and nutrition, but they need support. Linking small-scale farmers to efficient food value chains can contribute to poverty alleviation while at the same time boosting the production of nutritious foods, thereby contributing to food security and nutrition. It is against this background that Quantum Foods runs supplier and enterprise development programmes.

Chamomile Farming is a family business established in 2003 in Schaeckkraal, on the outskirts of Cape Town and situated in the Philippi Horticultural area. We purchase eggs from them and further support the business through technical visits and advice. We have been part of Chamomile Farming's growth journey since 2018, and we provided them with an interest-free loan of R6.5 million in 2019. The loan was used to fund the construction of an additional layer house with a capacity of 25 000 birds.

### Female entrepreneurs in poultry

In the Mfengu community at Wittekleibosch on the Tsitsikamma Wind Farm near Humansdorp in the Eastern Cape, Nomonde Peter-Bunu, Nomothamsanga and Thandeka Mazantisi, and Nomso Mzizi established NNT Women Poultry in 2019. The venture is described as a 100% local, black woman-owned business supplying eggs within and around the Tsitsikamma area.

We supported NNT Women Poultry by donating 1 620 laying hens through our layer farming segment, and feed and technical support through *Nova Feeds*. Our egg business procures eggs from them for processing at our Gebeheba packing station. Our enterprise development support and procurement are aimed at helping these entrepreneurs expand their businesses sustainably.





## UN SDG 8: Decent work and economic growth

### Context and commitment

During the past year, South Africa's official unemployment rate came down to 33.9%, which is still very high. Creating decent jobs for all and improving living standards require sustained and inclusive economic growth.

We are committed to treating all employees and contractors fairly and to respecting their dignity, well-being and diversity. Our intent is to work towards full compliance with the fundamental conventions of the International Labour Organization and the Universal Declaration of Human Rights of the UN.

According to our responsible investment code, we:

- comply with applicable local and national laws (as a minimum)
- do not employ or make use of forced labour of any kind
- do not employ or make use of any child labour
- pay wages that are reasonable, and which also meet or exceed industry or legal national minimum requirements
- treat employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV status
- allow consultative workplace structures and associations which provide employees with an opportunity to present their views to management
- enable the relocation of employees for extended periods where remote operations are involved

### UN SDG 8 targets

### Measuring progress in 2022

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Quantum Foods provides employment for 2 625 people

37.2% female employees in South Africa (FY2021: 36.6%)

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

56 internships, apprenticeships, learnerships and adult basic education and training ("ABET") opportunities

Support for skills training and entrepreneurship community programmes

8.7 Take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour, eradicate forced labour, and by 2025 end child labour in all its forms

No child labour

No forced labour

8.8 Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment

Workers' rights respected during labour strikes

### Our employee profile

The employee numbers of our South African operations as at 30 September 2022 are reflected in the table below:

	2022	2021
Salaried	499	520
Salaried contractors	36	46
Waged	1 310	1 322
Waged contractors	3	9
<b>Total</b>	<b>1 848</b>	<b>1 897</b>

During the year, the Group's South African employee complement decreased by 2.6%. The largest contributors to this change were the closures of the East London packing station and Tongaat rearing farm as well as the resizing of some layer farms.

At 30 September 2022, the Group employed 531 (FY2021: 447) individuals in Zambia, 166 (FY2021: 152) individuals in Uganda and 80 (FY2021: 71) individuals in Mozambique. The increase in Zambia is due to additional staff employed at sales depots and employment of fixed-term contractors during the maize buy-in season.

By ensuring a high percentage of permanent employees, Quantum Foods provides more individuals with access to retirement and disability benefits. Permanent employees provide the Group with a stable and experienced skills base that will increase the competence of the business over time.

Employee turnover

	2022	2021
Total turnover	13.4%	9.2%
Management turnover (South African operations)	1.1%	0.7%
Not-in-management turnover (South African operations)	12.3%	8.5%

Job losses due to operational requirements

A drop in market demand for layers, eggs and day-old chicks due to high input and operational costs affected four of our farms and our egg packing station in East London, which was closed in August 2022. Two farms will be closed in early FY2023 and production on two farms will be decreased. These closures and resizing will result in a total of 96 jobs lost. Fortunately, all employees at our Hekpoort farm were redeployed and three salaried employees at the East London facility were transferred into existing vacancies elsewhere. Throughout these processes, we engaged with the relevant unions and employees to follow a fair process and to provide support where possible. 📖 Read more about our labour policies and commitments on page 57.

Diversity and employment equity

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability. The employment equity statistics for the Group's South African operations are provided below:

<b>1 809</b> employees were permanently employed by the South African operations at 30 September 2022 (FY2021: 1 842)	<b>93.3%</b> of permanent employees are HDSA (FY2021: 92.7%)
<b>41.0%</b> of management are HDSA (grade 12+ employees) (FY2021: 41.5%)	<b>37.2%</b> of permanent employees are women (FY2021: 38.6%)
<b>2.1%</b> of South African employees are on fixed-term contracts (FY2021: 2.9%)	



Employment equity statistics for South Africa as at 30 September 2022

Occupation levels	African		Coloured		Indian		White		Foreigners		Total
	F	M	F	M	F	M	F	M	F	M	
Top management	1	2	1	0	0	0	1	5	0	0	10
Senior management	1	4	2	1	0	0	2	15	0	0	25
Professionally qualified, experienced specialists and mid-management	0	23	7	12	0	1	15	41	0	0	99
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	35	107	56	55	4	3	17	23	0	0	300
Semi-skilled and discretionary decision-making employees	146	378	80	123	0	0	1	1	0	0	729
Unskilled and defined decision-making employees	274	311	30	30	0	1	0	0	0	0	646
Total permanent employees	457	825	176	221	4	5	36	85	0	0	1 809
Non-permanent employees	17	11	1	2	0	7	1	0	0	0	39
Total	474	836	177	223	4	12	37	85	0	0	1 848

Supporting education for a future workforce

We believe that education is a sound investment in future employment. We partner with Hilltop Legacy, a non-profit company ("NPC"), to raise leaders and strive for quality education. This year we contributed to our "adopted" primary school, Groenhoutel Primary and provided funding to Khula Development, an organisation that supports at-risk children in Pearl, Klipnoots and Stellenbosch to get them back into the school system.

We provided the Struisbaai SOS (School of Skills) with funds for a generator. The school assists learners who are unable to cope in the educational mainstream and thus receive technical training in a field depending on their ability and interest. This sets them up for further technical training or to enter the labour market.

We also contributed to the Warmkervallei Training Centre, a community-based facility in Wellington that provides training to unemployed individuals. Short courses include frail care, childcare, home management and cooking and hairdressing.

Training and development

As one of the few corporate players in the poultry and egg sector in South Africa, Quantum Foods is an attractive employer but also contributes to creating a pool of skills for the industry. We continuously develop available training resources and adapt our training investment according to business performance and requirements.

