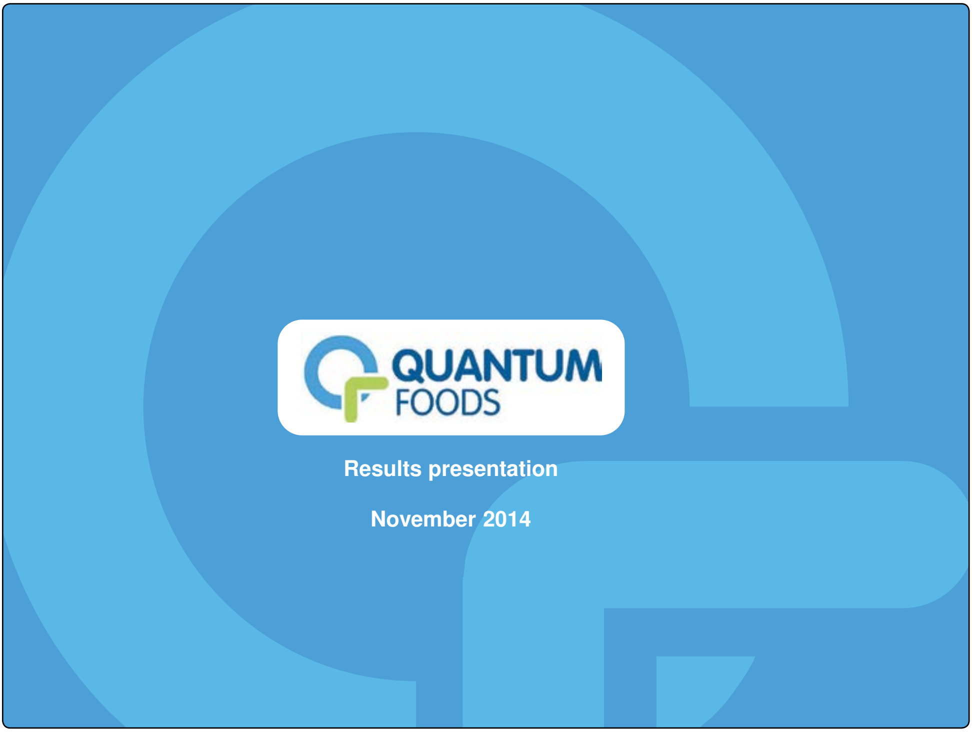
QUANTUM FOODS

Results presentation
for the year ended
30 September 2014


QUANTUM
FOODS
Results presentation
November 2014

AGENDA

2

Introduction	**Hennie Lourens**
Financial review	**Andre Muller**
Operational review	
• Supply chain (raw materials)	**Adel van der Merwe**
• Feed business	**Thinus van Lill**
• Broiler business	**Jimmy Murray**
• Layer business	**Roelof Viljoen**
• Africa	**Roelof Viljoen**
Strategy and prospects	**Hennie Lourens**

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QUANTUM FOODS SUMMARY

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Established in 1963 as an animal feeds business

- Business composed of four revenue streams:

Feed business	Layer business	Broilers business	Africa
Nova	Nulaid	Tydstroom	Mega Eggs/Nulaid

- Quantum Foods unbundled from Pioneer Foods on 6 October 2014

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OPERATING ENVIRONMENT: 2014

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"Difficult industry circumstances with relief towards year-end"

- Consumer demand remain muted
- Energy costs (electricity, gas, fuel) remain high
- Record high maize prices
- Significant weakening of ZAR
- Large maize crop brought relief in last quarter

KEY FEATURES

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"Improved operating performance"

- Revenue up by 2% to R3.6 billion
- Headline earning per share 11 cents (2013: loss of 34 cents)
- Impairment of assets of R50 million (2013: R232 million)
- R45 million capital investment. Domestic capital programme largely completed
- EBITDA increased from R37 million to R84 million

