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

Unaudited condensed consolidated interim financial statements and cash dividend declaration

For the six months ended 31 March 2022

Salient features

	2022	2021	% change
Revenue	**R2 828 million**	R2 644 million	7
Operating profit (before items of a capital nature)*	**R34 million**	R74 million	(53)
Operating profit	**R36 million**	R74 million	(51)
Headline earnings	**R31 million**	R52 million	(40)
Earnings per share	**16.5 cents**	26.9 cents	(39)
Headline earnings per share ("**HEPS**")	**15.8 cents**	26.9 cents	(41)
Interim dividend per share	**8 cents**	Nil	100

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

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Commentary

Operating environment

The first six months of the 2022 financial year ("**current reporting period**") were challenging. The main reasons for the challenging conditions were, *inter alia*, (i) the continuous increase in feed raw material and logistics costs, (ii) an outbreak of highly pathogenic avian influenza ("**HPAI**") on a large egg farm in the Western Cape, (iii) higher egg supply from increased flock numbers which led to curtailed egg selling prices, (iv) higher costs and weaker production efficiencies following labour unrest on a large egg farm in Gauteng and (v) extreme climatic conditions in the Western Cape.

The cost of key feed raw materials was predominantly impacted by an increase in international selling prices of these commodities, as a result of, *inter alia*, (i) less than favourable planting conditions in key planting areas in South and North America and (ii) the geopolitical tensions between the Ukraine and Russia and the eventual invasion of the Ukraine by Russia on 24 February 2022. The average Rand to US dollar exchange rate over the current reporting period was in line with the six month period ended 31 March 2021 ("**prior period**").

Compared to the prior period, the average price of yellow maize on the South African Futures Exchange increased by 11.1%. The landed price of soya meal was at similar levels when compared to the prior period. The average bran price increased by 21.8%, the average sunflower price increased by 20.2%, the average price of feed oil increased by 36.4% and the price of micro ingredients increased significantly when compared to the prior period. Accordingly, the weighted average cost of layer and broiler feed increased by 9.7% and 11.2%, respectively, compared to the prior period.

Segmental review

Feeds business

The Nova Feeds business performed satisfactorily and maintained its profitability compared to the prior period. The combination of a substantial increase in raw material costs, pressure on customers and certain customers investing in own feed milling capacity resulted in a decrease in external sales volumes. The negative financial effect of lower sales volumes was partially offset by well-executed operational efficiencies, margin and cost management, as well as the increase in volumes transferred to the internal poultry business. Total volumes decreased by 2.4%.

Farming business

Layer farming business

The layer breeder business continued to perform well and earnings from this business improved when compared to the prior period. Day-old pullet production and sales volumes were similar to the prior period, but with an improvement in efficiency.

Point-of-lay volumes were, as planned, much lower in the current reporting period compared to the prior period, decreasing by 16.1%. Placement of layer livestock on own farms was lower, in accordance with the programme to correct the layer placement cycle of the Group which was implemented during the financial year ended 30 September 2021 ("**2021 financial year**"). Sales to external customers decreased following a reduction in demand resulting from more challenging egg industry conditions. Cost management and efficiencies were satisfactory, but the inability to recover increased production costs from livestock customers resulted in reduced margins. The combination of lower volumes and reduced margins resulted in a substantial decline in earnings from this business.

Production efficiencies on most commercial egg farms improved from the prior period with the exception of the Kaalfontein Farm in Gauteng and the Lemoenkloof Farm in the Western Cape. The Kaalfontein and Lemoenkloof farms produce 14.5% and 13.5% of the Group's South African egg production, respectively.

Towards the end of the 2021 financial year, employees at the Kaalfontein Farm began to actively disregard standard operating procedures, restricting the Group's ability to manage efficiencies on the farm. The employees subsequently embarked on an unprotected strike following the institution of disciplinary action against an employee who was suspected of sabotage. Following this labour action, the majority of the staff employed at the Kaalfontein Farm were dismissed and the Group had to employ temporary labour at short notice. This change of staff, together with a maintenance backlog resulting from the labour action, resulted in much higher operational costs and weaker production efficiencies at the farm. Earnings from the Kaalfontein Farm reduced by approximately R10 million when compared to the prior period. The production efficiency of flocks on the farm has started to recover, however, the production lost during the current reporting period will not be recovered in the current laying cycle.