We use online learning to train farm employees, induct new employees and enhance or refresh existing skills. In FY2022, this included training on the use of SAGE X3 as our new ERP software platform.

Training and workshops in life skills, legislation and compliance continued. All relevant licences and accreditations were obtained.

Bursaries were awarded to employees and students attending the Eisenburg Agricultural Training Institute and students attending Stellenbosch University in the fields of science and engineering.

Skills pipeline in South Africa

	2022	2021
Internships	14	11
Apprenticeships	6	10
Learnerships	30	34
Bursaries	29	31
ABET	6	5
Total	85	91

Training spend in South Africa

	2022	2021
Total number of employees trained	416	352
Employee training spend	R4.6 million	R4.8 million
Employee training spend as a percentage of payroll	1.0%	1.2%

Key initiatives included:

- 12 learner farming employees are working towards the NQF 2 National Certificate for animal production
- Six employees are in the process of completing their adult basic education training in communication and numeracy for level 4, which is equivalent to Grade 9
- Bursaries to the value of R898 378 were awarded to 24 employees and five unemployed learners that are black
- 4 disabled unemployed students participated in learnerships

In Zambia, training focused on first aid, human resource skills, tractor driving and security as well as Company values, customer care and emotional intelligence.

The Uganda team worked according to a training plan with 25 topics, including health and safety, security, public health and marketing among others.

Creating a pipeline of qualified supervisors

Our journey with the Tshwane University of Technology ("TUT") started more than 15 years ago when we appointed the first students that completed their national diploma in agriculture (animal production). These students require work-integrated learning ("WIL") to graduate. During a student's first and second year, they attend lectures at TUT and in their third year, they have to complete WIL with a company such as Quantum Foods. TUT provides us with a curriculum and specific outcomes to be achieved by the student, which we then include in their WIL experience.

Each student has a mentor to oversee the process. Our human resource team consults with the direct line manager to assess whether any of the TUT students can be retained in our system, after which they are appointed as trainee supervisors and then considered as supervisors, as and when we have vacancies. Since 2016, we have had the same agreement with the Eisenburg Agricultural Training Institute outside Stellenbosch.

We are particularly proud of four black female employees who completed their WIL through TUT with Quantum Foods.





Graduate trainees joining from 2023

We are piloting a graduate training programme for students in BScAgric Animal Science at the University of Pretoria. Students who have already graduated will be able to participate in a 12-month fast-track trainee programme to help create a pipeline for farm managers from 2023. The programme includes exposure to all areas of farming operations, and packing station processes. We started in our layer farming value chain first with the view of rolling it out to our broiler value chain later.

Occupational health and safety

Employees working in animal feed and poultry production face risks that include exposure to high noise levels, dangerous equipment, slippery floors, musculoskeletal disorders and hazardous chemicals used in refrigeration and disinfection. Biological hazards include infectious diseases.

All of our farming operations have an Occupational Health, Safety and Environmental ("OHSE") manager who supports the farms in the development of their management systems and conducts annual inspections. The OHSE Manager is suitably qualified and experienced for this role. At each farm, the farm manager and maintenance manager are primarily responsible for implementing the management system. Each farm has a health and safety committee that meets monthly or quarterly and comprises farm management, supervisors and labourers.

To provide a safe working environment, Quantum Foods strives to adhere to and comply with all relevant health and safety legislation. Occupational health and safety training is conducted annually.

All appointments in terms of sections 16(1) and 16(2) of the Occupational Health and Safety Act, No. 85 of 1993, have been implemented. The Group's feed factories are on the National Occupational Safety Association ("NOSA") system, which formalises the management of occupational health and safety systems. ISO 14001 is an internationally accepted environmental management certification system used to manage environmental risks at our feed mills.

Hazardous chemicals include cleaning and disinfection chemicals, pesticides, liquid fuels (primarily diesel), fumigation chemicals and water treatment chemicals. For sites with significant quantities of hazardous chemicals, hazardous chemical assessors are appointed and trained. Employees are provided with suitable protective wear including respirators when handling or being exposed to hazardous chemicals.

No

Fatalities

(FY2021: 0)

104

Recordable injuries

(FY2021: 87)

580

Lost days

(FY2021: 467)

Addressing asbestos risks and regulation

Asbestos exposure can increase the potential of developing lung cancer, and it can take years for symptoms related to the exposure to appear.

An asbestos identification project was completed this year for all South African operations. Asbestos-containing poultry houses, rooftops and offices were included on a register, including an assessment of the condition of the asbestos at the unit. Based on this, the business units developed management plans with three phases up to 2024, with the intent to remove all asbestos in due course.

These plans ensure that we comply with South Africa's new Asbestos Abatement Regulations. We obtained the services of a competent person to compile an inventory, and we implemented an Asbestos Management Plan before 10 May 2022, as required. Risk assessment's will be done in the next phase. Based on all of the above, we will develop a timeframe for removal and allocate the necessary resources.

Our responsible investment policy prohibits the production and use of, and trade in unbanded asbestos fibres.

## Protecting labour rights

Our human resource policies and code of ethics protect employees' rights against discrimination and set out our commitment to freedom of association. Employees are informed of these policies at induction and have access to a central database of policies.

We adhere to all legal and regulatory requirements with labour decisions and processes.

We support employees' rights to collective bargaining. We engage with the unions regularly, conduct annual negotiations and sign annual agreements.

Employees in South Africa are represented by 15 trade unions. The Food and Allied Workers Union ("FAWU") has the highest overall representation among Quantum Foods' employees. On 30 September 2022, 22% of the Group's wage employees in its South African operations were members of FAWU (FY2021: 23%) and 40.6% of employees belonged to a trade union (FY2021: 47.4%). Union membership declined mainly due to retrenchments as a result of closures of a packing station and farm, as well as restructuring on some larger farms.

Wage negotiations commenced in January 2022 and were successfully concluded. Labour unrest at the Koalfontein layer farm had a significant impact on operations. The strike followed disciplinary action relating to substantial bird mortality and led to the dismissal of 40 employees. Associated costs included temporary labour, increased security and recruitment to fill these positions at short notice. The labour unrest also resulted in lost production as feeding systems and egg collection did not function optimally over a period of time.

In Zambia, 95.7% of full-time employees belong to the National Union of Plantation, Agricultural and Allied Workers ("NUPAAW").

In Mozambique 53% of employees belong to Sindicato Nacional dos Trabalhadores Agro-pecuária e Caju Union (SINTALCAF).

None of our employees in Uganda belong to a union.

## B-BBEE

We are committed to contributing to improving the socio-economic status of HDSAs. Quantum Foods achieved a level 7 score in 2022 but was discounted to level 8 as we did not achieve the subminimum score for the ownership element. This element is largely outside our control as it relates to shareholder structures.

In such elements as enterprise and supplier development and socio-economic development, we achieved the maximum scores. Our full scorecard is available on our website at [www.quantumfoods.co.za/company-documents](http://www.quantumfoods.co.za/company-documents).

