



Integrated report 2014

Quantum Foods owns and operates a diversified feeds and poultry business providing quality animal protein effectively to selected South African and African markets

CONTENTS

2	About this report	24	Ensuring responsible business
3	Quantum Foods at a glance	26	Summary consolidated financial statements
4	Value chain and business model	27	Directors' responsibility
5	Business overview	28	Notice in terms of section 29 of the Companies Act
6	Strategic focus	28	Company secretary declaration
7	Investment case	29	Audit and risk committee report
9	Joint report of the chairman and CEO	31	Independent auditor's report
13	Financial highlights	32	Summary consolidated statement of financial position
14	Board of directors	33	Summary consolidated statement of comprehensive income
16	Executive management and corporate services	34	Summary consolidated statement of changes in equity
18	Corporate governance	35	Summary consolidated statement of cash flows
18	Governance structure	36	Summary consolidated segment report
18	The Board	37	Notes to the summary consolidated financial statements
19	Board committees	IBC	Corporate information
19	Meeting attendance	IBC	Administration
22	Social and ethics committee report	IBC	Shareholders' diary
23	Remuneration report		
23	IT governance report		

ABOUT THIS REPORT

Scope and boundary

Quantum Foods Holdings Ltd is a public company duly incorporated in South Africa under the provisions of the Companies Act, Act 71 of 2008, and the regulations thereto ("the Companies Act").

This is the first integrated report of Quantum Foods Holdings Ltd and its subsidiaries ("Quantum Foods" or "the Group" or "the Company") and it covers the financial period 1 October 2013 to 30 September 2014. The report provides performance data for the Group's business activities in all its operating geographies, including South Africa, Uganda and Zambia. It is important to note that at the end of the financial year, the Group was a wholly-owned subsidiary of Pioneer Food Group Ltd ("Pioneer Foods") that was unbundled to shareholders and separately listed on the main board of the exchange operated by the JSE Ltd ("the JSE main board") on 6 October 2014. The Group was established following an internal restructuring process at Pioneer Foods. Full particulars of this process were disclosed in the Group's pre-listing statement that was released to shareholders on 18 September 2014 and is also available at www.quantumfoods.co.za.

The scope of the non-financial information in this integrated report is limited because the Group was still a wholly-owned subsidiary of Pioneer Foods at the reporting date. Stakeholders are referred to the Pioneer Foods integrated report available at www.pioneerfoods.co.za for further information.

Assurance

Quantum Foods is a newly established Group and committed to improving its combined assurance model in order to achieve the highest level of transparency and effective communication. Assurance for elements of this integrated report has been provided through a combination of external and internal sources, which will become more formalised in the next year.

Reporting principles and comparability

The summarised financial statements provided in this integrated report are extracted from the full statutory financial statements available on the Group's website. The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act and the Listings Requirements of the JSE ("the JSE Listings Requirements") and were independently audited by PricewaterhouseCoopers Inc.

Quantum Foods did not operate as a stand-alone group for the year under review or for the comparative period ended 30 September 2013. The effect of this on the Group financial statements is further explained on page 37 of this integrated report.

For non-financial information we report with consideration to the King Report on Governance for South Africa 2009 ("King III") and the guidance provided in the International <IR> Framework of the International Integrated Reporting Council.

Board approval

The board of directors of Quantum Foods ("the Board"), assisted by its audit and risk, and other committees, is ultimately responsible for overseeing the integrity of the integrated report. The Board confirms that it has collectively reviewed the output of the reporting process and the content of the integrated report, and therefore approves the report for release.

QUANTUM FOODS AT A GLANCE

PROFILE

Quantum Foods is a diversified feed and poultry business that provides quality animal protein to selected South African and African markets

The Group listed on the JSE main board in October 2014 in the "Farming and Fishing" sector under the share code QFH.

The Group is a fully integrated primary agricultural business with four focus areas: animal feed; eggs and layer livestock; broilers and related business on the African continent.

South Africa

Animal feed is manufactured and sold under the *Nova* brand. External sales comprise 44% of total volumes produced and the remaining 56% is consumed by the Group's integrated poultry operations.

Eggs are sold under the *Nulaid* and *Quantum* brands, while the poultry livestock (day-old chicks and point-of-lay hens) for the layer industry is sold under the *Bergvlei Chicks* brand. The egg business is the only national producer and has a significant market share in the retail sector.

The broiler business supplies poultry livestock to third-party abattoirs in the Western Cape and sells chicken meat from an abattoir in Gauteng under the *Tydstroom* brand.

Africa

In Zambia, Quantum Foods operates a broiler and layer breeder business, which sells day-old chicks, a feed business, a table egg business and a distribution centre.

In Uganda, the business comprises a broiler and layer breeder business selling day-old chicks, and a feed business.

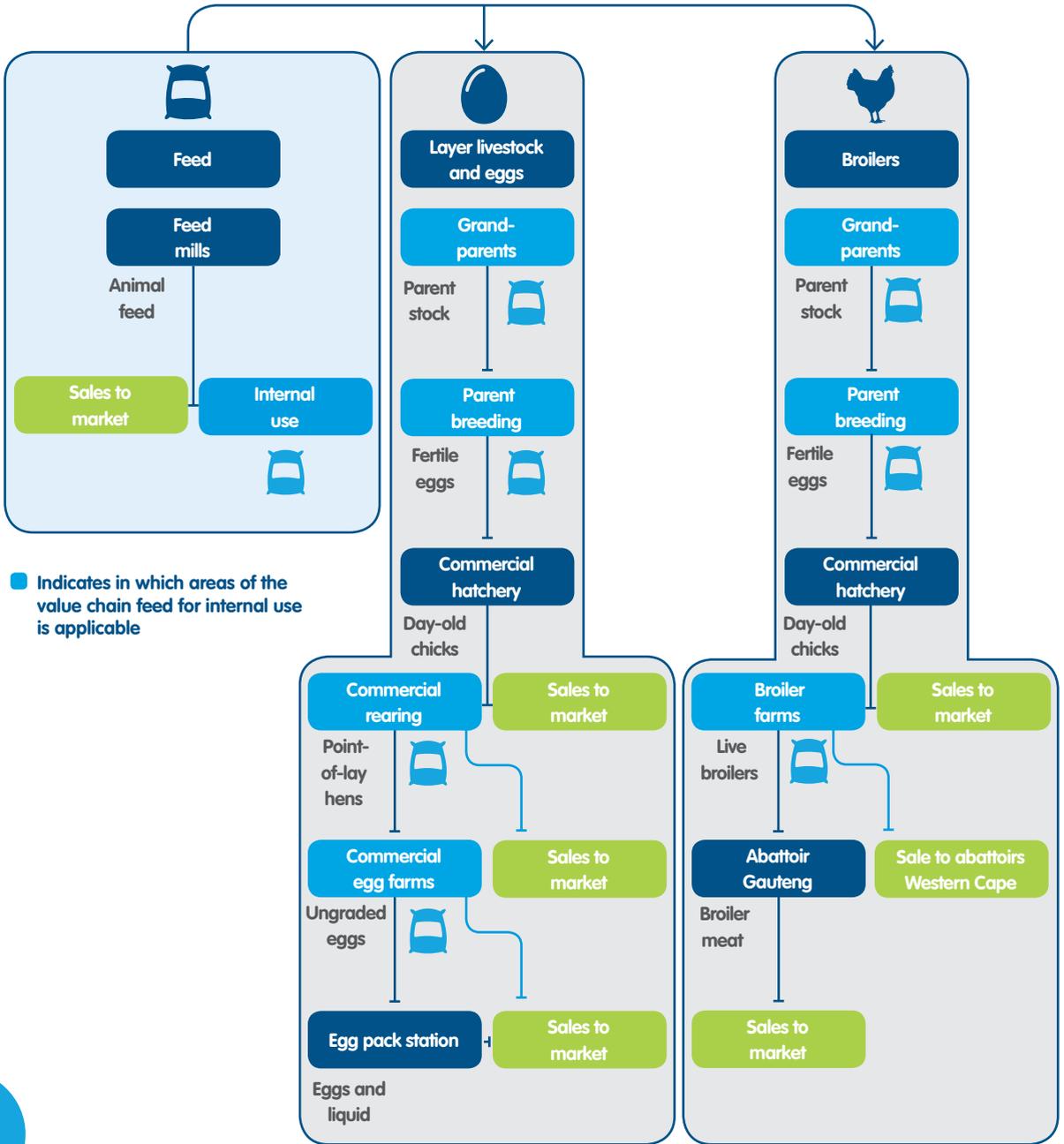
GROUP STRUCTURE



EXTERNAL REVENUE CONTRIBUTION (R'm)



VALUE CHAIN AND BUSINESS MODEL



BUSINESS OVERVIEW

SOUTH AFRICA

Animal feed manufacturing

Quantum Foods owns three feed mills, located in Malmesbury, George and Pretoria. These mills are well positioned to supply the integrated poultry farming operations and have the manufacturing ability to produce specialised feed rations for a range of animal species in the Southern African agricultural industry.

Integrated layer livestock and egg production value chain

Lohmann Breeding SA (Pty) Ltd owns the rights to import grandparent layer stock of the Lohmann breed and to distribute next generation parent stock exclusively in South Africa and non-exclusively to most African countries south of the Sahara.