An HPAI outbreak occurred at the Lemoenkloof layer farm in the current reporting period, resulting in the culling of approximately 400 000 hens. The Group's insurance in this regard is limited to the risk associated with direct losses resulting from the culling of infected flocks, but not the further effect of lost production and lower sales volumes. An extensive process to clean, disinfect and prepare the farm for repopulation is in progress. The insurance claim is in process and has not advanced sufficiently in order to include any recovery of loss in the current reporting period. The resultant negative financial effect is approximately R24 million for the current reporting period.

Broiler farming business

Operational efficiencies achieved in the hatcheries and at commercial broiler farms improved when compared to the prior period. Day-old chick sales volumes declined by 4.4%, despite solid growth in volumes sold from the Hartbeespoort hatchery. This decline is a result of the closure of a major Western Cape abattoir customer in the prior period and subsequent lower production at the Western Cape hatcheries.

The growth in volumes sold from the Hartbeespoort hatchery was supported by improved trading conditions in the broiler industry where supply was lower and consumer demand remained adequate. The benefit to the Group was a higher demand for day-old broiler chicks.

Live bird sales volumes for the current reporting period were similar to the prior period with a slight increase in bird volumes offset by a marginally lower average weight.

Despite a significant increase in energy costs, overall cost management was satisfactory and supported the improvement in earnings from this business.

Egg business

The egg business saw an improvement compared to the prior period. Earnings were adversely impacted by the further significant increase in feed costs and positively impacted by an improvement of 9.5% in average per unit selling prices as well as an increase in sales volumes of 3.6%. The culling of hens at the Lemoenkloof Farm, following the outbreak of HPAI, resulted in a substantial decline in eggs available for sale from February 2022 and is expected to negatively impact sales volumes in the second half of the financial year ending 30 September 2022 ("**2022 financial year**").

Operational efficiency indicators improved when compared to the prior period and operating costs were well managed.

Other African businesses

Trading conditions remained favourable for the egg business in Zambia. The continued strong demand for eggs and feed resulted in higher earnings despite weaker day-old chick demand and lower production efficiencies at the commercial egg farm which was impacted by a disease challenge.

The business in Uganda continues to be impacted by a number of factors. The closure of borders for extended periods culminated in an imbalance in local supply and demand for eggs, which resulted in lower egg selling prices and demand for day-old layer chicks. The business also remained affected by COVID-19 restrictions on the movement of staff, instituted in 2021, which has contributed to reduced management supervision during that period and has led to weaker-than-expected production efficiencies in the current reporting period. These factors were further compounded by higher input costs resulting in this business reporting a loss in the current reporting period.

Production efficiencies in the Mozambican business improved from the prior period. Higher feed costs could, however, not be sufficiently recovered from the market for eggs for this business to be profitable.

There was no outbreak of HPAI within the other African businesses.

Financial overview

Group revenue increased by 7.0% to R2.8 billion (prior period: R2.6 billion), with a 5.6% increase of R140 million in the South African operations' revenue and a 29.9% increase of R44 million in other African operations' revenue. Revenue from other African operations contributed 6.7% of the Group's revenue for the current reporting period (prior period: 5.5%).

Revenue from South African operations:

- Increased by R16 million (1.4%) for the animal feeds segment from the prior period. Revenue was negatively impacted by a decrease in external volumes sold which were offset by the adjustment of selling prices in respect of higher input costs.
- Increased by R42 million (6.1%) for the farming segment from the prior period. This increase is primarily as a result of the adjustment of broiler livestock selling prices to take into account higher input costs in the broiler farming business. Sales volumes of layer livestock were lower than in the prior period.
- Increased by R82 million (13.7%) for the eggs segment from the prior period, where an average price increase of 9.5% and a 3.6% increase in volume were achieved.

Revenue from other African operations increased mostly in Zambia, due to increased realisation in all product categories, and a stronger Zambian kwacha against the Rand, which increased the revenue included in the Group's income statement.

Cost of sales increased by 9.4% to R2.3 billion (restated prior period: R2.1 billion). Cost of sales includes (i) a loss of R22 million resulting from the outbreak of HPAI at the Lemoenkloof Farm and (ii) the fair value adjustments of biological assets (livestock) and agricultural produce (eggs) that were realised and included in other gains and losses in the statement of comprehensive income. The fair value adjustments for the current reporting period amounted to R49 million (prior period: R43 million). Gross profit, excluding the fair value adjustments, decreased by R12 million to R544 million (restated prior period: R556 million) at a margin of 19.2% (restated prior period: 21.0%).