The Group considers B-BBEE when any external appointments are made, especially at the senior level to improve its management control and employment equity scores.

## Transformation in distribution

When *Nova Feeds* considered a new distribution contract for bagged raw materials and manufactured products, the team set out to find a local, empowered company to support. Following a formal process, we were able to conclude a five-year agreement with NCD Transport and Rigging, a local transport company based in Malmesbury that is 100% black owned and 25% black female owned.

We work with our suppliers to achieve shared value benefits. This includes driving efficiencies by increasing volumes delivered per truck, reconstituting the delivery fleet in terms of different size combinations, and negotiating flexibility within the agreements to reduce the number of vehicles and associated fixed costs if market conditions and sales volumes warrant adjustments.



## UN SDG 12: Responsible consumption and production

### Context and commitment

Africa's natural resources are precious, and we want to preserve and allow the regeneration of these as far as possible. This includes understanding and minimising any negative social and environmental impacts of products and services within our value chain. We are committed to being responsible and ethical in how we use and recycle natural resources.

Food producers need to maintain trust and transparency in supply chains. Consumers are becoming increasingly aware of food safety issues and require traceability and assurance of quality control measures.

As the demand for socially responsible food grows, consumers are also expecting more information about animal welfare and wellness at every stage of the poultry production process. In response, more producers are using smart farming technologies to monitor animal health and welfare as this has the potential to further improve disease prevention and the implementation of animal welfare standards.

According to our responsible investment code, we will:

- operate in compliance with applicable local and national laws (as a minimum)
- identify potential risks and appropriate mitigating measures through an environmental impact assessment where business operations could involve loss of biodiversity or habitat, emission of significant quantities of greenhouse gases, severe degradation of water or air quality, substantial solid waste or other significant negative environmental impact
- consider the potential for positive environmental impacts from business activities
- take appropriate actions to mitigate environmental risks, ameliorate environmental damage, and enhance positive effects by working over time to apply the relevant International Finance Corporation policies and guidelines, with appropriate targets and timetables for improvements
- work over time to comply with international environmental best practice standards
- ensure the fair treatment of animals according to local guidelines, as appropriate

### UN SDG 12 targets

### Measuring progress in 2022

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

See page 59 for detail on the consumption of resources

12.3 By 2030, halve per capita global food waste at the retail and consumer level, and reduce food losses along production and supply chains including post-harvest losses

We contribute to FoodForward SA, which collects and distributes edible surplus food, thus reducing food waste

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

3 BioBin® systems installed

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

ESG reporting expanded  
First TCFD reporting

### Promoting resource efficiency

All our business segments have social and environmental management systems ("SEMS"), ranging from comprehensive systems covering all environmental issues to African businesses covering the majority of the basics of environmental management. We monitor resource efficiency levels, for example, electricity and water usage to further reduce consumption and impact. Our operations in Zambia and Uganda started to compile monthly reports in FY2022 that include ESG data to monitor resource use.

We use new technologies to drive improvements, including process optimisation and advanced boiler heating systems, as well as solar panel projects completed at six sites and in progress on one further site. We are also investigating opportunities to recycle wash water at our hatcheries.

## Environmental performance indicators

	2018	2019	2020	2021	2022
Coal (tons) <sup>1</sup>	2 986	2 520	3 082	2 963	3 547
Gas (Kg) <sup>2</sup>	1 401 808	1 427 225	1 372 395	1 601 939	1 691 353
Diesel/petrol/paraffin (litres) <sup>3</sup>	924 053	1 022 507	1 110 670	1 282 974	1 722 523
Heavy fuel oil/poly fuel (litres) <sup>4</sup>	1 025 030	1 042 513	1 061 436	1 112 546	1 063 457
Packaging (tons) <sup>5</sup>	13 121	12 390	13 616	11 600	11 264
Waste: litter/manure produced (tons) <sup>6</sup>	135 720	144 078	163 163	138 604	144 331
Mortalities to landfill/waste pits (tons) <sup>7</sup>	714	743	824	949	1 409
Water (kl) <sup>8</sup>	1 337 449	1 413 077	1 435 349	1 473 424	1 539 176
Effluent water (kl) <sup>9</sup>	60 909	204 993	297 823	285 490	264 694
Electricity (kWh'000) <sup>10</sup>	42 415	44 450	49 170	46 813	45 209
Electricity from renewable sources (kWh'000) <sup>11</sup>	642	1 446	1 776	2 353	2 797

- <sup>1</sup> Coal heating has remained fairly flat over time as it is only used at a small number of farms and at the start of the rearing cycle. Higher 2022 usage includes an increase in rearing cycles during the measurement period and weaker quality of coal available.
- <sup>2</sup> Factors that affect gas use include the number of day-old pullets placed on layer rearing farms, the acquisition of the Helderfontein broiler farm in 2021 and the impact of HPAI on bird volumes.
- <sup>3</sup> Fuel use increased as we insured fleets at some units, and when birds and eggs were transported between regions due to HPAI and market demands. Diesel use is also increasing due to the use of generators during load shedding.
- <sup>4</sup> Heavy fuel oil use is impacted most significantly by the production of higher volumes of pelleted feeds, as these consume more fuel per ton of feed produced.
- <sup>5</sup> Although we continuously improve packaging, it is mostly determined by the volume of eggs sold.
- <sup>6</sup> Litter or manure is determined by the volume of birds on farms, which can be impacted by HPAI and market demand.
- <sup>7</sup> Mortalities increased over time in line with volumes, and outbreaks of HPAI, with the main outbreak in the period reported occurring in 2022.
- <sup>8</sup> Water usage is mostly determined by bird numbers and the requirement for cooling. The acquisition of the Helderfontein broiler farm in 2021 is the main reason for increased consumption.
- <sup>9</sup> Effluent water usage is dependent on volumes produced, as well as the number of rearing and laying cycles completed within a year. Continuous improvement is targeted to reduce effluent water.
- <sup>10</sup> The use of purchased electricity decreased in the last two years due to additional solar panel projects implemented and increased load shedding.
- <sup>11</sup> The use of electricity from renewable sources has increased over time as new solar panel projects were implemented.



## Ensuring food safety

We aim to provide products that are safe and nutritious for their target market – be it human or animal – to consume.

We produce safe animal feeds according to good manufacturing practices. All feed mills have integrated management systems (IMS\*) that are subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Certain audits are conducted by internationally accredited certification bodies. This includes a complete re-certification audit done every three years. An internal audit programme enables continuous monitoring and improvement of the IMS.

Our quality system identifies non-conformance, records specific customer complaints and identifies preventative and corrective actions which management is accountable to implement.

The health of poultry flocks is important in the production of safe food. Stringent biosecurity measures are in place at all our farms and are audited regularly by employees and independent veterinarians. In addition, we implement vaccination programmes and monitor serology, environmental and water quality results to maintain a healthy flock capable of producing safe food. At a minimum, internal health and safety audits are conducted annually at all layer farms, cull depots and broiler farms.