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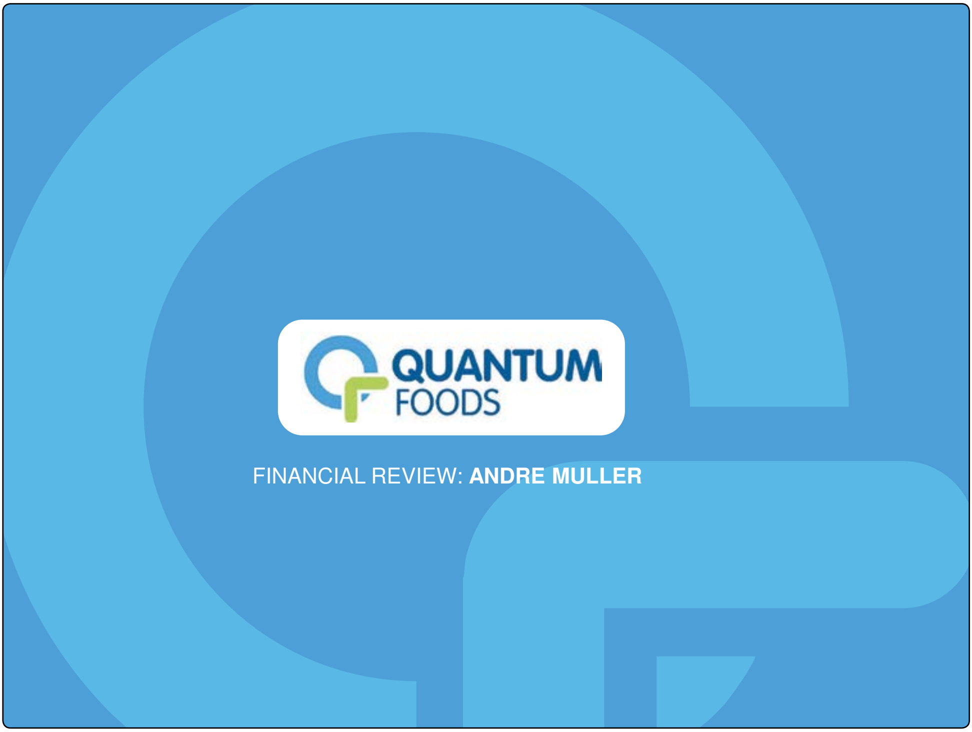
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FINANCIAL REVIEW: ANDRE MULLER

KEY FINANCIAL MATTERS

- Pioneer Food Group Internal Restructuring during 2014 = Quantum Foods
- Quantum Foods fully capitalised on 30 September 2014
  - South African operations: Debt free, but without cash
  - African operations: Debt free, retain cash reserves for expansion
- Carve-outs for comparatives
  - Interest charge of R101.0 million in 2013, interest income of R0.9 million in 2014

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STATEMENTS OF INCOME

Year ended 30 September profit/(loss)	2014 Rm	2013 Carve-outs Rm	2013 Pro forma Rm
Revenue	**3 560.9**	3 483.4	3 483.4
Operating loss*	**(20.9)**	(251.5)	(251.5)
Income from associates	**0.6**	0.3	0.3
Net finance costs	**0.9**	(101.0)	(14.8)
Loss before tax	**(19.3)**	(352.2)	(266.0)
Tax	**10.9**	65.3	41.2
Loss for the period	**(8.5)**	(286.8)	(224.8)
* Operating loss includes:			
• Impairments	**(49.5)**	(232.0)	(232.0)
• Profit on sale of assets	**1.6**	1.1	1.1
Adjusted operating profit/(loss)	**27.0**	(20.6)	(20.6)
Adjusted operating margin	**0.8%**	(0.6%)	(0.6%)

REVENUE ANALYSIS

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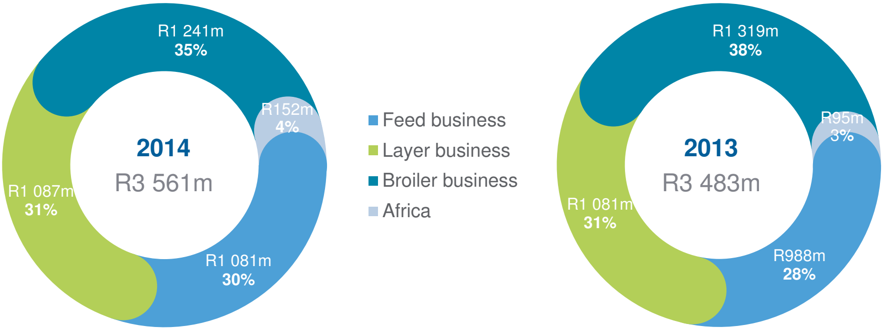

