



Results presentation
for the six months ended
31 March 2015



AGENDA

2

Business overview
Financial review
Operational review
Progress with strategy
Prospects 2015


QUANTUM FOODS



CREDIBLE SET OF RESULTS


- General economic environment remains tough
- Results underpinned by positive industry environment
- Business model changes successfully implemented

Feed business



Stable performance

Layer business



Much improved financial performance

Broilers business



Much improved operational and financial performance

Africa



Credible operating performance



FINANCIAL HIGHLIGHTS

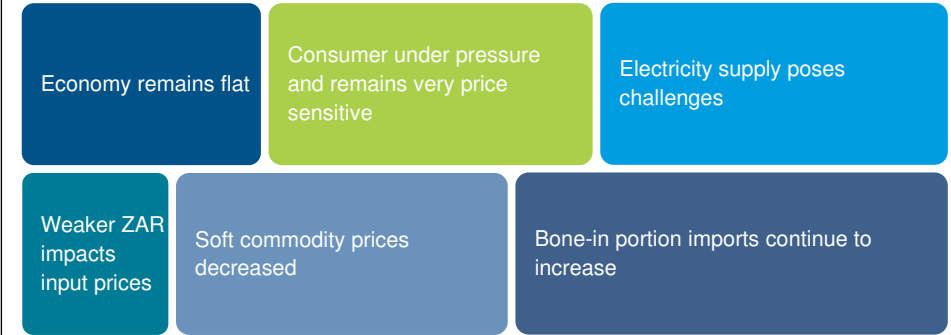
5

Group revenue	↓	-3.7% to R1 675m
Adjusted operating profit	↑	230% to R81m
Operating margin	↑	From 1.4% to 4.8%
HEPS	↑	182% to 26.3 cents



OPERATING ENVIRONMENT

6





Financial overview

STATEMENT OF INCOME

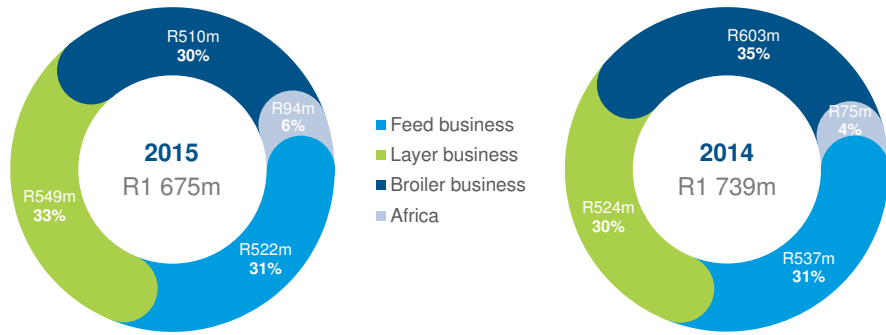
8

Six months ended 31 March	2015 Rm	2014 Rm	% change
Revenue	1 674.7	1 739.3	↓ 3.7
Operating profit/(loss) *	82.3	(24.0)	
Income from associate company	0.1	0.4	
Net finance income	2.5	0.6	
Profit/(loss) before tax	84.9	(23.0)	
Tax	(22.7)	9.6	
Profit/(loss) for the period	62.2	(13.4)	
* Operating loss includes:	1.5	(48.5)	
• Impairments	-	(49.5)	
• Profit on sale of assets	1.5	1.0	
Adjusted operating profit	80.8	24.5	↑ 230
Adjusted operating margin	4.8%	1.4%	
EPS - cents	26.7	(5.7)	↑ 566
HEPS - cents	26.3	9.3	↑ 182



REVENUE ANALYSIS SIX MONTHS ENDED 31 MARCH

9



SEGMENT RESULTS

10

Operating profit for the six months ended 31 March	2015 Rm	2014 Rm
Eggs and layer livestock	27.7	2.6
Broilers	14.3	(25.6) *
Animal feeds	30.0	29.5
Africa	14.2	18.7
Unallocated	(3.9)	0.2
Total	82.3	25.4

* Excluding impairment of R49.5m



BROILER WESTERN CAPE BUSINESS MODEL CHANGE (CLOSURE OF DURBANVILLE ABATTOIR)

11

Six months ended 31 March	2015 Rm	2014 Rm	% change
Revenue	350	487	↓ 28%
Operating profit/(loss) *	17.5	(6.0) *	

* Excluding impairment



PROFIT BRIDGE

12

	Rm	% change
Adjusted operating profit for the six months ended 31 March 2014	24.5	
Change in revenue	(64.6)	↓ 3.7
Change in direct cost of sales	57.4	↑ 4.6
Change in naked margin	(7.2)	↓ 1.4
Change in cost base	63.5	↑ 13.4
Adjusted operating profit for the six months ended 31 March 2015	80.8	