Our egg production and packing facilities undergo annual food safety audits by accredited audit bodies. Food safety certification for conformance to Food Safety Assessment ("FSA") or Food Safety System Certification ("FSSC") 22000 requirements has been awarded for each site.

The annual independent ESG audit of all our operations includes, for example, assessments of the effectiveness of food safety management systems, personal hygiene, training, micro-biological, environmental, and chemical verification plans, handling of non-conformances and traceability.

## Making sure our customers are satisfied

The integrated nature of our business means that we supply internal as well as external customers, for whom we deliver the same high quality and service levels. We have a formal customer complaint system in place.

For animal feeds, an independent customer satisfaction survey is conducted annually to measure overall satisfaction, identify trends and benchmark performance.

For farming operations, customer satisfaction is monitored through engagement with customers on the quality and production performance of the livestock supplied.

As complaints in the egg business are generally more generic than those received in the feeds and farming businesses, the Group uses an external company to monitor complaints. A toll-free number is available to customers and consumers, and all calls are logged and managed. A weekly report is generated and monitored by senior management to identify trends and assist the Group to maintain a customer-centric culture.

Quantum Foods experienced zero product recalls during 2022 (FY2021: 0).

## Protecting animal welfare

Our animal welfare policy statement includes our commitment to the ongoing welfare of poultry in all operations under our management. The policy statement further commits to compliance with standards as laid down by SARA's welfare standards and code of practice, including that birds must have access to feed and water at all times and be free from undue fear, distress, discomfort and infectious diseases.

Regular internal audits are conducted on all farms to ensure adherence and compliance. We also receive unscheduled and unplanned visits from the NSPCA. Strict biosecurity measures are in place at all farms to protect birds against diseases and illness. Ongoing animal welfare and biosecurity training is provided to farming employees. Supplier and contract production facilities are required to comply with the same standards that apply to the Group's farms in terms of animal welfare.

We have a schedule for upgrading facilities, including bird cages, houses, roofs and temperature control systems.

Our South African sites have facilities for poultry that include fresh water, feed, ventilation and lighting. All farms have a veterinarian health plan and biosecurity measures, including access control for visitors.

In Zambia, mortality rates, water quality indicators and dust levels are monitored to mitigate, *inter alia*, infectious bronchitis, and there is regular oversight and monitoring by qualified veterinarians.

As is the case in Zambia, Uganda and Mozambique also have formal procedures for biosecurity and animal welfare.

## Water availability

We require water in all our operations for consumption, as part of poultry sustenance, packing, processing and cleaning.

Water is primarily obtained from boreholes or surface water, through irrigation schemes, and the quality is managed carefully to ensure that bird health is not adversely affected. This includes periodic water sampling and testing to confirm the water meets the required standard.

Poultry farming constitutes a large component of our water consumption, with limited opportunities for reduction beyond ensuring that water is not wasted.

### Wastewater and effluent management

We have processes in place to manage wastewater and effluent, for example:

- For domestic wastewater, we use septic tank systems, soakaways, or discharge effluent into municipal sewer systems
- Animal feed truck wash effluent is mostly outsourced to custom-built facilities that are periodically audited
- Upgrades at facilities aim to improve wastewater management, for example at the Hartbeespoort hatchery where multiple wastewater treatment and retention ponds are installed to improve wastewater management.
- Effluent from poultry houses drains to evaporation ponds where this is a requirement included in water use licence applications for new farm constructions/expansions post the ratification of the National Environmental Management Act, No. 107 of 1998

Going forward, a formal wastewater management procedure that describes the process of treating or managing wastewater, for example identifying all wastewater streams, obtaining authorisation for any discharge wastewater into a municipal sewer or the environment and testing of wastewater, will be developed.

No environmental or pollution incidents have been reported in South Africa, Mozambique, Uganda or Zambia this year.

### Biobin® systems for organic waste

The organic waste generated at poultry farms (mortalities) and egg packing stations (mainly shells left over from the manufacture of liquid eggs) is biodegradable. However, by turning this waste into compost through a Biobin® system, we can reduce the volume of waste going to landfill sites.

Biobin® is an in-vessel composting system developed in Australia and adapted for South African conditions. Waste is placed inside a closed, airtight container lined with sawdust. Using a condenser and a biotiller, the heat and ammonia created inside the Biobin® destroy unwanted bacteria and pathogens while speeding up the composting process.

Quantum Foods installed its first Biobin® pilot system in the 2021 financial year and now has three units in place – at our Brackenfell egg packing station, Fransburg layer rearing farm and Bellevue broiler hatchery in the Western Cape. Full bins are collected by the local agents and delivered to a compost manufacturer. Once the bins are emptied, they are washed and returned to our sites to be filled again.



Increasing renewable energy use

Quantum Foods invested in grid-tied solar photovoltaic ("PV") systems since 2016, as the technology matured and became more affordable. Solar PV has proved to be a solid investment with a predictable rate of return.

We have so far installed solar PV systems at six of our sites, where they delivered a combined output equal to 6% of our total electricity usage. We have another solar project in progress, an approved project in the pipeline, and a further 17 potential future projects lined up.

	2018	2019	2020	2021	2022
Electricity purchased (kWh'000)	42 415	44 450	49 170	46 813	45 209
Electricity from renewable sources (kWh'000)	642	1 446	1 776	2 353	2 797

We support the protection of biodiversity

Adjacent to our *Tijdstroom* broiler farm, located on the Zoutervier Farm on South Africa's West Coast, is the Quantum Foods Atlantis Sand Fynbos Conservation Area, covering 34 ha. It was established in 2010 in collaboration with the City of Cape Town, under the auspices of the Western Cape Nature Conservation Board. The aim is to protect critically endangered plant species of Atlantis Sand Fynbos found on the property.

This vegetation type has been classified by the South African National Biodiversity Institute as critically endangered due to the rate of habitat loss and the high number of threatened plant species which occur in this habitat.

The conservation area contains a vast variety of threatened species, as identified by a team of researchers who visit the site regularly. Over the years, the list has grown to more than 160 species, of which 31 are considered threatened by extinction. Critically endangered species found in the area include *Diastella proteoides*, *Amphithoea ericifolia* spp. *Erecta* and *Marsmodes trifida*.

In terms of the environmental management plan for the area, no development may take place, alien and invasive species are controlled and eradicated, and a fire management system is implemented to ecologically favour natural vegetation patterns.


The area is fenced off from our broiler farm and access is restricted so that it can be kept in its natural state.