ADJUSTED OPERATING PROFIT

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Profit/(loss)	2014 Rm	2013 Rm
South Africa business	(8.1)	(41.0)
Africa business	35.1	20.4
Group total	**27.0**	**(20.6)**

SENSITIVITIES 2015

Change in	Full year impact on operating profit Rm
Maize price of R100/ton	11
Soybean meal price of R100/ton	3
Egg selling price of 10c per doz	8
Broiler meat selling price of 10c per kg	2

EPS & HEPS

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Year ended 30 September	2014 Rm	2013 Carve-outs Rm	2013 Pro forma Rm
Loss before pro forma adjustments	(8.5)	(286.8)	(286.8)
Adjustment for intergroup finance costs			
- after tax	-	-	62.0
Loss as reported	**(8.5)**	**(286.8)**	**(224.8)**
Adjusted for items of a capital nature			
- after tax	34.5	207.2	207.2
Headline earnings/(loss)	**26.0**	**(79.6)**	**(17.6)**
Shares in issue at 30 September 2014 ('000)	233 284		
Earnings per share (cents)	(4)	(123)	(96)
Headline earnings per share (cents)	11	(34)	(8)

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STATEMENTS OF FINANCIAL POSITION

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Year ended 30 September	2014 Rm	2013 Carve-outs Rm	2013 Pro forma Rm
Non-current assets	**1 061.4**	1 132.7	1 132.7
Net working capital – excluding cash and borrowings	**490.3**	460.8	460.8
Non-current liabilities	**(195.9)**	(207.1)	(207.1)
Cash	**105.5**	24.2	24.2
Total net assets	**1 461.2**	**1 410.6**	**1 410.6**
Borrowings	**-**	(1 308.4)	-
Equity	**1 461.2**	102.3	1 410.6

STATEMENTS OF CASH FLOW

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Year ended 30 September	2014 Rm
Cash operating profit	69.6
Working capital investment	(28.3)
Stock including biological assets	(5.8)
Debtors and creditors	(22.5)
Tax paid	(1.4)
Net finance income	1.6
Cash generated before investments	41.5
Capital expenditure	(44.6)
Sale of assets	3.3
Net cash before financing	0.2

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CAPITAL EXPENDITURE

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Year ended 30 September	2014 Rm
Gauteng abattoir	12
Zambia expansion	7
SAP ERP reimplementation	6
Other maintenance capex	20
Total	45

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SUPPLY CHAIN (RAW MATERIALS):
ADEL VAN DER MERWE

US CORN PRICES

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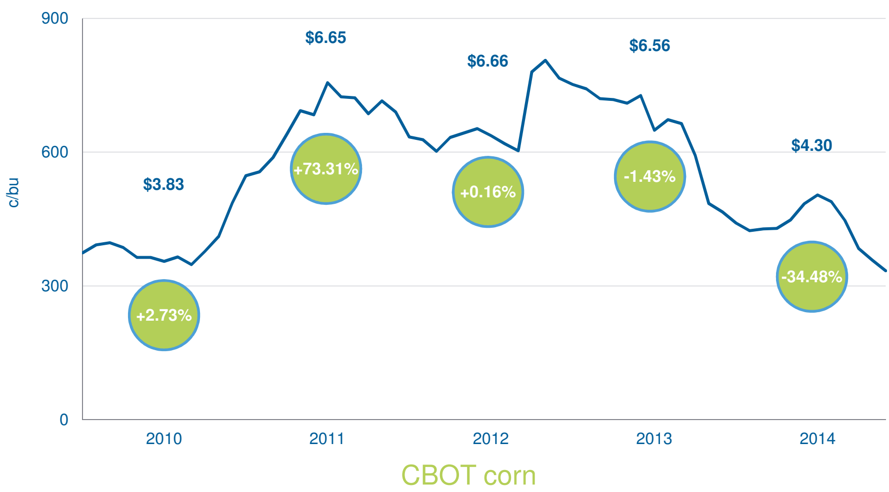