Day-old chicks are reared and bred on two layer parent farms, with commercial day-old chicks produced at the Group's two hatcheries located in the Western Cape and in Gauteng. Commercial day-old chicks are either sold to external customers or transferred to the commercial rearing farms owned by Quantum Foods.

The Group owns six commercial rearing farms where day-old layer chicks are reared to be placed on commercial egg farms or to be sold to the market.

The Group produces approximately 76.8 million eggs per month on own-farms and procures approximately 7.2 million eggs per month from contracted farmers. This equates to over 1 billion eggs per year.

Eggs are processed at four packing facilities located in the Western Cape, Eastern Cape, Free State and Gauteng and distributed nationally as graded, ungraded or in liquid form. Graded eggs are eggs that have been sorted in the packing facilities according to weight, e.g. (medium, large, extra-large, jumbo), whereas liquid eggs are produced in egg breaking plants where the shells are removed from the product for sale mostly to industrial customers.

Integrated broiler value chain

Quantum Foods owns the rights to import grandparent broiler stock of the Cobb 500 breed to supply next generation parent stock for its own requirements in South Africa and the rest of the African continent.

Day-old parent stocks are reared on three parent rearing farms in the Western Cape and then transferred to five parent breeding farms, three are owned by the Group and the remaining two are contracted to supply the Group with hatching eggs. Day-old commercial broiler chicks are produced at two Group hatcheries before being transferred to commercial broiler farms or sold to the market.

The Group closed its Western Cape abattoir at the end of September 2014 to focus on supplying other abattoirs in the region with approximately 550 000 live broilers per week. In Gauteng, the Group's broiler abattoir business is supplied by a combination of own-farms and contract growers and provides 250 000 broilers per week as fresh and frozen chicken products to the local market.

OTHER AFRICAN COUNTRIES

Zambia

Lohmann and Cobb 500 day-old chicks are produced at the Lusaka farm, which comprises a parent breeding facility, feed mill and hatchery.

Quantum Foods Zambia also operates a distribution centre, based in Lusaka, which supplies non-agricultural products across Zambia.

Quantum Foods Zambia is the second largest supplier of table eggs in Zambia. The egg business operates from a commercial egg farm and feed mill located in Chingola in the Copperbelt.

Uganda

Bokomo Uganda produces Lohmann and Cobb 500 day-old chicks on three farms that comprise a parent breeding facility, feed mill and hatchery, located in Kampala.

RISKS AND OPPORTUNITIES

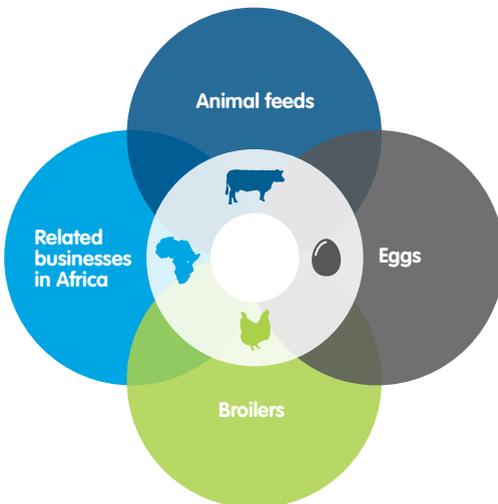
The Group determines its material risks through a risk management process, which considers the potential impact of each risk on the achievement of the Group's strategy, as well as the probability of each arising. The residual risk rating also considered the mitigation strategies in place. Material risks include:

- Chicken and egg supply and demand imbalances
- New market entrants increasing market competition
- Declining consumer spend
- Raw material price increases
- Financial volatility due to exchange rate instability

STRATEGIC FOCUS

VISION STATEMENT

Quantum Foods aims to be a leading feed and animal protein business in Africa delivering sustainable returns



PURPOSE

To build a leading feed and animal protein business through:

- low-cost operations;
- farming efficiency; and
- effective selling and customer relationship management.

Short-term focus areas include margin optimisation in South Africa and improved value extraction from investments in other African countries. In the medium term, the Group will invest for growth.

INDUSTRY FEATURES

Companies that operate in the feed and poultry industry in South Africa are largely faced with challenges related to the cost of raw materials for feed production, variable demand levels, competitor activity, poultry flock health and changes in the regulatory environment, including governmental policy on industry protection.

The cost of the key input for animal feed production, which is the most significant cost factor in the industry, is influenced by global weather patterns, the exchange rate, commodity cycles and alternative uses – for example, the commercial production of ethanol.

These factors affect the availability of feed and the cost of production in a market where the spending power of consumers is under increased pressure.

Layer hens and broilers are excellent converters of feed into animal protein with very favourable conversion ratios of feed to final product when compared to other animal protein sources.

With the availability of arable land and water supply coming under continued strain, together with the expected increase in global demand for animal protein, poultry will remain a critical source in future.

INVESTMENT CASE

1. Honed domestic portfolio

- Reduced exposure to cyclical nature of the poultry industry with the exit of the broiler meat market in the Western Cape.
- Increased focus on revenue from external feed sales, livestock and the African operations.
- Established egg business in South Africa with *Nulaid* achieving icon status as the best egg brand in the country.
- A strong position with growth potential in animal feed.

2. Africa growth traction and prospects

- Proven track record of success in Africa – operating in Zambia and Uganda for over 15 years.
- Expansion of the existing table egg business in Zambia commenced, completion is projected by the end of 2015.
- Project to build a commercial egg farm in Uganda will commence in 2015.
- Strategic opportunities in other African countries are being investigated.

3. Efficient cost base

The Group reduced its cost base significantly during 2014, with further improvements targeted specifically towards streamlining the supply chain and centralising procurement in the near future.

4. Poised for cash generative cycle

The Group was unbundled with fully funded working capital and no long-term debt. The domestic capital expenditure programme is largely complete and the Group has a healthy asset base from which to grow production of feed, layer and broiler livestock, egg and broiler sales without significant further investment. The comparably lower cost of raw materials anticipated in 2015 will benefit cost of production and this, together with improved macro-factors in the egg and broiler industries, should create more favourable operating conditions.

5. The right people

The Group has a team of talented, experienced and motivated people that have a strong desire to succeed while having the highest ethical standards and regard for the environment.

Quantum Foods was a wholly-owned subsidiary of Pioneer Foods, which was unbundled and separately listed on the JSE main board on 6 October 2014

JOINT REPORT OF THE CHAIRMAN AND CEO



Norman Celliers
Chairman



Hennie Lourens
Chief Executive Officer

INTRODUCTION

The year under review was a momentous one for Quantum Foods, during which it was confirmed that Quantum Foods will be unbundled from Pioneer Foods and listed on the JSE main board. A significant part of the year was dedicated to preparing the business for listing, which took place on 6 October 2014.

OPERATIONAL OVERVIEW

Trading conditions in South Africa were challenging during the 2014 financial year. South Africa experienced muted economic growth and currency depreciation, while factors such as labour unrest, continuing high unemployment and rising costs all constrained consumer spending.

The price of maize, the biggest input in feed costs, reached record levels on the South African Futures Exchange (SAFEX) during the year. Soybean meal, the second largest input in animal feed, was affected negatively by the weak rand and high prices on the Chicago Board of Trade. These high input costs resulted in a substantial increase in feed costs, which could not be recovered in the selling prices of eggs and chicken meat, and therefore, had a negative impact on the financial results of the layer and broiler businesses.

Despite the challenging operating environment, Quantum Foods managed to improve cash profits from operations by R44 million to R70 million for the financial year. All four business areas improved their performance.

The animal feed business, which trades under the *Nova* brand, performed well once again. Nova Feeds continues to supply the leading dairy farmers in the Western Cape as well as some of the country's largest independent poultry companies. During the past year, the external volumes of Nova Feeds grew by 6.0%.

The egg layer business improved its performance compared to the 2013 year, but margins remained low. The egg industry was under severe pressure and the laying hen numbers decreased by approximately 5% from 2013, which had a positive impact on the price of eggs. However, the increase in raw material prices, as well as livestock diseases in the Gauteng region, negatively affected profitability. The *Nulaid* brand was awarded icon brand status for the second year running and is regarded as one of the top 10 food brands in South Africa. Following an unfortunate incident at the Rustenburg culling depot, relevant employees were retrained in the handling of layer birds and a working relationship has been established with the National Council of the South African Society for the Prevention of Animal Cruelty ("NSPCA") to ensure improvement in animal welfare practises.

The broiler business also improved on its financial performance of 2013, but remained loss-making. High feed costs, which could not be recovered in the prices of final product, were the main reason for the loss. The prices

JOINT REPORT OF THE CHAIRMAN AND CEO continued

of broiler meat remain under pressure due to imports and conditions in the domestic supply environment.

During the year, an agreement was reached with Astral Operations Ltd for the supply of live broilers to abattoir operations in the Western Cape. This agreement gives Quantum Foods the opportunity to focus on the broiler farming operations in the province, and reduces the business risks from a broiler meat market price perspective.

The Zambian and Ugandan operations produced a good set of results. The performance in Zambia was mainly driven by the performance of the Mega Eggs operation included for the full year compared to only six months in the comparative period. The breeder business and distribution centre in Lusaka performed according to expectations. Uganda delivered its highest profits since the business was acquired in 2000 following an excellent improvement in sales volumes. During the year, a new country manager was appointed as the leader of the Uganda business.