## Climate-related risks, opportunities and disclosures

*As a business reliant on agriculture, Quantum Foods is concerned about changing weather patterns, droughts, floods and the other likely effects of climate change. We make a conscious effort to manage and minimise our environmental impact and support the effective consumption of resources, focusing on water and energy.*

### Governance

#### How does the board provide oversight of climate-related risks and opportunities?



- The new Quantum Foods responsible investment code states the Group's support for the reduction of greenhouse gas emissions which contribute to climate change in line with the 1994 UN Framework Convention on Climate Change and the associated 2005 Kyoto Protocol.
- The Board mandated the SETC to monitor the sustainable development and non-financial performance of the Group relating to our environmental impact. The SETC reports directly to the Quantum Foods shareholders at the AGM on matters within its mandate. It, therefore, has reporting as well as monitoring duties.
- The annual independent ESG audit report is submitted to the Board and includes elements related to climate risks and opportunities.
- The Board considers climate-related risks and opportunities when allocating resources to capital expenditure projects. Investments in renewable energy and efficiency projects are prioritised.  Read more about these in the leadership report on page 32.
- The Board included ESG targets as performance criteria for the remuneration policy.

#### What is management's role in assessing and managing climate-related risks and opportunities?

- The monthly reports that executives submit to the Executive Committee contain climate-related data.
- Management uses resource data to identify opportunities to reduce impact and improve the Group's resilience to climate change while managing costs.
- Management participates in strategy development and risk management processes, where members introduce relevant ESG topics to the discussions.
- Tracking legislative and regulatory requirements related to climate.

### Strategy


#### What climate-related risks and opportunities have we identified over the short, medium and long term?

- We have started mapping our strategic risks and material matters according to ESG criteria.  Read more about this on page 31.
- We have not formally or explicitly identified climate-related risks as part of the risk management process, which is set out on  page 29. However, due to the impact of climate-related factors such as water availability and growing conditions affecting

#### What was the impact of climate-related risks and opportunities on our businesses, strategy and financial planning?


- raw material input costs, some of these factors are already embedded in our risk management and planning processes.
- Our strategic objective relating to operational excellence requires optimised resource use to drive future profitability.
- No change was implemented or is expected in terms of our products and services. We monitor the genetic performance of broiler and layer birds to ensure their resilience and performance under changing conditions, for example increasing temperatures.
- We remain flexible in sourcing raw materials, such as maize and soya, depending on price and availability, which are increasingly affected by climate conditions globally. Water availability is impacting the geographic feasibility of some crops, which might lead us to explore new areas from where to source raw materials.
- We continue our investment in technical and scientific research and innovation relating to animal feed formulation. We develop formulas per species and a range of indirect climatic criteria to ensure livestock deliver according to their genetic potential based on the nutritional value of feeds.



- Climate-related risks and opportunities might become a significant determinant in future acquisitions, including types of operations and location of facilities.
- Access to capital is likely to become subject to climate-related information, and financing institutions are starting to introduce requirements into debt covenants.
- The following climate-related costs impacted profitability significantly this year:
  - Significant increases in the cost of feed raw materials
  - Additional costs due to the drought in the Eastern Cape as water had to be transported and boreholes sunk to seek additional supply
  - Additional cost to mitigate load shedding from coal-based electricity supply, which includes the cost of diesel to fuel generators
- As we increase our investment in solar energy, we expect more reliable supply, lower cost over the long term and lower carbon emissions as a result.  Read more about solar energy on page 62.

Risks

What is our process for identifying, assessing and managing climate-related risks?

- Our current risk management framework, policy and appetite do not require specific attention to climate-related issues but consider risks according to categories such as strategic, operational, human resource or compliance risks. We classify risks according to likelihood and impact, which is an executive judgement and not based on scientific data.  Read more about risk management and strategic risks on page 29.

- As part of the risk identification process, we consider existing and emerging regulatory requirements related to climate change, such as carbon tax.

Metrics and targets

What metrics do we use to assess climate-related risks and opportunities in line with our strategy and risk management process?

We measure greenhouse gases ("GHGs") for reporting to South Africa's Department of Forestry, Fisheries and the Environment ("DFFE"), which includes Scope 1 emissions from our South African operations. Our African operations are putting the necessary processes in place to report on environmental performance indicators and carbon emissions from FY2023 onwards. The inclusion of waste Scope 1 emissions, as well as Scope 2 and Scope 3 emissions, is under consideration. No targets have yet been set for climate-related metrics.

What are our Scope 1 and Scope 2 GHG emissions, and related risks?

This is our first report on GHG emissions and related risks, with detail Scope 1 and limited Scope 2 metrics for the South African business.

Scope 1 GHG emissions increased during the year to 20 309 tCO<sub>2</sub>e. Quantum Foods paid R623 049 in carbon tax in FY2022.

	2021	2022
Scope 1 (direct GHG emissions) (tCO <sub>2</sub> e)	17 784	20 309
Scope 2 (indirect GHG emissions) (tCO <sub>2</sub> e)	49 622	47 922

Increase Scope 1 emissions resulting from increased coal consumption.  Read more on page 59.

Scope 2 emissions were calculated using the electricity grid emission factor for South Africa of 106 kg CO<sub>2</sub>e /kWh, Eskom (2021).



VETERINARY SERVICES: ANIMAL HEALTH  
 VEEARTSENTYDIENS: DIEREGESONDHEID  
 Tel: 021-8085253  
 Email: svbloand@elsenburg.com

State Vet Boland Western Cape ENQUIRIES/NAVRAE:

Dr V Malan REFERENCE/VEREWYSING:

### VETERINARY QUARANTINE NOTICE / VEEARTSENY KWARANTYN KENNISGEWING

Served on/Aan:

Name/Name: Mr. Wynand Serdyn

Address: Fransrug, Wellington, 7654

You as the owner/person responsible are hereby notified that/ U as the eienaar/verantwoordelike persoon word hiermee in kennis gestel dat: die hoenders / chickens on the property/op die perseel Fransrug in the municipal area of/ in die munisipale area Wellington are infected or suspected of being infected with/ is besmet of is vermoedelik besmet met Voëlgriep / Avian Influenza and are therefore placed under quarantine/ en word daarom onder kwarantyn geplaas.

No bird or bird products including manure may be moved, or caused or permitted to be moved to or through or from this property except upon the authority of a written permit issued by a State Veterinarian and in accordance with the conditions set out in such a permit/ geen dier of dierlike produkte insluitende mis mag vanaf of deur die eiendom vervoer word tensy a skriftelike permit deur die Staatsveearts uitgereik is en al die voorwaardes in die permit nagekom is.