2010-2014 Reporting period: Oct-Sep

SAFEX YELLOW MAIZE PRICE

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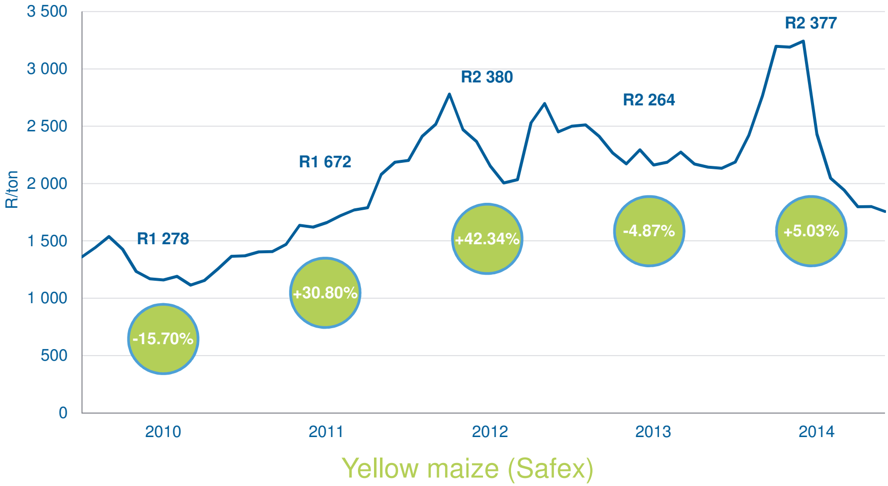
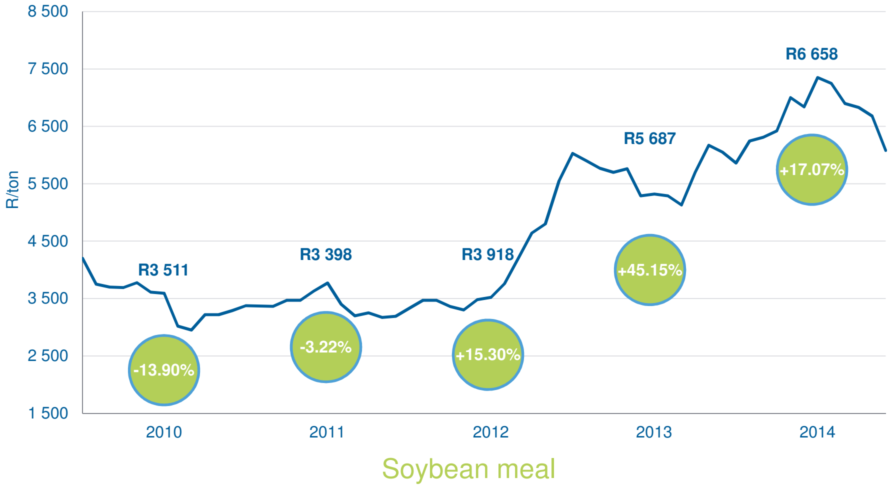


2010-2014 Reporting period: Oct-Sep

LANDED SOYBEAN MEAL PRICE

19



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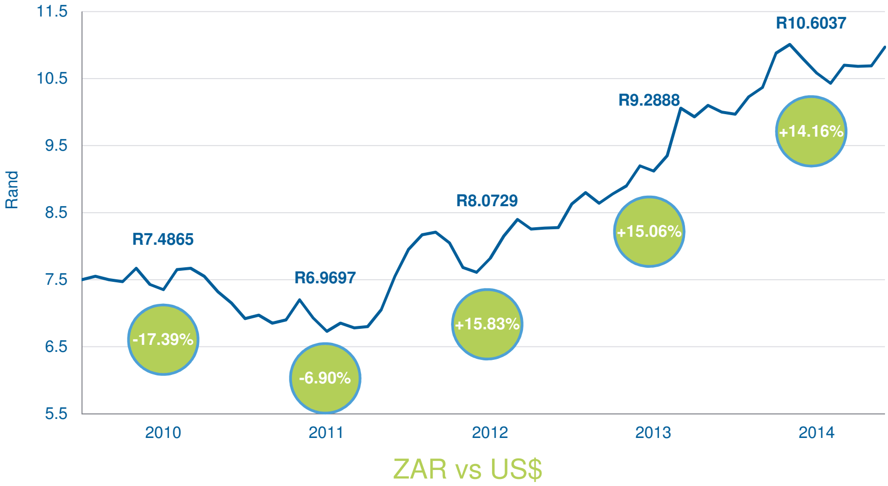
2010-2014 Reporting period: Oct-Sep