GROUP RESTRUCTURING AND IMPACT ON FINANCIAL RESULTS

At 30 September 2014, the Group was a wholly-owned subsidiary of Pioneer Foods, which was unbundled and separately listed on the JSE main board on 6 October 2014.

In anticipation of the unbundling and listing, an internal restructuring process took place, which included the following:

- On 1 October 2013, Quantum Foods (Pty) Ltd acquired the animal feed business, Nova Feeds, the egg and layer livestock business, Nulaid, and the broiler business, Tydstroom, from Pioneer Foods (Pty) Ltd.
- On 1 October 2013, Quantum Foods (Pty) Ltd acquired the entire shareholding and claims on a Pioneer Foods (Pty) Ltd loan account in Bokomo Uganda (Pty) Ltd, Lohmann Breeding SA (Pty) Ltd, Philadelphia Chicks (Pty) Ltd and Bergsig Breeders (Pty) Ltd.
- On 1 July 2014, Quantum Foods (Pty) Ltd became a wholly-owned subsidiary of Quantum Foods Holdings Ltd.

- On 1 August 2014, Quantum Foods (Pty) Ltd, through its subsidiary Quantum Foods Zambia Ltd, acquired the agricultural business, the Bokomo Zambia business, from Bokomo Zambia Ltd, which is a wholly-owned subsidiary of Pioneer Foods (Pty) Ltd.

Quantum Foods settled the purchase consideration of the internal restructuring through the issue of new shares to the value of R1.6 billion, resulting in the Group being fully capitalised at the unbundling date.

FINANCIAL OVERVIEW

Group revenue increased by 2.2% to R3.6 billion. Revenue from South African operations remained flat at R3.4 billion, with the increase in revenue from the feed business due to higher volumes and the effect of higher raw material costs recovered in feed selling prices, offset by the decline in revenue from the broiler business following the downscaling of the Western Cape operations in the second half of 2013. Revenue from African operations increased by 60%, mostly due to the additional contribution from the Mega Eggs table egg business acquired in March 2013.

Cost of sales increased by 3.6% to R3.0 billion. Cost of sales includes the biological assets (poultry) and agricultural produce (eggs) fair value adjustments that have been realised and which are recorded in other gains and losses. The fair value adjustment for the year ended 30 September 2014 was R112.5 million compared to R55.5 million for 2013. Gross profit, excluding these fair value adjustments, improved from 18.9% to 19.4%.

Cash operating expenses decreased, mostly as a result of the downscaling of the Western Cape broiler business, but also due to the increased traction of various cost saving initiatives implemented during the year. The closure of the Durbanville abattoir and the exit from the broiler meat market in the Western Cape will ensure a further decrease in operating expenses in 2015.

The Group's operating loss of R20.9 million in 2014 includes an impairment expense of R49.5 million while the 2013 operating loss of R251.5 million included an

impairment expense of R232.0 million. The total amount of these impairments was recognised in other gains/ (losses) – net.

Operating profit from the African operations increased by 72% to R35.1 million in 2014.

Headline earnings improved to 11 cents per share from a loss of 34 cents per share in 2013, based on the 233 284 332 shares in issue at 30 September 2014 and on the carve-out financial statements for 2013 presented in this report as comparatives. The pro forma headline loss for 2013, as reported to shareholders in the pre-listing statement released on 18 September 2014, was 8 cents per share.

Cash generated by operations amounted to R41 million in 2014. This includes an increased investment in working capital of R28 million. With the capital expenditure programme of the South African operations largely completed by September 2013 and planned African expansion projected to be undertaken in 2015, net investment in assets for the 2014 year amounted to R41 million.

The Group has committed R36 million to expand the egg business in Zambia and R38 million to establish an egg layer farm in Uganda.

The Group's net asset value ("NAV") of R1.5 billion at 30 September 2014 translates to a NAV per share of R6.26 based on the number of shares in issue at 30 September 2014.

FINANCE FACILITIES

Quantum Foods entered into working capital facility agreements with Rand Merchant Bank to fund its requirements in anticipation of the unbundling and separate listing. The salient terms are as follows:

- R150 million revolving debtor's finance facility for an initial period of one year from 1 October 2014.
- R150 million uncommitted revolving commodity finance facility for an initial period of one year from 1 October 2014.

- Interest charges on these facilities vary between prime minus 2.1% and prime minus 2.45%.

As at 30 September 2014, Quantum Foods has not drawn down on any of these facilities.

DIVIDEND

No dividend has been declared for the year ended 30 September 2014. The Group does not yet have a formal dividends policy and the Board will assess the ability to declare and pay dividends on an annual basis.

PROSPECTS

The outlook for the South African economy remains challenging. Low economic growth, higher inflation and labour unrest prevail in an environment that has a continual negative effect on consumer spending. Quantum Foods will focus on efficiencies in all its value chains.

In the egg layer business, the focus will be on farm and pack station efficiency. A project is underway to improve service delivery to the KwaZulu-Natal region, while a specific productivity improvement project is planned at the Sova pack station in Gauteng.

In the broiler business, the objective will be to farm efficiently and deliver broilers to a customer base in the Western Cape according to specifications and within expected productivity parameters. The broiler business in Gauteng remains under review, with the goal to ensure the business is profitable during 2015.

A feed business priority is to increase the external customer base. Selling price and volume management will remain crucial elements of the business. Operating costs have been well contained despite external pressure and this will remain a focus area.

JOINT REPORT OF THE CHAIRMAN AND CEO continued

Owing to the lead time in layer operations, the positive effect of the increased capital allocation to the table egg business in Zambia will only accrue from 2016. However, the increased capacity for sales of day old layer chicks should be beneficial during 2015. In Uganda, the intention is to build a commercial layer farm during 2015.

The current tariff regime for broiler meat imports should ensure a fair playing field and put an end to product dumping. In addition, there has been a general trend of consolidation in the domestic broiler industry as a result of industry challenges. These factors should support broiler meat prices, which will have a positive effect on the Gauteng broiler operations.

The national layer flock has decreased and this should support egg prices in 2015.

There have been good harvests of both maize and soy beans globally and South Africa has produced a record maize crop. These factors should contribute to lower raw material prices in 2015.

In general, the outlook for the industry is more positive for the next financial year.

APPRECIATION

Many people contribute to the well-being of Quantum Foods. We would like to extend our sincere appreciation to all employees, customers, directors, management and suppliers for the contribution they have made to the business.



N Celliers
Chairman



HA Lourens
Chief Executive Officer

FINANCIAL HIGHLIGHTS

Revenue in South Africa
remained flat at



Headline earnings improved
to a profit of



Loss per share of



Headline earnings improved to **11 cents per share** from a loss of 34 cents per share in 2013, based on the 233 284 332 shares in issue at 30 September 2014.

Revenue from Africa increased
from R95 million to



Headline earnings
per share of



Operating profit from the African operations **increased** by **72%** to R35.1 million in 2014.

BOARD OF DIRECTORS



Norman Celliers
Chairman
Non-executive director



Hendrik Albertus Lourens
Chief Executive Officer



Lambert Phillips Retief
Lead independent
non-executive director



André Hugo Muller
Chief Financial Officer



**Prof Abdus Salam
Mohammad Karaan**
Independent
non-executive director



Patrick Ernest Burton
Independent
non-executive director



Wouter André Hanekom
Independent
non-executive director



Phildon Martin Roux
Non-executive director

Norman Celliers (41)

*BEng (Civil), MBA
Chairman, non-executive director*

Norman is the chairman of the Board. His professional experience includes engineering, management consulting and private equity in South Africa and abroad. Currently he is the chief executive officer of Zeder Investments Ltd. He is a non-executive director serving on the Pioneer Foods board. He was appointed chairman of the Board on 10 June 2014.

Hendrik Albertus Lourens (51)

*BCom (Hons), MCom, BProc
Chief Executive Officer*

Hendrik ("Hennie") joined Pioneer Foods as human resources manager for Bokomo in 1996. Before being appointed as executive of the Agri business (Agri was renamed Quantum Foods in 2013) of Pioneer Foods in 2007, Hennie was general manager for the Sasko Grain business. He has been with the Group for 18 years and was appointed to the Board on 27 January 2014.

Lambert Phillips Retief (62)

*BCom (Hons), CA(SA), OPM (HBS)
Lead independent non-executive director*

Lambert is the chairman and former chief executive officer of the Paarl Media Group. He has held various executive positions in printing and publishing industry bodies. He is a non-executive director of Pioneer Foods and has also served on a number of boards including Naspers, Media24 and Zeder Investments Ltd. He was appointed as a non-executive director on 10 June 2014.

André Hugo Muller (44)

*CA(SA)
Chief Financial Officer*

André joined Pioneer Foods in 2003. He started at Nulaid as financial manager and was later appointed as the farming operations manager for Nulaid, a position he held for four years. André spent a year as national sales and marketing manager for Tydstroom before being appointed as head of finance for Quantum Foods. André was appointed to the Board on 27 January 2014.

Prof Abdus Salam Mohammad Karaan (46)

*BSc Agric, BSc Agric (Hons), MSc Agric, PhD (Agric)
Independent non-executive director*

Mohammad joined the Development Bank of Southern Africa in Johannesburg as an economist and later returned to Stellenbosch to join the Rural Foundation as head of research. In 1997, he joined the University of Stellenbosch as a lecturer in the Agricultural Faculty. In October 2008, he became dean of the Faculty of AgriSciences at the University of Stellenbosch and serves on various boards. Mohammad was appointed to the Board on 10 June 2014.