Aggregate cash operating expenses increased by 8.5% from the prior period. The increase relative to the prior period was primarily driven by (i) significant increases in energy and insurance costs, (ii) expenses for the Helderfontein broiler farm (acquired on 31 January 2021) being included for the full period and (iii) higher costs associated with the labour unrest at the Kaalfontein egg farm.

Operating profit before items of a capital nature decreased by 53.5% to R34 million (prior period: R74 million). South African operations recorded a R36 million (55.9%) decrease in operating profit to R29 million (prior period: R65 million) at a margin of 1.1% (prior period: 2.6%). The profit from the animal feeds segment was similar to the prior period and the loss from the eggs segment improved compared to the prior period, while the farming segment's profit decreased by R42 million compared to the prior period to report a loss of R8 million. Other African operations recorded a decrease in profit of R2 million, where the higher profitability from the Zambian and Mozambican businesses was offset by a decrease in profitability from the Ugandan business.

The effective tax rate of the Group reduced to a credit of 5.0% for the current reporting period. This includes a reduction of 28.9% due to the remeasurement of deferred tax liabilities in accordance with the lower corporate tax rate applicable in South Africa from the 2023 financial year.

HEPS decreased to 15.8 cents from 26.9 cents reported in the prior period.

Cash flow from operating activities amounted to R166 million for the current reporting period (prior period: outflow of R1 million). This includes a decreased investment in working capital of R89 million (prior period: increased investment of R111 million).

Cash flow from investing activities includes capital expenditure on property, plant and equipment amounting to R59 million (prior period: R64 million), with the main projects, in addition to maintenance capital, being the broiler hatchery expansion in Gauteng, completion of a new bagging line at a feed mill, and an investment in solar energy at a hatchery. Cash flow from investing activities also includes capital expenditure on intangible assets amounting to R6 million (prior period: Rnil) incurred to date on the project to implement SAGE X3 as the new Enterprise Resource Planning system for the Group.

Cash and cash equivalents increased from R73 million as at 30 September 2021 to R155 million at the end of the current reporting period.

The Rand value of the Group's investment in the other African countries segment decreased by R31 million from 30 September 2021, primarily due to the devaluation of the Zambian kwacha against the Rand since the end of the 2021 financial year. This decrease in the foreign currency translation reserve is included in other comprehensive income for the current reporting period.

The Group's borrowings as at 31 March 2022 comprised only of lease liabilities as accounted for in terms of International Financial Reporting Standards (IFRS) 16 – Leases.

Commentary (continued)

Dividend

The Board resolved to declare an interim gross cash dividend of 8 cents per share for the period ended 31 March 2022, from income reserves.

At a rate of 20%, dividends tax will amount to 1.60000 cents per share. Consequently, shareholders who are not exempt from dividends tax will receive a net dividend amount of 6.40000 cents per share. Such tax will be withheld unless beneficial owners of the dividend have provided the necessary documentation to the relevant regulated intermediary to indicate that they are exempt therefrom or entitled to a reduced rate as a result of the double tax agreement between South Africa and their country of domicile. The dividend amounts to 8 cents per share for shareholders exempt from dividends tax.

The salient dividend dates are as follows:

Declaration date	Friday, 27 May 2022
Last date of trading *cum* dividend	Tuesday, 21 June 2022
Trading ex-dividend commences	Wednesday, 22 June 2022
Record date	Friday, 24 June 2022
Dividend payable	Monday, 27 June 2022

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 22 June 2022 and Friday, 24 June 2022, both days inclusive.

The shares in issue as at declaration date are 200 024 716.

Outlook

The further increase in international feed raw material and logistics costs resulting from the war between Russia and the Ukraine will, due to forward hedging positions, impact the Group's cost of sales in the second half of the 2022 financial year. Feed costs for the remainder of the 2022 financial year are expected to be higher than in the current reporting period. Other factors such as the volatility of the Rand, primarily against the US dollar, remain. While the Rand has remained relatively strong in the current reporting period, any weakening will negatively impact the Group.

The high feed raw material costs mostly affect earnings derived from the egg business of the Group. This business is expected to remain under severe pressure until the market supply and demand dynamics stabilise and/or feed costs decrease.