EXCHANGE RATE



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2010-2014 Reporting period: Oct-Sep

RAW MATERIAL - OVERVIEW

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Physical supply of maize to Coastal feed mills outsourced to BTG Pactual Commodities

Soybean meal supply split between imports and local

Wheat and maize milling by-product supply agreement with Pioneer Foods

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FEED BUSINESS: **THINUS VAN LILL**

FEED BUSINESS - OVERVIEW

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"Solid performance, increasing competitive trading environment"

- Feed prices reached record highs driven by high raw material cost
- Good growth in external feed volumes of 6%
- Internal volumes reduced by 5% due to downscaling of broiler south operations
- Focused cost control and improved efficiencies resulted in lower operating cost, despite inflationary increases

	%
Revenue increase	9.4
Volumes increase	6.0

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FEED BUSINESS - FOCUS AREAS

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- Focus on external volume growth continue
- Price volume management remain key
- Optimal feed performance and specialised customer service drive continue
- Unlock further value through the use of new technology and efficiency improvements
- Cost control remain key focus area

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BROILER BUSINESS: JIMMY MURRAY

BROILER BUSINESS - OVERVIEW

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"Business model re-engineered"

BROILER SOUTH

- Value chain re-engineering complete
  - Durbanville abattoir mothballed
  - Farm operations curtailed
  - Live broiler supply agreements commenced
- Significant financial improvement
- Farming performance at world-class levels

BROILER NORTH

- Disappointing performance but improved in last three months
- Farm operations struggled
- Volumes improved during last six months
- Prices remained under pressure
- Management changes had positive impact

	%
Revenue decrease	(5.9)
Volumes decrease	(10.0)
Selling price increase	4.1

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BROILER BUSINESS - FOCUS AREAS

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- Optimise production capacity
- Broilers North product mix improvement
- Optimise farming operation costs
- Hartebeespoort abattoir operation remain under review

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LAYER BUSINESS: **ROELOF VILJOEN**

LAYER BUSINESS - OVERVIEW

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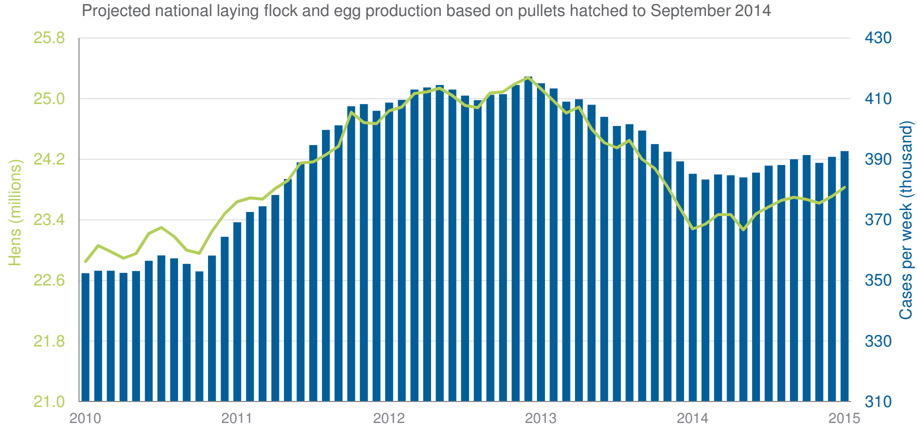
“Improved supply and demand situation”



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Source: SAPA

LAYER BUSINESS - OVERVIEW

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“Disappointing operational performance”

- Planned decrease in egg volumes
- Lower hen numbers
- Product mix disappointing
- Gauteng farm operations suffered due to disease
- Operating cost at pack stations too high