Patrick Ernest Burton (61)

*BCom (Hons) Financial Management,
HDip in Tax Law
Independent non-executive director*

Patrick was one of the founding members of Siphumelele Investments Ltd, a black economic empowerment company established in 1995 with a shareholder base representing in excess of 150 000 previously disadvantaged individuals. His experience as a director includes non-executive positions in fishing and food, investment and property holding companies and financial services. He is a member of the audit committees of PSG Group Ltd, PSG Konsult Ltd and Thembeke Capital Ltd. Patrick sits on the board of directors of various listed and unlisted companies. He was appointed to the Board on 29 July 2014.

Wouter André Hanekom (55)

*CA(SA)
Independent non-executive director*

André joined Bokomo Breakfast Cereals in 1988 as a financial manager. He was later appointed as operational executive and in 1994, he was appointed as chief executive officer of Bokomo. After the merger between Sasko and Bokomo, André served as the executive responsible for Sasko Milling and Baking whereafter he was appointed as chief executive officer of Pioneer Foods in 1999. André retired as chief executive officer of Pioneer Foods in March 2013. André was appointed to the Board on 1 October 2014.

Phildon Martin Roux (49)

*BCom (Hons), MBA
Non-executive director*

Phil joined Pioneer Foods as chief executive officer from Tiger Brands Ltd, where he held the position of business executive: consumer brands. He has 24 years' experience in the fast-moving consumer goods industry in various senior positions. Phil has previously served as chief operating officer: Africa for the Coca Cola Company South Africa, SABCO and as an executive director at Tiger Brands Ltd. Phil was appointed to the Board on 1 August 2014 and resigned on 7 October 2014 following the unbundling and listing as was anticipated in the pre-listing statement released on 18 September 2014.

EXECUTIVE MANAGEMENT AND CORPORATE SERVICES



Hendrik Albertus Lourens
Chief Executive Officer



André Hugo Muller
Chief Financial Officer



Roelof Viljoen
Executive: Egg business



Marthinus Petrus van Lill
Executive: Feed business



Adel Deidré van der Merwe
Executive: Supply chain



James Joseph Murray
Executive: Farming operations and
broiler value chain



Heather Elizabeth Pether
Executive: Human Resources



Louis Bester
Executive: Zambia
business



Ignatia Ntokoza Tamarie Ndlovu
Company Secretary and
legal advisor

Executive committee

The Quantum Foods executive committee meets monthly and acts as a consolidating oversight committee for the Group.

Executive management and corporate services

Hendrik Albertus Lourens (51)

BCom (Hons), MCom, BProc
Chief Executive Officer

Hendrik ("Hennie") joined Pioneer Foods as human resources manager for Bokomo in 1996. Before being appointed as executive of the Agri business (Agri was renamed Quantum Foods in 2013) of Pioneer Foods in 2007, Hennie was general manager for the Sasko Grain business. He has been with the Group for 18 years and was appointed to the Board on 27 January 2014.

André Hugo Muller (44)

CA(SA)
Chief Financial Officer

André joined Pioneer Foods in 2003. He started at Nulaid as financial manager and was later appointed as the farming operations manager for Nulaid, a position he held for four years. André spent a year as national sales and marketing manager for Tydstroom before being appointed as head of finance for Quantum Foods. André was appointed to the Board on 27 January 2014.

Roelof Viljoen (48)

CA(SA)
Executive: Egg business

Roelof joined Pioneer Foods in 2000. He was a financial manager and a sales manager at Sasko Grain, before joining Quantum Foods (previously called the Agri business) in 2008. He is the executive responsible for egg production, egg processing and egg sales. Roelof is also responsible for the Uganda business. He has 14 years' experience in the food industry, of which six years were spent in the poultry industry.

Marthinus Petrus van Lill (44)

BCompt (Hons), SAIPA (PA)
Executive: Feed business

Thinus has been employed in the Nova Feeds business since 1997. He progressed from a financial manager to the executive responsible for the manufacturing and sales of the feed business. He has 17 years' experience in the animal feed and poultry industry.

Adel Deidré van der Merwe (43)

BCom Management Accounting
Executive: Supply chain

Adel joined Pioneer Foods in 1995. She started out in the corporate finance department but moved to central procurement, where she now has 15 years' experience. She has spent the bulk of this time involved in raw material and commodities procurement. She joined Nova Feeds as procurement manager in 2008 and has over six years' experience in the feed industry.

James Joseph Murray (57)

National Diploma in Agricultural Extension and Soil Conservation
Executive: Farming operations and broiler value chain

Jimmy has 33 years' experience in the poultry industry. Most of his early experience was gained at Rainbow Chicken Ltd in various senior farming production roles. After Rainbow, he spent five years as managing director of Hy-Line SA (importer of Hy-Line grandparent layers), followed by five years as chief executive officer of Grendon (an integrated poultry operation in KwaZulu-Natal). Jimmy has been with Quantum Foods for two years.

Heather Elizabeth Pether (46)

National Diploma in Human Resource Management
Executive: Human resources

Heather has 19 years' experience in the human resources field. She spent seven years as the human resources manager at Pioneer Foods' Tydstroom business and two years as human resources manager at Quantum Foods.

Louis Bester (55)

Executive: Zambia business

Louis joined Sasko, now Pioneer Foods, after doing his articles with Theron du Toit. He started as an internal auditor before becoming financial manager, regional financial manager and moving to general management. Louis has been with the Group for 32 years, of which the last five years were spent in the poultry sector.

Ignatia Ntokozi Tamarie Ndlovu (28)

LLB
Company Secretary and legal advisor

Ntokozi joined Quantum Foods from Van der Spuy and Partners (Paarl), where she practised as an attorney in the commercial department. She articulated in Bloemfontein at Phatshoane Henney Attorneys. She was appointed on 5 May 2014.

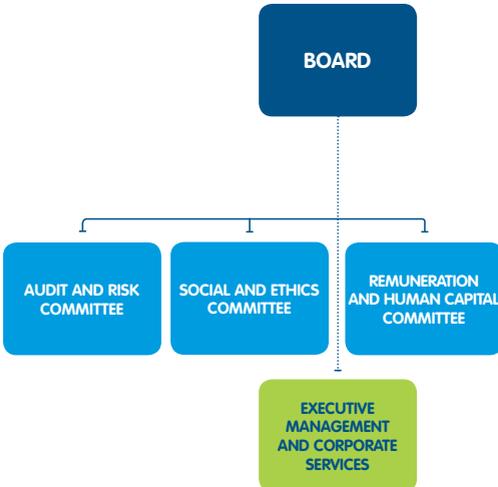
CORPORATE GOVERNANCE

The Group was a wholly-owned subsidiary of Pioneer Foods for the year ended 30 September 2014. The functions of the committees of the Board were therefore performed by the Pioneer Foods board and its committees. The 2014 corporate governance report for Pioneer Foods is available at www.pioneerfoods.co.za.

The Board and committees were constituted on 29 July 2014. The Group has complied in all material aspects with the principles of good governance as provided in King III for the year under review. Shareholders are also encouraged to consult the Pioneer Food Group integrated report which is available at www.pioneerfoods.co.za.

In anticipation of the unbundling and listing, the Group undertook a detailed analysis of the application of King III principles and identified the measures required to comply fully. These measures will be addressed in the new financial year. The Group's current level of application against the principles of King III and the reasons for non-compliance are available at www.quantumfoods.co.za/ethics.

GOVERNANCE STRUCTURE



THE BOARD

The Board and all Board committees are constituted in terms of approved charters, which are reviewed annually.

Composition and functions of the Board

The Board consists of seven directors, of whom five are non-executive directors and four are independent non-executive directors. In preparation for the listing and in conjunction with the Pioneer Foods board, Mr HA Lourens was appointed as chief executive officer, Mr AH Muller as the chief financial officer and Mr N Celliers as chairman. The chairman is not independent according to the principles of King III and the Board has accordingly appointed Mr LP Retief as lead independent director.

The chief executive officer and the Company secretary are appointed by the Board. The independence of each non-executive director will be regularly assessed by monitoring information submitted by directors relating to their relevant business interests. Quantum Foods elected not to have a nominations committee as the appointment of directors is considered to be a matter for the Board as a whole. The appointment of directors is transparent and takes place according to a formal process. The current non-executive directors were all appointed to the Board in terms of the Company's memorandum of incorporation ("MOI") and will retire and avail themselves for re-election at the first annual general meeting ("AGM"). At each AGM, one third of the non-executive directors will retire by rotation, but will be eligible for re-election. Any non-executive director who has already held his office for a period of more than three years since his/her last election for appointment at the AGM, shall retire at the next AGM, but will remain eligible for re-election. A director shall be obliged to retire at the conclusion of the AGM relating to the financial year in which he/she becomes 70 years old and shall not be eligible for re-election.

A decision-making framework clearly sets out the balance of power and authority at Board level ensuring that no one director has unfettered powers of decision-making. In line with the requirements of King III a formal appraisal of the Board, its committees and directors will be conducted on a regular basis.