Earnings from the feeds and farming businesses are more resilient to changes in feed raw material costs and more dependent on volumes, operational efficiencies and cost management. The extent of previous and expected feed raw material cost increases are, however, significant, and customers of these businesses are expected to experience considerable margin pressure as a result of higher inputs costs, which may impact the ability of the business to maintain margins.

Trading conditions experienced by the other African countries segment in the current reporting period are also expected to be impacted by higher raw material and logistics costs for the remainder of the 2022 financial year.

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

By order of the Board

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

27 May 2022

Condensed consolidated statement of financial position

	Unaudited 31 March 2022 R'000	Unaudited 31 March 2021 R'000	Audited 30 September 2021 R'000
ASSETS			
Non-current assets	**1 356 530**	1 286 238	1 360 639
Property, plant and equipment	**1 243 450**	1 204 848	1 243 120
Right-of-use assets	**85 318**	56 958	95 108
Intangible assets	**12 887**	5 721	7 098
Investment in associates	**10 599**	14 297	10 310
Trade and other receivables	**3 788**	3 999	4 033
Deferred income tax	**488**	415	970
Current assets	**1 438 725**	1 335 319	1 423 865
Inventories	**357 002**	322 683	383 450
Biological assets	**403 288**	378 253	403 308
Trade and other receivables	**521 755**	540 817	562 933
Derivative financial instruments	**–**	–	23
Current income tax	**2 040**	7 293	840
Cash and cash equivalents	**154 640**	86 273	73 311
Total assets	**2 795 255**	2 621 557	2 784 504
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent	**1 999 900**	1 867 344	1 999 802
Share capital	**1 465 069**	1 465 069	1 465 069
Treasury shares	**(1 390)**	(8 315)	(8 315)
Other reserves	**(104 739)**	(145 007)	(65 769)
Retained earnings	**640 960**	555 597	608 817
Total equity	**1 999 900**	1 867 344	1 999 802
Non-current liabilities	**338 106**	313 457	360 101
Lease liabilities	**74 907**	55 458	85 155
Deferred income tax	**254 843**	249 569	266 590
Provisions for other liabilities and charges	**8 356**	8 430	8 356
Current liabilities	**457 249**	440 756	424 601
Trade and other payables	**429 367**	424 069	396 740
Derivative financial instruments	**164**	254	–
Current income tax	**1 238**	1 602	2 639
Lease liabilities	**25 118**	14 831	23 860
Provisions for other liabilities and charges	**1 362**	–	1 362
Total liabilities	**795 355**	754 213	784 702
Total equity and liabilities	**2 795 255**	2 621 557	2 784 504

Condensed consolidated statement of comprehensive income

	Notes	Unaudited Six months ended 31 March 2022 R'000	Restated* Unaudited Six months ended 31 March 2021 R'000	Audited Year ended 30 September 2021 R'000
Revenue	2	**2 828 072**	2 643 838	5 401 116
Cost of sales		**(2 333 056)**	(2 131 702)	(4 339 005)
Gross profit		**495 016**	512 136	1 062 111
Other income		**8 276**	4 843	10 201
Other gains/(losses) – net	3	**52 632**	33 649	72 304
Sales and distribution costs		**(135 512)**	(132 835)	(263 528)
Marketing costs		**(5 457)**	(6 944)	(15 065)
Administrative expenses		**(78 472)**	(69 648)	(143 972)
Net impairment losses on trade and other receivables		**(1 038)**	–	(9 050)
Other operating expenses		**(299 641)**	(267 442)	(565 412)
Operating profit		**35 804**	73 759	147 589
Investment income		**1 677**	2 320	4 747
Finance costs		**(6 654)**	(4 034)	(11 844)
Share of profit of associate companies		**289**	618	1 767
Profit before income tax		**31 116**	72 663	142 259
Income tax credit/(expense)		**1 550**	(20 249)	(36 464)
Profit for the period		**32 666**	52 414	105 795
Other comprehensive (loss)/income for the period				
Items that may subsequently be reclassified to profit or loss:				
Fair value adjustments to cash flow hedging reserve		**(7 044)**	(5 647)	7 993
For the period		**26 979**	15 767	57 668
Deferred income tax effect		**39**	49	(6)
Current income tax effect		**(7 594)**	(4 464)	(16 141)
Realised to profit or loss		**(36 760)**	(23 609)	(46 567)
Deferred income tax effect		**6**	(1)	(1)
Current income tax effect		**10 286**	6 611	13 040
Movement in foreign currency translation reserve				
Currency translation differences		**(30 829)**	(54 675)	8 651
Total comprehensive (loss)/income for the period		**(5 207)**	(7 908)	122 439
Profit for the period attributable to owners of the parent		**32 666**	52 414	105 795
Total comprehensive (loss)/income for the period attributable to owners of the parent		**(5 207)**	(7 908)	122 439
Earnings per ordinary share (cents)	4	**16.5**	26.9	53.9
Diluted earnings per ordinary share (cents)	4	**16.4**	26.4	53.0