The following animal disease control measures must be applied on this property/ die volgende dieresiekte beheermaatreëls moet op die eiendom toegepas word:

1. All infected and in-contact birds on the premises must be destroyed.
2. Dead birds and litter must be disposed of safely and effectively, by composting, burial or incineration, as agreed with the responsible state veterinarian and the Department for Environmental Affairs and Development Planning.
3. If transport is absolutely necessary, dead birds and litter must be transported in a way that prevents the escape of feathers and other infective material and via the shortest possible route to the disposal site.
4. No person may leave the premises without cleansing and disinfecting all shoes and preferably changing footwear.
5. Protective clothing must worn and be removed onsite and washed before removal from the site
6. All waste that can be infective. must be composted, buried (with the correct approval by the Department of Environmental Affairs and Rural Development (DEADP)) or sent for incineration.
7. Disposal sites must be managed as agreed with the responsible state veterinarian. Al
8. All poultry houses must be cleansed and disinfected once depopulated as agreed with the responsible state veterinarian

This notice is issued in terms of the provisions of the Animal Diseases Act, 1984 (Act 35 of 1984), as amended, and remains in force until repealed in writing by a State Veterinarian when the State Veterinarian is satisfied that the disease has been eradicated or poses no further risk/ Hierdie kennisgewing is uitgereik ingevolge van die Dieresiekte Wet 1984 (Wet 35 van 1984) soos gewysig, en bly van krag totdat die Staatsveearts dit skriftelik ophef wanneer die Staatsveearts tevrede is dat die siekte uitgeroei is of geen verdere risiko inhou nie.

State Veterinarian/Authorised Official

Signature: *V. Malan* Date:

REPUBLIC OF SOUTH AFRICA  
 DEPARTMENT OF AGRICULTURE  
 OFFICIAL VETERINARIAN  
 27 MAY 2021  
[www.westerncape.gov.za](http://www.westerncape.gov.za)  
 DR. V. MALAN BVSC.  
 REG: D89/2898  
 WESTERN CAPE PROVINCE

Page 1 of 2

27/5/21

Name: Dr. v M

Staatsveearts/Gemagtigde beampte

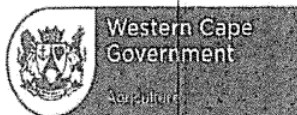
Staatsveearts/Gemagtigde beampte

I/ek ... ( *Wynand Serdyn* ) hereby acknowledge, that I have today received a copy of the abovementioned notice and that I have read and understand the contents thereof/ hierby erken dat ek vandag 'n kopie van die bogenoemde permit ontvang het end at ek die inhoud gelees het en verstaan.

Date/datum\* *01/06/2021*

Name/naam\* *Wynand Serdyn* Signature/handtekening: *[Signature]*

Owner or authorised representative Owner or authorised representative



BETTER TOGETHER

**VETERINARY SERVICES: ANIMAL HEALTH**  
**VEEARTSENYDIENS: DIEREGESONDHEID**  
 Tel: 022-4338910  
 E-mail: michael@elsenburg.com  
 State Veterinarian Malmesbury  
**ENQUIRIES/NAVRAE:** Dr M F Swart  
**REFERENCE/VEREWYSING:** Ntabentle

### VETERINARY QUARANTINE NOTICE/VEEARTSENY KWARANTYN KENNISGEWING

Served on/Aan: Quantum Foods (Pty) Ltd

Name/Name: Mr Edward Muruge

Address: P. O. Box 600, Wellington, 7654

You as the owner/person responsible are hereby notified that/ U as die eienaar/verantwoordelike persoon word hiermee in kennis gestel dat: **Layer poultry**

on the property/op die perseel Lemoenkloof (Ntabentle) in the municipal area of/ in die munisipale area Malmesbury are infected or suspected of being infected with/ is besmet of is vermoedelik besmet met **HIGLY PATHOGENIC AVIAN INFLUENZA** and are therefore placed under quarantine/ en word daarom onder kwarantyn geplaas.

No animal or animal products including manure may be moved, or caused or permitted to be moved to or through or from this property except upon the authority of a written permit issued by a State Veterinarian and in accordance with the conditions set out in such a permit/ geen dier of dierlike produkte insluitende mis mag vanaf of deur die eiendom vervoer word tensy a skriftelike permit deur die Staatsveearts uitgereik is en al die voorwaardes in die permit nagekom is.

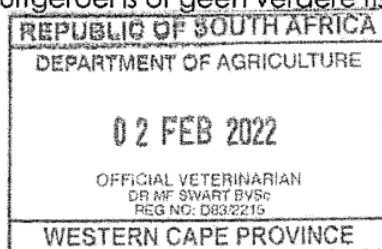
The following animal disease control measures must be applied on this property/ die volgende dieresiekte beheermaatreëls moet op die eiendom toegepas word:

1. No person may leave the premises without cleansing and disinfecting all shoes.
2. Protective clothing must be removed onsite and washed before removal.
3. All waste that can be infective must be buried or sent for incineration.
4. Dead birds and litter must be disposed of by composting or burial as agreed with the responsible state veterinarian.
5. Burial and composting sites must be managed as agreed with the responsible State Veterinarian.
6. All poultry houses must be cleansed and disinfected once depopulated as agreed with the responsible State Veterinarian.

This notice is issued in terms of the provisions of the Animal Diseases Act, 1984 (Act 35 of 1984), as amended, and remains in force until repealed in writing by a State Veterinarian when the State Veterinarian is satisfied that the disease has been eradicated or poses no further risk/ Hierdie kennisgewing is uitgereik ingevolge van Wet op Dieresiektes, 1984 ( Wet 35 van 1984) soos



gewysig, en bly van krag totdat die Staatsveearts dit skriftelik ophef wanneer die Staatsveearts tevrede is dat die siekte uitgeroei is of geen verdere risiko inhou nie.



Date: 02 February 2022

Name: Dr M F Swart

State Veterinarian/Authorised Official

Staatsveearts/Gemagtigde beampte

Signature: .....

State Veterinarian/Authorised Official

Staatsveearts/Gemagtigde beampte

I/ek (name/naam) ..... *Edward Munge* ..... hereby acknowledge, that I have today received a copy of the abovementioned notice and that I have read and understand the contents thereof/ hierby erken dat ek vandag 'n kopie van die bogenoemde kennisgewing ontvang het en dat ek die inhoud gelees het en verstaan.

Date/datum: ..... *2/2/2022* .....

Name/naam: ..... *Edward* .....

Owner or authorised representative

Signature/handtekening: .....

Owner or authorised representative

Department of Environmental Affairs and Development Planning  
Directorate: Environmental Governance,  
Sub-directorate: Rectification  
Utilitas Building  
1 Dorp Street,  
Cape Town  
8001

Your reference S24G00217  
Our reference 11784/C4  
Date 15 November 2018

**ATTENTION: SECTION 24G APPLICATIONS**  
**SHAFEEQ MALLICK - CASE OFFICER**

Dear Mr Mallick,

**SECTION 24G APPLICATION FOR TYDSTROOM: MOREDOUW POULTRY FARM, HALFGewaagd (ERF 73/27), GOUDA**

This letter serves as written notice to the Competent Authority of the continuation of activities authorised at the below farm, as per Part II, condition 5 of the Environmental Authorisation granted on the 27 September 2018.

TYDSTROOM: MOREDOUW POULTRY FARM, HALFGewaagd (ERF 73/27), GOUDA  
REFERENCE NUMBER: 14/2/1/B3/14/ERF 73827, GOUDA

In addition, please find attached proof that the above mentioned decision was brought to the attention of registered I&APs as required as per Part iii, condition 6.