The key roles and responsibilities of the Board include:

- acting as the focal point for, and custodian of, corporate governance;
- determining the strategies and strategic objectives of the Group;
- determining and setting the tone for the Group's values;
- satisfying itself that the Group is governed effectively in accordance with corporate governance best practices;
- monitoring the implementation of the Board's decisions and policies;
- ensuring that the Group has an effective and independent audit and risk committee and remuneration committee;
- ensuring that disputes are resolved effectively and efficiently; and
- appointing and evaluating the performance of the chief executive officer and the Company secretary.

The Board considers it a business imperative that all actions undertaken in the Company's name are executed ethically and professionally. Directors disclose their personal financial interests at the start of every Board or committee meeting.

Legal and compliance

The Board recognises its responsibility to ensure that Quantum Foods complies with all applicable laws and monitors adherence to all regulatory charters, codes and standards. Board members have experience in and knowledge of the agricultural industry and are aware of the potential impact of legislative changes. The combined risk and internal audit function manages the process of compliance according to a framework that has been approved and progress against this is being monitored by the Company's audit and risk committee.

During the past financial year, no instances of material non-compliance were noted and no judgements, damages, penalties or fines were recorded or levied against Quantum Foods, its directors or employees.

Company secretary

All Board members have access to the advice and services of the Company secretary, who is responsible for the proper administration of the Board and

the implementation of sound corporate governance procedures. This includes Board induction and training programmes and the provision of appropriate information resources to assist Board members in the proper discharge of their duties.

The Board is of the opinion that the Company secretary is suitably qualified, competent and experienced to carry out her duties as stipulated under section 88 of the Companies Act.

The Board is satisfied that an arm's length relationship exists between the Company secretary and the Board.

BOARD COMMITTEES

The Board is assisted by three committees to fulfil its mandate but ultimately remains responsible and accountable for all matters.

The committees of the Board are as follows:

- audit and risk committee;
- remuneration and human capital committee; and
- social and ethics committee.

MEETING ATTENDANCE

Board

Member	29/07/2014	16/09/2014
N Celliers (Chairman)	P	P
PE Burton	P	P
WA Hanekom*	N/A	N/A
Prof ASM Karaan	A	P
HA Lourens	P	P
AH Muller	P	P
LP Retief	P	P
PM Roux*	x	P

P – Present

A – Submitted apologies and granted leave of absence

x – Attended meeting as invitee

** – PM Roux was appointed on 1 August 2014;*

WA Hanekom was appointed on 1 October 2014.

No committee meetings were held by Board committees as the function was performed by the Pioneer Foods board committees during the financial period. From 1 October 2014, the committees have meetings scheduled to begin with the matters set out in their respective mandates and work plans.

CORPORATE GOVERNANCE continued

Audit and risk committee

For the financial year ended 30 September 2014, the audit and risk function for Quantum Foods was performed by the audit and risk committee of Pioneer Foods. Notwithstanding the aforementioned, the audit and risk committee reviewed and approved this integrated report.

Quantum Foods' audit and risk committee ("ARC") was formed and its charter approved by the Board on 29 July 2014. The ARC comprises three independent non-executive directors and will hold two meetings per annum. The members of the ARC are suitably qualified to carry out their mandate and a brief synopsis of their curricula vitae is provided on pages 14 to 15.

Members

Member	Status	Date of appointment
LP Retief (Chairman)	Independent non-executive director	29 July 2014
PE Burton	Independent non-executive director	29 July 2014
WA Hanekom	Independent non-executive director	1 October 2014

Charter

The ARC oversees the following functions:

- Integrated reporting
- Combined assurance
- The finance function
- Internal audit
- Risk management
- External audit

- overseeing the internal audit function;
- overseeing financial reporting risks, internal financial controls, fraud risks and IT-related risks;
- overseeing the development, review and implementation of a risk management policy and plan; and
- expressing the ARC's formal opinion to the Board on the effectiveness of the system and process of risk management.

The responsibilities of the ARC include:

- appointing the external auditor and overseeing the relevant annual financial audit process;
- overseeing integrated reporting and ensuring the integrity of the report;
- reviewing of the annual financial statements, interim reports, preliminary or provisional results announcements, the summarised integrated information, trading statements and similar documents;
- reviewing the disclosure of sustainability issues in the integrated report to ensure reliability and accuracy;
- ensuring that a combined assurance model is applied to provide a coordinated approach to all assurance activities;
- reviewing the expertise, resources and experience of the Company's finance function;

More information on the activities of the ARC is contained in the report on page 29.

Group internal audit

The internal audit function is conducted by Deloitte as independent auditor for 2015. The function is constituted in terms of a charter and is monitored by the ARC. The internal audit function is an independent appraisal and assurance function, which fulfils a core function within the Group's governance structures. It aims to add value by providing the Group with autonomous and objective assurance. For the year ended 30 September 2014, Quantum Foods' internal audit was performed as part of Pioneer Foods' internal audit function.

Social and ethics committee

Member	Status	Date of appointment
Prof ASM Karaan (Chairman)	Independent non-executive director	29 July 2014
JJ Murray	Prescribed officer	29 July 2014
HE Pether	Prescribed officer	29 July 2014

Charter

The social and ethics committee ("SEC") charter was approved by the Board on 29 July 2014. The SEC consists of three members. Two of the members are prescribed officers as described in the Companies Act and the SEC is chaired by an independent non-executive director. The SEC is scheduled to hold two meetings per annum.

The SEC monitors the sustainable development and non-financial performance of the Group, specifically relating to:

- stakeholder management, engagement and reporting;
- health and public safety, including occupational health and safety and the quality of the Group's products and services;
- broad-based black economic empowerment;
- diversity management;
- labour relations and working conditions;
- training and skills development;
- management and monitoring of the Group's environmental impact;
- ethics management; and
- corporate social investments.

Remuneration and human capital committee

The remuneration and human capital committee ("RHCC") is primarily responsible for reviewing and approving executive directors' remuneration, and assisting the Board in reviewing non-executive directors' remuneration recommendations. The RHCC takes cognisance of both local and international best practices to ensure that the Group's remuneration practices are fair and reasonable for the directors and the Company.

Member	Status	Date of appointment
WA Hanekom (Chairman)	Independent non-executive director	1 October 2014
PE Burton	Independent non-executive director	29 July 2014
N Celliers	Non-executive director	29 July 2014

Charter

The RHCC charter was approved by the Board on 29 July 2014. The RHCC consists of three non-executive members, two of whom are independent non-executive directors.

The RHCC performs the following main functions:

- maintaining and approving human resource policies;
- enabling and recommending succession planning of the chief executive officer and executive management team;
- monitoring the impact and implementation of applicable labour legislation which does not fall within the scope of the SEC;
- determining the remuneration packages of directors and executive management;
- ensuring that all remuneration packages are fair, market-related and responsible;
- enabling the Group to attract, engage and retain talent;
- ensures that directors' remuneration is accurately, completely and transparently disclosed and reported on;
- establishing the criteria to evaluate the performance of the executive management team and executive directors; and
- evaluating and approving the Group's remuneration philosophy, strategy and policy.

CORPORATE GOVERNANCE continued

SOCIAL AND ETHICS COMMITTEE REPORT

Quantum Foods was unbundled from Pioneer Foods on 6 October 2014. During the reporting period the function was performed by the Pioneer Foods social and ethics committee. The SEC was duly constituted on 29 July 2014 and consists of Prof ASM Karaan (Chairman), Mr JJ Murray and Ms HE Pether. The CEO is a permanent invitee of the committee.

In October 2014, the SEC held its first meeting and compiled a work plan for the year ahead. The SEC decided to use the five main focus areas set out in regulation 43 of the Companies Regulations, 2011, as the focus areas that will be monitored by the SEC. The focus areas include:

- Social and economic development
- Good corporate citizenship
- Environment, health and safety
- Consumer relationships
- Labour and employment

In addition, the work plan provides for reporting on matters including, but not limited to:

- Broad-based black economic empowerment and targets
- Sponsorships and charitable donations
- Water, energy and waste disposal management
- Occupational health and safety compliance
- Customer complaints and food safety
- Employment equity and training
- Animal welfare
- Ethics management

The SEC will evaluate and confirm existing policies and report progress in the areas of focus in the next integrated report.



Prof ASM Karaan

Chairman

Wellington
18 November

REMUNERATION REPORT

The Group's remuneration approach is aimed at remunerating directors, executives and employees fairly and responsibly. This approach takes cognisance of local and international remuneration best practices to ensure that the Company attracts and retains appropriate skills and talent.

Quantum Foods' remuneration is governed by the RHCC, which is mandated by and reports to the Board. The RHCC considers the holistic compensation model, in approaching the remuneration of all executive directors and prescribed officers, including the fees paid to all non-executive directors. Fees payable to non-executive directors are recommended for approval by the Board to shareholders at the AGM.

Remuneration is aligned with the overall business strategy, objectives and values of the Group, and implemented by means of a performance management system, which requires at least two formal reviews per employee per annum.

All remuneration (guaranteed and variable) is market-related and is differentiated on the basis of performance. Performance components considered for annual increases are Group and individual performance – with due consideration for inflation. Profitability and efficiency of business processes are the key performance indicators for reward.

IT GOVERNANCE REPORT

Information technology ("IT") at Quantum Foods is a strategic tool that facilitates the successful implementation of the Company's strategy and sustainable business performance. IT is governed at an operational level and executive management ensures that Quantum Foods complies with all relevant IT laws, rules, codes and standards. The audit and risk committee monitors IT compliance.