* *Refer to note 7 for details regarding the restatement of prior period figures.*

Condensed consolidated statement of changes in equity

	Unaudited Six months ended 31 March 2022 R'000	Unaudited Six months ended 31 March 2021 R'000	Audited Year ended 30 September 2021 R'000
Share capital and treasury shares	**1 463 679**	1 456 754	1 456 754
Opening balance	**1 456 754**	1 445 731	1 445 731
Ordinary shares transferred – share appreciation rights	**6 925**	11 023	11 023
Other reserves	**(104 739)**	(145 007)	(65 769)
Opening balance	**(65 769)**	(85 089)	(85 089)
Other comprehensive (loss)/income for the period	**(37 873)**	(60 322)	16 644
Recognition of share-based payments	**5 305**	9 036	11 147
Ordinary shares transferred – share appreciation rights	**(6 402)**	(8 632)	(8 471)
Retained earnings	**640 960**	555 597	608 817
Opening balance	**608 817**	525 000	525 000
Profit for the period	**32 666**	52 414	105 795
Dividends paid	**–**	(19 426)	(19 426)
Ordinary shares transferred – share appreciation rights	**(523)**	(2 391)	(2 552)
Total equity	**1 999 900**	1 867 344	1 999 802

Condensed consolidated statement of cash flows

	Unaudited Six months ended 31 March 2022 R'000	Unaudited Six months ended 31 March 2021 R'000	Audited Year ended 30 September 2021 R'000
Cash flow from operating activities	**165 741**	(566)	24 348
Cash profit from operating activities	**91 998**	138 541	295 297
Working capital changes	**88 872**	(110 730)	(259 292)
Cash effect of hedging activities	**(9 615)**	(7 670)	11 076
Cash generated from operations	**171 255**	20 141	47 081
Income tax paid	**(5 514)**	(20 707)	(22 733)
Cash flow from investing activities	**(61 169)**	(121 404)	(153 272)
Additions to property, plant and equipment	**(59 047)**	(64 359)	(107 095)
Additions to intangible assets	**(6 079)**	–	(1 507)
Proceeds on disposal of property, plant and equipment	**2 366**	430	1 277
Interest in associate acquired	**–**	(5 113)	(10 251)
Business combination	**–**	(54 682)	(54 682)
Proceeds on disposal of investment in associate	**–**	–	14 239
Interest received	**1 591**	2 320	4 747
Cash surplus/(deficit)	**104 572**	(121 970)	(128 924)
Cash flow from financing activities	**(18 169)**	(34 651)	(51 031)
Principal elements of lease payments	**(11 578)**	(11 295)	(20 941)
Interest paid	**(6 591)**	(3 967)	(10 698)
Dividends paid to ordinary shareholders	**–**	(19 389)	(19 392)
Increase/(decrease) in cash and cash equivalents	**86 403**	(156 621)	(179 955)
Effects of exchange rate changes	**(5 074)**	(8 887)	1 485
Cash and cash equivalents at beginning of period	**73 311**	251 781	251 781
Cash and cash equivalents at end of period	**154 640**	86 273	73 311