As telephonically confirmed with yourself on the 1 November 2018, there were no appeals to the decision received.

Please do not hesitate to contact us should you have any queries.

Yours sincerely



Michelle Nevette  
Divisional Manager  
**SIVEST Environmental**

cc. Ronald Jones – Quantum Foods  
Hendrik Redelinghuys – Quantum Foods

encl:

1. Proof of notification to registered I&APs

Current as at: 15 November 2018



SiVEST Ref: 11784

DEA&DP: 14/2/1/B3/14/ERF73/27GOUDA

S24G00217

### **SECTION 24G APPLICATION PROCESS FOR TYDSTROOM: MOREDOUW POULTRY FARM, HALFGewaagd (ERF 73/27), GOUDA**

**Table 1: Notification of Environmental Authorisation and Registered I&AP Register**

STAKEHOLDER CONTACT DETAILS	METHOD OF COMMUNICATION	DATE OF COMMUNICATION	COMMUNICATION SUMMARY
<b>AUTHORITIES</b>			
<u>Department of Environmental Affairs and Development Planning</u> S24 G Unit Shafeeq Mallick  3 <sup>rd</sup> Floor Leeusig Building 1 Dorp Street Cape Town 8001  Tel: 021 483 8103 Fax: 021 483 4033 Email: <a href="mailto:Shafeeq.Mallick@westerncape.gov.za">Shafeeq.Mallick@westerncape.gov.za</a>	Email	9 October 2018  15 November 2018	Notice of Environmental Authorization in terms of S24G of NEMA  Proof of Compliance to Part II condition 5 and Part iii condition 6 of Environmental Authorization
<u>Department of Water and Sanitation</u> Western Cape Region: Bellville Thandi Mmachaka  52 Voortrekker Road Bellville Sanlamhof 7530  Private Bag X16 Sanlamhof 7532	Email	9 October 2018  Follow up email 30 October 2018	Notice of Environmental Authorization in terms of S24G of NEMA  Read: Tue 30/10/2018 15:28

STAKEHOLDER CONTACT DETAILS	METHOD OF COMMUNICATION	DATE OF COMMUNICATION	COMMUNICATION SUMMARY
Tel: 021 941 6130 Fax: 021 9416077 E-mail: <a href="mailto:mmachakat@dwa.gov.za">mmachakat@dwa.gov.za</a> Department of Agriculture Cor van der Walt  Muldersvlei Road Elsenburg 7607  Tel: 021 808 5093 Email: <a href="mailto:landuse.elsenburg@elsenburg.com">landuse.elsenburg@elsenburg.com</a> <a href="mailto:corvdW@elsenburg.com">corvdW@elsenburg.com</a>			
Department of Agriculture Cor van der Walt  Muldersvlei Road Elsenburg 7607  Tel: 021 808 5093 Email: <a href="mailto:landuse.elsenburg@elsenburg.com">landuse.elsenburg@elsenburg.com</a> <a href="mailto:corvdW@elsenburg.com">corvdW@elsenburg.com</a>	Email	9 October 2018  Follow up email 30 October 2018	Notice of Environmental Authorization in terms of S24G of NEMA  Personal Address Read: Wed 10/10/2018 13:22  Work Address Read: Tue 30/10/2018 13:48
<u>Heritage Western Cape</u> Andrew September  3 <sup>rd</sup> Floor Protea Assurance Building Greenmarket Square Cape Town 8000  Tel: 021 483 9543 Email: <a href="mailto:andrew.september@westerncape.gov.za">andrew.september@westerncape.gov.za</a>	Email	9 October 2018	Notice of Environmental Authorization in terms of S24G of NEMA
<u>CapeNature</u> Rhett Smart  Scientific Services: Land Use Advice Assegaaibosch Nature Reserve Jonkershoek Stellenbosch 7599  Tel: 021 866 8000 Fax: 021 866 1523 / 086 529 4992 Email: <a href="mailto:rsmart@capenature.co.za">rsmart@capenature.co.za</a>	Email	9 October 2018	Notice of Environmental Authorization in terms of S24G of NEMA  Read: Tue 09/10/2018 14:42
<u>Cape Winelands District Municipality</u> Directorate: Planning Services Quinton Balie  29 Du Toit Street P.O Box 100 Stellenbosch	Email	9 October 2018	Notice of Environmental Authorization in terms of S24G of NEMA



STAKEHOLDER CONTACT DETAILS	METHOD OF COMMUNICATION	DATE OF COMMUNICATION	COMMUNICATION SUMMARY
7600 Tel: 021 888 5194 Fax: 021 887 4797 E-mail: <a href="mailto:quinton@capewineland.gov.za">quinton@capewineland.gov.za</a>			
<u>Drakenstein Municipality</u> Cindy Winter (previously Jimmy Knaggs)  1 Market Street Paarl 7646 PO Box 1 Paarl 7622  Tel: 021 807 4500  E-mail: <a href="mailto:cindy.winter@drakenstein.gov.za">cindy.winter@drakenstein.gov.za</a> ; <a href="mailto:records@drakenstein.gov.za">records@drakenstein.gov.za</a>	Email	9 October 2018	Notice of Environmental Authorization in terms of S24G of NEMA  Records Read: Tue 09/10/2018 14:42 Read: Tue 09/10/2018 16:08
<b>INTERESTED AND AFFECTED PARTIES</b>			
<u>Ward 31 Councillor</u>  Councillor Geoffrey Ford (previously Councillor Jerome Mchelm)  Tel: 072 601 6418 Email: <a href="mailto:Geoffrey.Ford@drakenstein.gov.za">Geoffrey.Ford@drakenstein.gov.za</a> ; <a href="mailto:records@drakenstein.gov.za">records@drakenstein.gov.za</a>	Email	9 October 2018	Notice of Environmental Authorization in terms of S24G of NEMA  Records Read: Tue 09/10/2018 14:42
<u>Public Library</u>  Gouda Library Malva Street Gouda 6821  Tel: 023 232 0841/2  Email: <a href="mailto:Andrid.Pieters@drakenstein.gov.za">Andrid.Pieters@drakenstein.gov.za</a>  Operating Hours: Mon, Tues, Wed & Thurs: 10:00 – 18:00; Fri: 10:00-17:00	Email	9 October 2018	Notice of Administrative Fine in terms of S24G of NEMA
Farm 73/8 Vryheid  Halfgewaagd Boerdery (EDMS) BPK  Halfgewaagd	Email	9 October 2018  Follow up email 30 October 2018	Notice of Administrative Fine in terms of S24G of NEMA  Confirmed receipt on the 30 October 2018