	%
Revenue increase	0.6
Volumes decrease	(8.0)
Selling price increase	8.6

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LAYER BUSINESS - FOCUS AREAS

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- Farm efficiencies
- Improved focus on efficiencies and costs at pack stations
- KwaZulu-Natal operation to be established by April 2015
- Improved product and customer mix
- Growth opportunities explored


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AFRICA: **ROELOF VILJOEN**

AFRICA OPERATIONS - ZAMBIA

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“Solid performance from Zambia”

- Excellent breeding results
- Competitor activity in broiler day-old chicks increased
- Layer day-old pullet volumes continue increasing
- Capex of R36 million approved to increase egg production
- Project to increase day-old layer pullets completed
- Distribution centre continue increasing volumes and customer base

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AFRICA OPERATIONS - UGANDA

“Best financial performance since business acquired”

- Pleasing operating efficiencies on breeder farms
- Managing director appointed during 2014
- Capex of R38 million approved for expansion
- Demand remains strong

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STRATEGY AND PROSPECTS

STRATEGY

1 Optimal business composition	2 Unlock supply chain value	3 World class efficiency	4 Organic growth	5 High performance human capacity
• Gauteng abattoir review • Africa acquisition	• Centralisation of procurement • Remodel logistics	• Below inflation cost increase per unit • Farming operation performance to target breed standards	• Animal feed • Layer livestock • South African table eggs	• Ensure improvement in performance culture • Increase development of current employees • Base score for BBBEE

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PROSPECTS

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- Consumer to remain under pressure
- Lower raw material costs expected
- Stable egg prices
- Improved broiler trading conditions
- Margin improvement remain management focus

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Thank you

Quantum Foods Holdings Ltd
(previously Business Venture Investments no 1792 (Pty) Ltd)
Incorporated in the Republic of South Africa
Registration number: 2013/208598/06
Share code: QFH
ISIN code: ZAE000193686
("Quantum Foods" or "the Group" or "the Company")

Summary consolidated financial results for the year ended 30 September 2014

SALIENT FEATURES

	2014	2013
Revenue	**R3 561 million**	R3 483 million
Operating profit/(loss)	**(R21 million)**	(R251 million)
Operating profit/(loss) (before tax and items of a capital nature)*	**R27 million**	(R21 million)
Headline earnings/(loss)	**R26 million**	(R80 million)
Profit/(loss) per share	**(4 cents)**	(123 cents)
Headline earnings/(loss) per share	**11 cents**	(34 cents)

* *Income or expenditure of a capital nature on the face of the statement of comprehensive income, being all profit or loss items that are excluded in the calculation of headline earnings per share. The principal items included under this measurement are profits or losses on disposal of property, plant and equipment and impairments of property, plant and equipment.*

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COMMENTARY

INTRODUCTION

For Quantum Foods, the year under review was a momentous one. It was confirmed that Quantum Foods would unbundle from the Pioneer Food Group Ltd ("Pioneer Foods") and be listed separately on the main board of the JSE. This took place on 6 October 2014.

FINANCIAL OVERVIEW

The Group was established following an internal restructuring process within Pioneer Foods and its subsidiaries ("the Pioneer Food Group") during the financial year. As an operating segment of Pioneer Foods, the Group did not prepare separate financial statements, resulting in "carve-out financial statements" having to be presented as comparative figures. The capitalisation of the R1.3 billion intergroup loan with Pioneer Foods on 1 October 2013 had a significant impact on the finance charge in the 2014 statement of comprehensive income as well as on equity in the statement of financial position at 30 September 2014.

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 a 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% to R152 million.

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 2014 operating loss of R20.9 million includes an impairment expense of R49.5 million, while the 2013 operating loss of R251.5 million includes an impairment expense of R232.0 million.

Headline earnings improved to 11 cents per share (2013: loss of 34 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 domestic capital programme largely completed at the end of the 2013 financial year and further African expansions only planned for the 2015 financial year, net investment in assets for the 2014 year amounted to R41 million. The Group had no interest-bearing debt at 30 September 2014.