Segmental analysis

	Unaudited Six months ended 31 March 2022 R'000	Unaudited Six months ended 31 March 2021 R'000	Audited Year ended 30 September 2021 R'000
Segment revenue	**2 833 143**	2 648 142	5 409 490
Eggs	**679 128**	597 554	1 228 789
Farming	**743 365**	700 131	1 420 004
Animal feeds	**1 220 038**	1 203 734	2 440 511
Other African countries	**190 612**	146 723	320 186
Less: Internal revenue	**(5 071)**	(4 304)	(8 374)
Farming	**(5 071)**	(4 304)	(8 374)
External revenue	**2 828 072**	2 643 838	5 401 116
Eggs	**679 128**	597 554	1 228 789
Farming	**738 294**	695 827	1 411 630
Animal feeds	**1 220 038**	1 203 734	2 440 511
Other African countries	**190 612**	146 723	320 186
Segment results (operating profit) – excluding items of a capital nature	**34 355**	73 875	144 298
Eggs	**(12 642)**	(18 243)	(5 003)
Farming	**(7 911)**	33 986	34 275
Animal feeds	**49 182**	49 154	100 916
Other African countries	**15 263**	17 629	30 834
Head office costs	**(9 537)**	(8 651)	(16 724)
Items of a capital nature per segment included in other gains/(losses) – net			
Profit/(loss) on disposal of property, plant and equipment before income tax	**1 449**	(116)	(674)
Eggs	**–**	51	(13)
Farming	**1 627**	(307)	(778)
Animal feeds	**(12)**	(79)	(106)
Other African countries	**(166)**	219	223
Profit on disposal of interest in associate before income tax	**–**	–	3 965
Head office costs	**–**	–	3 965
Segment results (operating profit)	**35 804**	73 759	147 589
Eggs	**(12 642)**	(18 192)	(5 016)
Farming	**(6 284)**	33 679	33 497
Animal feeds	**49 170**	49 075	100 810
Other African countries	**15 097**	17 848	31 057
Head office costs	**(9 537)**	(8 651)	(12 759)
A reconciliation of the segment results (operating profit) to profit before income tax is provided below:			
Segment results	**35 804**	73 759	147 589
Adjusted for:			
Investment income	**1 677**	2 320	4 747
Finance costs	**(6 654)**	(4 034)	(11 844)
Share of profit of associate companies	**289**	618	1 767
Profit before income tax per statement of comprehensive income	**31 116**	72 663	142 259

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

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

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

The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements for the year ended 30 September 2021. A number of amendments to existing standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 30 September 2021. The impact of the HPAI outbreak on the Group and its customers was considered in preparing these condensed consolidated interim financial statements, specifically relating to the fair value measurement of biological assets and the calculation of expected credit losses in trade and other receivables, with no material impact. As the Group continued to operate at full capacity, the COVID-19 pandemic had a minimal impact on the Group’s business. The war in Ukraine has not materially impacted on the Group’s business, other than increases in the international prices of key raw materials and higher cost of logistics. These factors were considered in the preparation of the Group’s interim financial statements and did not have a material impact.

	Unaudited Six months ended 31 March 2022 R’000	Unaudited Six months ended 31 March 2021 R’000	Audited Year ended 30 September 2021 R’000
2. Revenue			
Disaggregation of revenue from contracts with customers:			
Eggs	**797 185**	695 786	1 435 398
- included in eggs segment	**679 128**	597 554	1 228 789
- included in other African countries segment	**118 057**	98 232	206 609
Layer farming*	**127 874**	138 816	256 165
- included in farming segment	**111 370**	124 765	219 597
- included in other African countries segment	**16 504**	14 051	36 568
Broiler farming**	**656 295**	587 028	1 225 492
- included in farming segment	**626 924**	571 062	1 192 033
- included in other African countries segment	**29 371**	15 966	33 459
Animal feeds	**1 246 718**	1 222 208	2 484 061
- included in animal feeds segment	**1 220 038**	1 203 734	2 440 511
- included in other African countries segment	**26 680**	18 474	43 550
	2 828 072	2 643 838	5 401 116

* *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.*

	Unaudited Six months ended 31 March 2022 R’000	Unaudited Six months ended 31 March 2021 R’000	Audited Year ended 30 September 2021 R’000
3. Other gains/(losses) – net			
Biological assets fair value adjustment	**20 626**	32 741	29 663
Unrealised – reflected in carrying amount of biological assets	**3 876**	(8 736)	(18 894)
Realised – reflected in cost of goods sold	**16 750**	41 477	48 557
Agricultural produce fair value adjustment	**31 443**	1 184	38 195
Unrealised – reflected in carrying amount of inventory	**(552)**	(748)	(26)
Realised – reflected in cost of goods sold	**31 995**	1 932	38 221
Foreign exchange differences	**(745)**	(80)	(5 370)
Financial instruments fair value adjustments	**–**	(16)	(3)
Foreign exchange contract cash flow hedging ineffective (loss)/gain	**(141)**	(64)	6 528
Profit/(loss) on disposal of property, plant and equipment	**1 449**	(116)	(674)
Profit on disposal of interest in associate	**–**	–	3 965
	52 632	33 649	72 304

Notes to the condensed consolidated interim financial statements (continued)

	Unaudited Six months ended 31 March 2022 R'000	Unaudited Six months ended 31 March 2021 R'000	Audited Year ended 30 September 2021 R'000
4. Earnings per ordinary share			
Basic			
The calculation of basic earnings per share is based on profit for the period attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the period:			
Profit for the period	**32 666**	52 414	105 795
Weighted average number of ordinary shares in issue ('000)	**197 895**	194 696	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.			