For the year ended 30 September 2014, IT governance for Quantum Foods was monitored within Pioneer Foods' IT governance framework. Quantum Foods currently does not have a Board-approved IT governance control framework but a business continuity plan is in place. A framework for IT governance will be formalised in 2015, which will involve independent assessments to identify opportunities to improve existing infrastructure and application security.

REMUNERATION POLICY

The Company's remuneration approach comprises a combination of career growth opportunities and recognition, culture and values, compensation, benefits and work environment.

The main aim of the remuneration policy is to enable the Company to attract, develop, motivate and retain talent to enable the growth strategy of the business.

Remuneration comprises a combination of guaranteed pay (total cost to company) and variable pay (short-term incentives and long-term incentives). This will depend on the level of seniority in the organisational hierarchy.

LONG-TERM INCENTIVE SCHEME

The Board approved the scheme and rules of the Equity-settled Phantom Share Plan ("the Plan") in compliance with the JSE Listings Requirements. In terms of the Plan, selected employees will be granted the opportunity to acquire shares in the Company, with the quantum of their awards based on the future increase in the value of the shares. The Plan is intended to promote the continued growth of the Group.

The RHCC determines the allocation to qualifying employees annually. No allocations were made in terms of the Plan in the period under review.

ENSURING RESPONSIBLE BUSINESS

The Group is committed to creating value for its shareholders, employees and community through a sustainable 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 talent and the ability to provide shareholders with positive returns on their investment.

As a business reliant on agriculture, the Group is concerned about changing weather patterns, droughts, floods and the other likely effects of climate change. Therefore, the Group monitors its impact on the environment, including water withdrawal, energy consumption and waste management.

Quantum Foods underwent substantial right sizing in preparation for the unbundling from Pioneer Foods, including the negative impact on employment following the closure of the Durbanville abattoir. The Group remains committed to contributing to job creation and attracting and developing key skills.

Quantum Foods strives for the continuous improvement of its governance, transformation and sustainability initiatives.

Please refer to the Pioneer Foods integrated report at www.pioneerfoods.co.za for further information on sustainability for the period under review.

Key performance indicators and measures will only be set out in the next integrated report, because Quantum Foods was a wholly-owned subsidiary of Pioneer Foods for this reporting period.

The key performance indicators are likely to be centred around the following themes:

DIVERSITY AND ORGANISATIONAL DEVELOPMENT

As a Group, we value diversity across the business and continuously strive to improve the effectiveness of the organisational design. We are committed to employment equity and continue improving our equity drive across all levels.

EMPLOYEE RELATIONS

Quantum Foods operates in a unionised environment with more than five unions representing employees. CCMA cases are limited and this is testimony to the fact that our relationship with employees and their unions are governed by sound industrial relations.

TRAINING

Employees receive targeted training, including an internship programme for future managers. We are in partnership with the Tshwane University of Technology and provide in-service training annually to a number of its students. The programme has proven to be a success as some of the trainees who have completed the trainee programme have advanced through the ranks and have been appointed as senior managers in the business.

OCCUPATIONAL HEALTH AND SAFETY

Regular audits and inspections are conducted at all our facilities to monitor compliance with health and safety.

B-BBEE

Pioneer Foods, under which Quantum Foods was a wholly-owned subsidiary during the year, was ranked as a level 4 contributor. Quantum Foods, assisted by Empowerdex conducted its own verification based on the current assessment criteria and was estimated to be a level 6 contributor. Due to limited information on certain factors, which could not be accurately extracted from the Pioneer Foods information, the Group will only ascertain a verified rating in 2016 that will be the baseline for further improvement.

HUMAN RIGHTS

Quantum Foods is committed and strives to protect basic human rights as set out in the Constitution of the Republic of South Africa, Act 108 of 1996, and internationally proclaimed human rights.

ETHICS

At Quantum Foods, we believe in doing what is right with regard to the effects of our products and operations, and in relation to our stakeholders. The code of ethics adopted from Pioneer Foods will be reviewed within the year and amended as necessary.

ENERGY CONSUMPTION

The Group is committed to reducing its energy consumption. The Group has engaged the services of an external service provider to monitor its energy consumption on certain sites and to design a programme that will see the Group's total energy consumption gradually reducing.

ANIMAL WELFARE

Animal welfare remains a major focus area. Regular audits are conducted on our farms and plants to ensure that there is adherence to the set standards. Employee training on the handling of chickens was conducted during the year and is further provided as and when needed. Quantum Foods also committed itself to working with the NSPCA and regularly conducts audits with inspectors from the NSPCA to ensure compliance. In addition, strict bio-security measures are in place at all our farms to protect our chickens against disease and illness.



SUMMARY
CONSOLIDATED
FINANCIAL
STATEMENTS

DIRECTORS' RESPONSIBILITY

In accordance with the requirements of the Companies Act, the Board is responsible for the preparation of the summary consolidated financial statements of Quantum Foods. The audited annual financial statements of the Group for the year ended 30 September 2014, from which these summary consolidated financial statements have been derived, were prepared in accordance with the requirements of the Companies Act.

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 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 summary consolidated financial statements of the Group were approved by the Board on 18 November 2014 and are signed on its behalf by:



N Celliers
Chairman



HA Lourens
Chief Executive Officer

NOTICE IN TERMS OF SECTION 29 OF THE COMPANIES ACT, ACT 71 OF 2008 (“THE COMPANIES ACT”)

The summary consolidated financial statements comprise a summary of the audited annual financial statements of the Group for the year ended 30 September 2014. The annual financial statements have been audited in compliance with the Companies Act. The annual financial statements have been prepared under the supervision of AH Muller, CA(SA), chief financial officer. A copy of the full audited annual financial statements of the Group is available on www.quantumfoods.co.za

COMPANY SECRETARY DECLARATION

In accordance with section 88 of the Companies Act, for the year ended 30 September 2014, 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.



INT Ndlovu

Company Secretary

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee's mandate was executed by Pioneer Foods' audit and risk committee for the period under review. On 29 July 2014, the Board approved the ARC's charter for Quantum Foods.

AUDIT AND RISK COMMITTEE CHARTER

The first task of the ARC was to review the ARC charter and establish an annual work plan to ensure that it fulfils its mandate accordingly. The annual work plan serves as a guideline for the ARC in the execution of its mandate.

The ARC'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 III.

MEMBERS OF THE AUDIT AND RISK COMMITTEE

The ARC comprises independent non-executive directors, who were elected by the Board on 29 July 2014 and will retire and avail themselves for re-election at the first AGM 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 III.

The Group chief executive officer and the chief financial officer are permanent invitees of the committee. In addition, relevant senior managers will be invited to attend meetings from time to time. The Company secretary is the statutory secretary of the ARC.

The Board has approved the recommended external auditor who will formally be recommended for appointment to the shareholders at the AGM. They will attend all meetings of the ARC in their capacity as assurance providers.

Only the official members of the ARC are allowed to exercise their respective voting rights in decision-making exercises as prescribed in the charter.

FUNCTIONS AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The ARC held its first meeting on 17 November 2014. The ARC was able to discharge the following functions outlined in its charter and ascribed to it in terms of the Companies Act and King III:

The ARC has discharged the functions outlined, as follows:

- Reviewed the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the ARC:
 - 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 Company or any related matter. During the financial year, no such material concerns and/or complaints were raised.
- Reviewed the external audit reports on the Group's annual financial statements.
- Recommended the reappointment of PricewaterhouseCoopers Inc. as the external auditor and Mr DG Malan as the designated auditor, after satisfying itself through enquiry that PricewaterhouseCoopers Inc. is independent as defined in terms of the Companies Act. This was Mr DG Malan's first year as designated auditor of the Company.
- Confirmed that PricewaterhouseCoopers Inc. and the designated auditor are accredited by the JSE.

AUDIT AND RISK COMMITTEE REPORT continued

- Determined and approved the audit fees and the terms of engagement of the external auditors.
- Confirmed and approved the internal audit charter and annual internal audit year plan.
- Oversaw the integrated reporting process.

The ARC 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 ARC members, and for consistency with the annual financial statements.

CHIEF FINANCIAL OFFICER

The ARC has considered and satisfied itself of the appropriateness of the expertise and experience of Mr AH Muller as chief financial officer.

In addition, the committee also considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the financial function and experience of the 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 in accordance therewith. The Board's statement regarding the going concern status of the Group, as supported by the ARC, is included in the directors' responsibility report on page 27.

CONCLUSION

Going forward, the ARC will oversee all aspects of its mandate including the internal audit function, risk compliance and Group compliance, which are some of the core functions in terms of its mandate. The ARC will also ensure the review and development of policies that fall within its mandate.



LP Retief
Chairman

Wellington
18 November 2014

INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF QUANTUM FOODS HOLDINGS LTD

The summary consolidated financial statements of Quantum Foods Holdings Ltd, set out on pages 32 to 44, which comprise the summary consolidated statement of financial position as at 30 September 2014, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Quantum Foods Holdings Ltd for the year ended 30 September 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 18 November 2014. Our auditor's report on the audited consolidated financial statements contained an other matter paragraph: "Other reports required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Quantum Foods Holdings Ltd.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Ltd ("JSE") requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

OPINION

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Quantum Foods Holdings Ltd for the year ended 30 September 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "Other reports required by the Companies Act" paragraph in our audit report dated 18 November 2014 states that as part of our audit of the consolidated financial statements for the year ended 30 September 2014, we have read the directors' report, the audit and risk committee's report and the Company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.