OPERATIONAL OVERVIEW

Trading conditions in South Africa were challenging during the financial year and especially so for companies trading in the poultry sector. The prices of maize, the biggest input in animal feed costs, reached record levels on SAFEX, and the cost of soybean meal, the second largest input in animal feed, was negatively affected by the weaker rand and high prices on the Chicago Board of Trade. This led to substantial increases in feed costs, which could not be recovered in the selling prices of chicken meat and eggs and therefore, had a negative impact on the results of the broiler and egg businesses.

COMMENTARY continued

NOVA FEEDS

The animal feed business performed well, with external sales volumes increasing by 6% for the year. Nova Feeds continues to supply the leading dairy farmers in the Western Cape as well as some of the largest independent poultry producers in South Africa.

NULAID EGGS AND LAYER LIVESTOCK

The egg business improved on its performance of 2013, but margins remained low due to increased feed costs and disease challenges that affected production efficiency. Sales volumes declined as a result of a reduction in the quantity of eggs procured from contracted producers; however, selling prices recovered well. The *Nulaid* brand was awarded icon brand status for the second year running, and is regarded as one of the top food brands in South Africa.

TYDSTROOM BROILERS

The broiler business also improved on its financial performance of 2013, but remained loss-making. High feed costs could not be recovered in final product pricing, with the price of broiler meat remaining under pressure, especially due to imports and conditions in the domestic supply environment. This led to a further impairment of broiler assets during the financial year.

An agreement was reached with Astral Operations Ltd for the supply of live broilers to abattoir operations in the Western Cape. The remaining abattoir in the province (Durbanville) was closed, giving Quantum Foods the opportunity to focus on broiler farming operations, while reducing the business risk from a broiler meat market perspective.

AFRICAN OPERATIONS

The African operations produced a good set of results. Turnover and profitability in Zambia increased substantially, with Mega Eggs included for a full year. Uganda delivered its highest profits since the business was acquired due to an excellent improvement in sales volumes.

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 impact on consumer spending. That said, the current tariff regime for imported broiler meat, expected lower supply of eggs, the improvement in world supply of critical raw materials for animal feed manufacturing and continued focus on improved efficiency bode well for the year ahead.

DIVIDEND

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

By order of the Board

N Celliers
Chairman

HA Lourens
Chief Executive Officer

Wellington
24 November 2014

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	**Audited 30 September 2014 R'000**	Audited 30 September 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**	102 263
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**	102 263
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

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	**Audited Year ended 30 September 2014 R'000**	Audited Year ended 30 September 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			
Items that may subsequently be reclassified to profit or loss:			
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 income/(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 income/(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)

GROUP STATEMENT OF CHANGES IN EQUITY

	Audited Year ended 30 September 2014 R'000	Audited Year ended 30 September 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.

GROUP STATEMENT OF CASH FLOWS

	Audited Year ended 30 September 2014 R'000	Audited Year ended 30 September 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

GROUP SEGMENT REPORT

	Audited Year ended 30 September 2014 R'000	Audited Year ended 30 September 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

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, No 71 of 2008, as amended applicable to summary financial statements. The JSE Listings Requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("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 financial statements.

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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS continued

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:	
Discount rate:	
Broiler business	**17.0%**
Perpetual growth rate:	
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:	
Broiler business	
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.

	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**
Reconciliation of shares issued during the reporting period	
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 if the functional currency differs.

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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS continued

	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.		
Reconciliation between profit attributable to owners of the parent and headline earnings		
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 per share (cents)		
Basic and diluted	**(4)**	(123)
Headline earnings per share (cents)		
Basic and diluted	**11**	(34)

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 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 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.

Based on legal advice regarding the merits of these claims, management is of the view 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).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS continued

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:

30 September 2014	Level 1 R'000	Level 2 R'000	Level 3 R'000
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.

11. Fair value measurement (continued)

The Group uses a variety of methods that makes assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for derivative financial instruments. 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.

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 asset livestock 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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS continued

13. Preparation of financial statements

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

14. Audit

This summarised report is extracted from audited information, but is not itself audited. 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.

Directors

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

The Board was constituted on 29 July 2014. WA Hanekom was appointed on 1 October 2014. PM Roux resigned on 7 October 2014.

Company secretary

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