STAKEHOLDER CONTACT DETAILS	METHOD OF COMMUNICATION	DATE OF COMMUNICATION	COMMUNICATION SUMMARY
Posbus 44 Hermon 7308  Email: <a href="mailto:nelius@vansanten.co.za">nelius@vansanten.co.za</a>			
Farm 73/18  Julia Britz  Halfgewaagd Posbus 356 Worcester 6849  Email: <a href="mailto:bjulia@breede.co.za">bjulia@breede.co.za</a>	Email	9 October 2018  Follow up email 30 October 2018	Notice of Administrative Fine in terms of S24G of NEMA  Read and confirmed receipt 30 October 2018
Farm 91/0 & 91/1  Mnr. N.A. Serdyn  Wolwekloof Trust Posbus 12 Riebeek Wes 7306	Registered Mail	11 October 2018	Notice of Environmental Authorization in terms of S24G of NEMA
Farm 89/8 & 89/7  CJR Steyn Nuwedrif Trust Posbus 63 Riebeek Wes 7306  Tel: 022 461 2721  Email: <a href="mailto:afoot@telkomsa.net">afoot@telkomsa.net</a>	Email	9 October 2018	Notice of Administrative Fine in terms of S24G of NEMA

**From:** [Michelle Nevette](#)  
**To:** [Shafeeq Mallick](#)  
**Cc:** [Jones, Ronald](#); [Redelinghuys, Hendrik](#)  
**Subject:** 1784 Tydstroom Moredou Written Notice to Department Letter 20181115  
**Date:** 15 November 2018 14:07:33  
**Attachments:** [image001.png](#)  
[Mimecast Attachment Protection Instructions.msg](#)  
[11784 Tydstroom Moredou Written Notice to Department Letter 20181115.pdf](#)  
[11784 Tydstroom Moredou Public Notification of Environmental Authorisation Register \(15-11-18\).pdf](#)

Mimecast Attachment Protection has deemed this file to be safe, but always exercise caution when opening files.

**SECTION 24G APPLICATION FOR TYDSTROOM: MOREDOUW POULTRY FARM, HALFGewaagd (ERF 73/27), GOUDA: S24G00217**

Dear Shafeeq,

I hope you are keeping well.

Please find attached written notice to the Competent Authority of the continuation of activities authorised at the below farm, as per Part II, condition 5 of the Environmental Authorisation granted on the 27 September 2018.

In addition, please find attached proof that the above mentioned decision was brought to the attention of registered I&APs as required as per Part iii, condition 6.

As telephonically confirmed with yourself on the 1 November 2018, there were no appeals to the decision received.

Please do not hesitate to contact us should you have any queries.

Thank you for your assistance on this project.

Kind Regards,

**Michelle Nevette**  
 Divisional Manager  
**SiVEST Environmental Division**  
 cid:image001.png@01D40E24.08EF50A0



**SiVEST is a Level 3 BBBEE Contributor**

**D** +27 31 581 1577 | **T** +27 31 581 1570 | **E** [michellen@sivest.co.za](mailto:michellen@sivest.co.za) | **W** [www.sivest.co.za](http://www.sivest.co.za)  
**Engineering Consulting | Project Management | Environmental Consulting | Town & Regional Planning | Management Systems Consulting**  
 Durban | Johannesburg | Pretoria | Pietermaritzburg | Richards Bay | Port Louis (Mauritius)

## Disclaimer

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This email has been scanned for viruses and malware, and automatically archived by **Mimecast SA (Pty) Ltd**, an innovator in Software as a Service (SaaS) for business. **Mimecast Unified Email Management ??? (UEM)** offers email continuity, security, archiving and compliance with all current legislation. To find out more, [contact Mimecast](#).



International Egg Commission

# 310

## RECEIPT

International Egg Commission Fdn  
PO Box 146  
Level 2, Park Place  
Park Street  
St Peter Port  
Guernsey  
GY1 3HZ

membership@internationalegg.com

---

### Billing Details

Andre Muller  
Quantum Foods (Pty)  
11 Main Road  
Wellington  
7655  
South Africa

**Invoice Number:** M20794

**Receipt Date:** 02/12/2022

---

### Description

### Amount

IEC Producer Packer Membership for 2023

£1,080.00

Note: All values are shown in Pound Sterling (GBP)

**Total GBP £1,080.00**

---

**Thank you for your membership payment**

**Amount Paid: £1,080.00**

---





12 January 2023

To: Whom it may concern

**SAPA MEMBERSHIP 2023: CLIENT NO 054B**

We herewith want to confirm that **Quantum Foods** is a registered member of the South African Poultry Association with client number 054B. This membership is valid until 31 December 2023 and renewable in January 2024.

Yours sincerely

Izaak Breitenbach  
General Manager



## MEMBERSHIP UPDATE FORM

Thank you for renewing your IEC membership for 2023.

Please see the following details we hold in our membership database. Kindly let us know if you have any updates to make and return to [membership@internationalegg.com](mailto:membership@internationalegg.com)

### Quantum Foods (Nulaid)

<b>Address 1</b>	11 Main Road
<b>Address 2</b>	–
<b>Address 3</b>	–
<b>Town</b>	Wellington
<b>County</b>	–
<b>Postcode</b>	7655
<b>Country</b>	South Africa
<b>Phone</b>	+27 21 864 8600
<b>Website</b>	<a href="https://www.quantumfoods.co.za">https://www.quantumfoods.co.za</a>
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Please also supply your company's communications / marketing contact details below:

**Full Name:**

**Job Title:**

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**Phone:**

30 November 2021

## NULAIID STATEMENT

On 28 November 2021, a program was aired on television about conditions at the Hekpoort egg layer farm. In light of the image that was presented during this program Nulaid would like to make the following statement:

During November numerous complaints were received from neighbours of the Hekpoort farm regarding an increase in fly activity in the area.

Our Hekpoort egg farm has been in operation for more than 30 years and although it is not a modern automated facility, it operates within all the applicable laws and practices. We do recognise that from time-to-time matters may go wrong on a farm, but if that happens appropriate action is always taken.

We have policies and procedures in place to record and document the accepted husbandry practices on our farms. To ensure that we adhere to these policies and procedures, audits by both employees of Quantum Foods and consulting veterinarians are conducted. Feedback and reports are given to senior management and the relevant executive to action.

After receiving the complaints, we took the following actions:

- Internal Audit (17 November 2021).
- A significant customer conducted a supplier visit (23 November 2021).
- The NSPCA conducted a farm visit (24 November 2021).
- Inspection by consulting veterinarian and independent fly expert (25 November 2021).
- The Department of Health & Social Development (West Rand District Municipality) visited the farm (29 November 2021).

Not one of these visits/audits highlighted any significant deviation from our practices and procedures.

General housekeeping and husbandry were found to be in accordance with the required standards.

Egg laying farms are a livestock operation and flies do occur from time to time. They are inherent in such operations. To address these issues, Quantum Foods has a detailed pest control program that is rigorously followed on all its farms.

All layer hens are kept within the code of practice from the South African Poultry Association (SAPA).

Veterinary audits are done on all Quantum Foods farms to ensure compliance with a variety of animal welfare, biosecurity, and pest control issues.