PricewaterhouseCoopers Inc.

Director: DG Malan

Registered Auditor

Paarl

18 November 2014

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets		1 061 357	1 132 722
Property, plant and equipment		1 045 078	1 124 027
Intangible assets		7 116	59
Investment in associates		6 112	5 517
Deferred income tax		3 051	3 119
Current assets		985 291	813 117
Inventories		232 544	232 190
Biological assets		292 372	276 737
Trade and other receivables		353 863	278 607
Derivative financial instruments		991	901
Current income tax		-	462
Cash and cash equivalents		105 521	24 220
Total assets		2 046 648	1 945 839
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		1 461 224	1 022 263
Share capital	4	1 585 386	-
Net invested equity		-	38 071
Other reserves	5	(155 395)	24 472
Retained earnings		31 233	39 720
Total equity		1 461 224	1 022 263
Non-current liabilities		195 922	207 105
Deferred income tax		189 577	197 811
Provisions for other liabilities and charges		6 345	9 294
Current liabilities		389 502	1 636 471
Trade and other payables		388 037	327 456
Current income tax		1 465	630
Borrowings	6	-	1 308 385
Total liabilities		585 424	1 843 576
Total equity and liabilities		2 046 648	1 945 839

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	2014 R'000	2013 R'000
Revenue		3 560 943	3 483 351
Cost of sales		(2 982 629)	(2 879 966)
Gross profit		578 314	603 385
Other income		14 450	19 744
Other gains/(losses) – net	7	74 767	(146 446)
Sales and distribution costs		(261 203)	(270 697)
Marketing costs		(9 080)	(13 983)
Administrative expenses		(95 284)	(93 830)
Other operating expenses		(322 823)	(349 661)
Operating loss		(20 859)	(251 488)
Investment income		5 899	10 100
Finance costs		(4 974)	(111 128)
Share of profit of investments accounted for using the equity method		595	335
Loss before income tax		(19 339)	(352 181)
Income tax expense		10 852	65 349
Loss for the year		(8 487)	(286 832)
Other comprehensive income/(loss) for the year			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve		238	–
For the year		331	–
Deferred income tax effect		(93)	–
Movement on foreign currency translation reserve			
Currency translation differences		(19 927)	26 328
Total comprehensive loss for the year		(28 176)	(260 504)
Loss for the year attributable to:			
Owners of the parent		(8 487)	(286 832)
		(8 487)	(286 832)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(28 176)	(260 504)
		(28 176)	(260 504)
Loss per ordinary share (cents)		(4)	(123)
Diluted loss per ordinary share (cents)		(4)	(123)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 R'000	2013 R'000
Share capital (refer to Note 4)	1 585 386	–
Opening balance	–	–
Borrowings and net invested equity capitalised during the reporting period	1 344 176	–
Common control transaction	160 178	–
Shares issued during the reporting period	81 032	–
Net invested equity	–	38 071
Opening balance	38 071	(50 873)
Net invested equity capitalised during the reporting period	(38 071)	–
Movement in net invested equity	–	143 557
Assessed loss transferred to net invested equity	–	(54 613)
Other reserves (refer to Note 5)	(155 395)	24 472
Opening balance	24 472	(1 856)
Other comprehensive income for the year	(19 689)	26 328
Common control transaction	(160 178)	–
Retained earnings	31 233	39 720
Opening balance	39 720	24 218
Loss for the year	(8 487)	(286 832)
Contribution from Pioneer Foods*	–	302 334
Total equity	1 461 224	102 263

All figures from 1 October 2013 are consolidated. Figures for earlier periods are presented on a carve-out basis. For further information see "Basis of preparation" in Note 1.

* As the divisions of Quantum Foods were part of Pioneer Foods, all profits or losses relating to the divisions were transferred to Pioneer Foods at the end of each reporting period as either a contribution from or distribution to Pioneer Foods.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 R'000	2013 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES	39 908	163 870
Net cash profit from operating activities	69 550	25 298
Working capital changes	(28 292)	139 197
Net cash generated from operations	41 258	164 495
Income tax paid	(1 350)	(625)
NET CASH FLOW FROM INVESTING ACTIVITIES	(35 359)	(467 310)
Additions to property, plant and equipment	(37 364)	(166 066)
Additions to intangible assets	(7 188)	–
Proceeds on disposal of property, plant and equipment	3 294	3 665
Business combinations, net of cash acquired	–	(315 009)
Interest received	5 899	10 100
Net cash surplus/(deficit)	4 549	(303 440)
NET CASH FLOW FROM FINANCING ACTIVITIES	76 752	317 321
Repayment of borrowings	–	(17 442)
Proceeds from issue of ordinary shares	81 032	–
Interest paid	(4 280)	(111 128)
Movement in net invested equity	–	143 557
Contributions received	–	302 334
Net increase in cash, cash equivalents and bank overdrafts	81 301	13 881
Net cash, cash equivalents and bank overdrafts at beginning of year	24 220	10 339
Net cash, cash equivalents and bank overdrafts at end of year	105 521	24 220

SUMMARY CONSOLIDATED SEGMENT REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 R'000	2013 R'000
Segment revenue	3 560 943	3 483 351
Eggs and layer livestock	1 086 619	1 081 384
Broilers	1 241 320	1 318 775
Animal feed	1 080 880	988 333
Africa	152 124	94 859
Segment results	(20 859)	(251 488)
Eggs and layer livestock	(16 435)	(54 430)
Broilers	(101 267)	(312 261)
Animal feed	60 889	91 661
Africa	35 114	20 403
Other	840	3 139
A reconciliation of the segment results to operating loss before income tax is provided below:		
Segment results	(20 859)	(251 488)
Adjusted for:		
Interest income	5 899	10 100
Finance costs	(4 974)	(111 128)
Share of profit of associated companies	595	335
Loss before income tax per statement of comprehensive income	(19 339)	(352 181)
Items of a capital nature per segment included in other gains/(losses) – net		
Impairment of property, plant and equipment and intangible assets before income tax	49 478	232 000
Eggs and layer livestock	–	25 890
Broilers	49 478	206 110

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

BACKGROUND

The Group was established during the current reporting period. The Group represents the business of Pioneer Foods related to the production of eggs, chicken products, animal feed and poultry livestock. The Group comprises the following businesses: the Nulaid business, the Tydstroom business and the Nova Feeds business, which were divisions of Pioneer Foods (Pty) Ltd; Philadelphia Chick Breeders (Pty) Ltd; Lohmann Breeding SA (Pty) Ltd; Bokomo Uganda (Pty) Ltd; the agricultural business activities of Bokomo Zambia Ltd, and an investment in Bergsig Breeders (Pty) Ltd, classified as an associate. These businesses were legally bound together through a reorganisation that occurred on 1 October 2013. Quantum Foods Zambia Ltd acquired the agricultural business activities of Bokomo Zambia Ltd on 1 August 2014 as part of this reorganisation.

1. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Ltd ("JSE") for summary financial statements, and the requirements of the Companies Act, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by *IAS 34 – Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The consolidated annual financial statements are based on the predecessor accounting model. This method requires that the assets and liabilities of the Group are presented using the carrying amounts from the highest level of common control (i.e. Pioneer Foods) for which consolidated financial statements are prepared. As an operating segment of Pioneer Foods, the Group did not prepare separate financial statements in accordance with IFRS in the normal course of business for the periods up to and including 30 September 2013.

Predecessor accounting requires that comparative figures are presented as if the restructuring had taken place at the start of the first reporting period presented. Accordingly, the comparative figures were prepared on a carve-out basis by extracting the historical assets, liabilities, revenues and expenses reflected in the consolidated financial statements of Pioneer Foods.

The directors take full responsibility for the preparation of the summary consolidated financial statements and that the financial information has been correctly extracted from the underlying annual consolidated financial statements.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014 continued

2. Accounting policies

These summary consolidated financial statements incorporate accounting policies that are consistent with those applied in the Group's consolidated financial statements for the year ended 30 September 2014 and with those of previous financial years, except for the adoption of the following amendments to published standards and interpretations that became effective for the current reporting period beginning on 1 October 2013:

- *IFRS 10 – Consolidated financial statements*
- *IFRS 12 – Disclosure of interest in other entities*
- *IFRS 13 – Fair value measurement*
- *Amendments to IAS 19 – Employee benefits*
- *Revised IAS 27 – Separate financial statements*
- *Revised IAS 28 – Investments in associates and joint ventures*

The adoption of these amendments to standards and interpretations did not have any material impact on the Group's results and cash flows for the year ended 30 September 2014 and the financial position at 30 September 2014.

3. Impairment of property, plant and equipment

The Group continually considers the existence of impairment indicators relating to items of property, plant and equipment and cash-generating units ("CGUs"). For assets or CGUs where such impairment indicators exist, the Group performs impairment tests by comparing the asset's or CGU's carrying amount to its respective recoverable amount. An impairment loss is only recognised if the asset's or CGU's carrying amount exceeds its respective recoverable amount.

During the reporting period, the poultry industry in South Africa continued to struggle, which led to the broiler business recognising losses. As a result, the carrying value of property, plant and equipment was impaired to its 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.

Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. Value-in-use calculations are pre-tax cash flow projections based on financial budgets approved by management, covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

In determining the fair value less costs to sell, the Group applied the income approach and market approach.

3. Impairment of property, plant and equipment continued

In terms of the income approach, the discounted cash flow method is used to determine the present value of projected future cash flows for a CGU using a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates. The assumptions regarding growth are based on the CGU's internal forecasts for revenue, operating margins and cash flows for a period of five years and by application of a perpetual long-term growth rate thereafter. Past experience, economic trends as well as market and industry trends were taken into consideration. The discount rate used to arrive at the present value of future cash flows represents the weighted average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners. Its determination requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU.

2014
R'000

The key assumptions used in performing the impairment test, by CGU, were as follows:	
<i>Discount rate:</i>	
Broiler business	17.0%
<i>Perpetual growth rate:</i>	
Broiler business	5.5%
In addition to the impairment charge of R232.0 million recognised in the results for the year ended 30 September 2013, a further impairment charge of R49.5 million is recognised in the current reporting period.	
The carrying value of property, plant and equipment was impaired as follows based on the calculation performed:	
<i>Broiler business</i>	
Property, plant and equipment	49 478

For the avoidance of doubt, the aforementioned impairment in the current reporting period was already accounted for in the interim carve-out results for the six months ended 31 March 2014.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014 continued

2014
R'000

4. Share capital		
Issued and fully paid – ordinary shares		
233 284 332 (2013: nil) ordinary no par value shares		1 585 386
<i>Reconciliation of shares issued during the reporting period</i>		
Opening balance		–
Shares issued to acquire entities under common control		1 504 354
Additional share capital raised		81 032
		1 585 386

		2014 R'000	2013 R'000
5. Other reserves			
Hedging reserve		238	–
Common control reserve		(160 178)	–
Foreign currency translation reserve		4 545	24 472
		(155 395)	24 472

The interest-bearing borrowings from Pioneer Foods and net invested equity were converted to share capital on 1 October 2013. The difference between this share capital and the total amount of capital raised from shares issued to acquire the businesses under common control is recognised as a common control reserve in the statement of changes in equity.

The hedging reserve relates to the change in fair value of derivative financial instruments. These derivative financial instruments include futures.

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.

6. Borrowings

The interest-bearing loan from Pioneer Foods was converted to equity on 1 October 2013 as part of the restructuring of the Pioneer Food Group.

	2014 R'000	2013 R'000
7. Other gains/(losses) – net		
Biological assets fair value adjustment	51 950	44 477
Unrealised – reflected in carrying amount of biological assets	9 767	14 432
Realised – reflected in cost of goods sold	42 183	30 045
Agricultural produce fair value adjustment	70 722	27 022
Foreign exchange differences	(272)	5 930
Foreign exchange contract fair value adjustments	230	7 067
Profit on disposal of property, plant and equipment	1 615	1 058
Impairment of property, plant and equipment	(49 478)	(155 056)
Impairment of intangible assets	–	(76 944)
	74 767	(146 446)
8. Earnings per ordinary share		
Basic and diluted		
The calculation of basic and diluted 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:		
Loss for the year	(8 487)	(286 832)
Headline earnings (“HE”) is calculated based on Circular 2/2013 issued by the South African Institute of Chartered Accountants.		
The Group has no dilutive potential ordinary shares.		
<i>Reconciliation between profit attributable to owners of the parent and headline earnings</i>		
Profit/(loss) for the period attributable to owners of the parent	(8 487)	(286 832)
Remeasurement of items of a capital nature (IAS 33 earnings adjusted)		
Profit on disposal of property, plant and equipment	(1 312)	(850)
Gross	(1 615)	(1 058)
Tax effect	303	208
Impairment of property, plant and equipment and intangible assets	35 840	208 098
Gross	49 478	232 000
Tax effect	(13 638)	(23 902)
Headline earnings/(loss) for the period	26 041	(79 584)
Weighted average number of ordinary shares in issue (‘000)	233 284	233 284
Earnings/(loss) per share (cents)		
Basic and diluted	(4)	(123)
Headline earnings/(loss) per share (cents)		
Basic and diluted	11	(34)

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014 continued

9. Contingent liabilities

Litigation

Dispute with egg contract producers

As previously reported, six egg contract producers proceeded with claims in the Western Cape High Court, Cape Town. The claims from three of the six contract producers are still unresolved.

Pioneer Foods is defending contractual claims from its privatised egg contract producers and the matters were set down for arbitration during 2012. Since the hearings commenced in 2012, settlements were negotiated with the two egg contract producers that had the largest claims and a further contract producer withdrew its claim. These settlements had no adverse financial impact on Pioneer Foods.

Pioneer Foods filed pleas to all these claims and, in two of these claims, counterclaims have been filed to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producers. Pioneer Foods is awaiting the setting of trial dates in these two matters.

Although the claims were brought against Pioneer Foods, the Group indemnified Pioneer Foods against any damages which may be suffered as a result of the disputes, in terms of the internal restructuring agreements made on acquisition of the egg business.

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

Dispute with broiler farms and breeder farms

As previously reported, several breeder farms and broiler farms (four in total) also filed claims against Pioneer Foods for the alleged breach of the terms of their supply agreements with Pioneer Foods. One of the broiler farms withdrew its claim during the period under review.

Only letters of demand have been received thus far, and these claims should eventually be settled by arbitration. No date has been set for the arbitration proceedings. Although these claims were brought against Pioneer Foods, the Group indemnified Pioneer Foods against any damages which may be suffered as a result of the disputes, in terms of the internal restructuring agreements made on acquisition of the broiler business.

A further breeder farm has filed a claim against Pioneer Foods for the alleged breach of the terms of a shareholder agreement. Final judgement was granted in favour of Pioneer Foods during April 2014.

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

10. Future capital commitments

Capital expenditure approved by the Board and contracted for amounted to R40.5 million (30 September 2013: R12.8 million). Capital expenditure approved by the Board, but not contracted for yet, amounted to R73.8 million (30 September 2013: R20.0 million).

11. 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.

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 financial assets and liabilities that are measured at fair value at:

	Level 1	Level 2	Level 3
	R'000	R'000	R'000
30 September 2014			
Assets measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	–	991	–
Biological assets			
– Livestock	–	–	292 372
	–	991	292 372
Total assets measured at fair value			293 363

There were no transfers between any levels during the period, 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 existing market conditions at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for derivative financial instruments. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining 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

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 until maturity of these assets and liabilities.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014 continued

11. Fair value measurement continued

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair values of long-term investments and long-term borrowings are not materially different from the carrying amounts.

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 under the fair value hierarchy. Fair values of livestock held for breeding, point-of-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 of the layer birds, which includes rearing and layer livestock, is determined by the selling prices of day-old chicks, point-of-lay hens and culls. The fair value of the layer birds at the different stages in the life cycle is based on their age by using a standard production profile.

The fair value of broiler livestock is determined by the selling prices of day-old chicks and live birds at slaughter age. The fair value of the broiler livestock at the different stages in the life cycle is determined by using a standard production profile.

Changes in the fair value are included in profit or loss, with a charge of R10 198 684 (2013: R16 019 060) being recognised as the unrealised fair value adjustment in profit or loss in the current period to adjust the biological assets to fair value.

The effect of an increase in selling prices will result in an increase in the fair value of the livestock. The key unobservable inputs, used in determining fair value, and which are not interrelated, are the selling prices of day-old chicks, point-of-lay hens, culls and live birds.

12. Events after the reporting period *Restructuring and listing of shares*

On 6 October 2014, Pioneer Foods unbundled its shareholding in the Group, and Quantum Foods Holdings Ltd was listed on the main board of the JSE.

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

13. Preparation of financial statements

The summary consolidated financial statements have been prepared under the supervision of Mr AH Muller, CA(SA), Chief Financial Officer.

14. Audit

The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office.

The Group's auditors have not reviewed nor reported on any of the comments relating to prospects.

ADMINISTRATION

HOLDING COMPANY

Quantum Foods Holdings Ltd
Registration number 2013/208598/06
Sharecode: QFH
ISIN code: ZAE000193686

DIRECTORS

N Celliers (Chairman), LP Retief (Lead independent), HA Lourens (CEO)*, AH Muller*, PE Burton,
Prof ASM Karaan, WA Hanekom (*Executive)

COMPANY SECRETARY

INT Ndlovu
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COMPANY DETAILS

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TRANSFER SECRETARY

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AUDITORS

PricewaterhouseCoopers Inc.
Zomerlust Estate
Berg River Boulevard
Paarl, 7646

BANKERS

FirstRand Bank Ltd
The Standard Bank of South Africa Ltd
Absa Bank Ltd

SPONSOR

PSG Capital (Pty) Ltd, PO Box 7403, Stellenbosch, 7599, South Africa
Tel: 021 887 9602 Fax: 021 887 9624

WEBSITE

www.quantumfoods.co.za

SHAREHOLDERS' DIARY

Financial year-end	30 September
Annual general meeting	20 February 2015

REPORTS

Interim report for the half-year ended 31 March 2015	May 2015
Announcement of results for the year ended 30 September 2015	November 2015
Integrated report for the year ended 30 September 2015	December 2015

DIVIDENDS

Interim	Announcement	May 2015
	Payment	July 2015
Final	Announcement	November 2015
	Payment	February 2016

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