	Unaudited Six months ended 31 March 2022 Number '000	Unaudited Six months ended 31 March 2021 Number '000	Audited Year ended 30 September 2021 Number '000
Weighted average number of ordinary shares in issue used as the denominator in calculating basic earnings per share	**197 895**	194 696	196 126
Adjustment for calculation of diluted earnings per share – Share appreciation rights	**1 009**	3 480	3 565
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**198 904**	198 176	199 691

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

	Unaudited Six months ended 31 March 2022 R'000	Unaudited Six months ended 31 March 2021 R'000	Audited Year ended 30 September 2021 R'000
4. Earnings per ordinary share (continued)			
The calculation of diluted earnings per share is based on profit for the period attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the period:			
Profit for the period	**32 666**	52 414	105 795
Diluted weighted average number of ordinary shares in issue ('000)	**198 904**	198 176	199 691
Headline earnings is calculated in accordance with Circular 1/2021 issued by SAICA.			
Reconciliation between profit for the period attributable to owners of the parent and headline earnings			
Profit for the period	**32 666**	52 414	105 795
Remeasurement of items of a capital nature			
(Profit)/loss on disposal of property, plant and equipment	**(1 399)**	53	453
Gross	**(1 449)**	116	674
Tax effect	**50**	(63)	(221)
Profit on disposal of interest in associate	**–**	–	(3 965)
Gross	**–**	–	(3 965)
Tax effect	**–**	–	–
Headline earnings for the period	**31 267**	52 467	102 283
Earnings per ordinary share (cents)	**16.5**	26.9	53.9
Diluted earnings per ordinary share (cents)	**16.4**	26.4	53.0
Headline earnings per ordinary share (cents)	**15.8**	26.9	52.2
Diluted headline earnings per ordinary share (cents)	**15.7**	26.5	51.2

5. Contingent liabilities and future capital commitments

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

Capital expenditure approved by the Board and contracted for amounts to R62.7 million (30 September 2021: R12.3 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R47.8 million (30 September 2021: R154.7 million).

Notes to the condensed consolidated interim financial statements (continued)

6. Events after the reporting period

Dividend

An interim gross cash dividend of 8.0 cents per ordinary share has been approved and declared by the Board for the period ended 31 March 2022, on 27 May 2022. This will only be reflected in the statement of changes in equity in the next reporting period.

During April 2022, the KwaZulu-Natal region experienced widespread flooding which resulted in significant infrastructure damage and the declaration of a regional state of disaster. This did not materially impact the Group's operations.

The Group considered the impact of the COVID-19 pandemic and the war in Ukraine post-31 March 2022 and concluded that the significant accounting judgements, estimates and assumptions applied in the preparation of these condensed consolidated interim financial statements remain appropriate and consistent with the previous consolidated annual financial statements for the year ended 30 September 2021.

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

7. Restatement

In September 2021 a prior period error was discovered in the classification of expenses that impacts the condensed consolidated interim financial statements previously reported. 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:

	Unaudited Six months ended 31 March 2021 Previously reported R'000	(Increase)/ decrease R'000	Unaudited Six months ended 31 March 2021 Restated R'000
Statement of comprehensive income extract			
Cost of sales	(2 075 543)	(56 159)	(2 131 702)
Other operating expenses	(320 756)	53 314	(267 442)
Administrative expenses	(72 493)	2 845	(69 648)
Profit before income tax	72 663	–	72 663

The previously reported 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 condensed consolidated interim financial statements.

Directors

WA Hanekom (chairman)#, GG Fortuin (lead independent director)#, T Golden#, LW Riddle#, G Vaughan-Smith, HA Lourens (chief executive officer)*, AH Muller (chief financial officer)*

* Executive # Independent

Company Secretary

MO Gibbons (resigned with effect from 26 May 2022)
Acorim (Pty) Ltd (appointed interim company secretary with effect from 26 May 2022)

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