STATEMENT OF FINANCIAL POSITION

13

	31 Mar 2015 Rm	30 Sep 2014 Rm
Non-current assets	1 034.3	1 061.4
Net working capital	484.5	490.3
Non-current liabilities	(216.9)	(195.9)
Cash	202.1	105.5
Total net assets	1 504.0	1 461.3
Borrowings	-	-
Equity	1 504.0	1 461.3



STATEMENT OF CASH FLOW

14

Six months ended 31 March	2015 Rm	2014 Rm
Cash operating profit	110.8	36.1
Working capital outflow	(7.3)	(17.5)
Cash effect from hedging activities	8.0	-
Tax paid	(3.7)	(0.2)
Net finance income	2.5	0.6
Cash generated before investment activities	110.3	19.0
Capital expenditure	(22.3)	(22.6)
Proceeds from sale of assets	8.5	1.3
Net cash increase/(decrease)	96.5	(2.3)



CAPITAL EXPENDITURE

15

	Approved 2015 Rm	YTD March 2015 Rm	Future cash flow Rm
Maintenance capex	35.8	9.2	26.6
KZN egg pack station	6.0	5.5	0.5
Zambia expansion	36.0	7.6	28.4
Uganda expansion	38.0	0.0	38.0
Acquisition of Safe Eggs	17.5	0.0	17.5
Total	133.3	22.3	111.0



Stable performance

- External volumes flat
- Decline in internal volumes
- Judicious margin management in competitive market
- Excellent operational performance



Improved performance

- Egg cycle remains positive
- National flock increased by 0.9%
- Layer livestock business improved margins
- Farm performances remain challenging
- Pack station cost management below standard
- KZN pack station operational: April 2015
- Purchase of Safe Eggs (pasteurised eggs): April 2015

Nulaid Eggs (incl liquid)		%
Volumes	↓	1.3
Price	↑	4.0



BROILERS

19

Successful business re-engineering

South

- Target profitability reached
- Farm results exceptional

North

- Improved financial results
- Bone-in imports increased by 14.6% (Sep-Feb)
- Production cost per kilogram decreased
- Farm performances improved

Tydstroom		%
Volumes	↑	25
Price	↑	9.7



SALE OF HARTEBEEPOORT ABATTOIR

20

- Full SENS with conditions precedent 11 May
- Result
 - Aligned Broiler business model
 - Quantum Foods a contract producer of live birds
- Estimated financial impact
 - Cash reserves increase
 - Broiler revenue decrease by R40m-R50m per annum
 - More stable margin from broilers (target 4%)



AFRICA BUSINESS

21



Zambia

- Strong competitive activity in broiler market
- Layer livestock continues to grow
- Diseases in Mega Eggs business
- Planned expansion in egg business delayed by weather

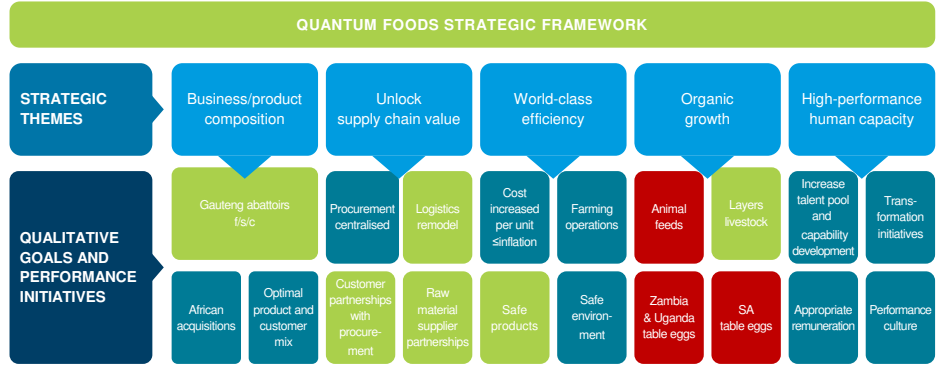
Uganda

- Weaker performance due to
 - Higher cost structure
 - Decline in farming performance

Other

- Three potential investments considered





OUTLOOK FOR THE BALANCE OF 2015

25

- Higher input costs
- Consumer to remain under pressure
- Management priorities
 - Continue to unlock supply chain value
 - Relentless focus on costs and efficiencies
 - Prudent price management
 - Continuous focus on Africa growth strategy





**UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 MARCH 2015**

SALIENT FEATURES

	2015	2014	% Change
Revenue	R1 675 million	R1 739 million	(3.7%)
Operating profit/(loss)	R82 million	(R24 million)	443%
Operating profit (before tax and items of a capital nature)*	R81 million	R24 million	230%
Headline earnings	R61 million	R22 million	182%
Profit/(loss) per share	26.7 cents	(5.7 cents)	566%
Headline earnings per share	26.3 cents	9.3 cents	182%

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

COMMENTARY

INTRODUCTION

This report for the six months ended 31 March 2015 is the first for Quantum Foods as a separate listed entity following the unbundling from the Pioneer Food Group Ltd ("Pioneer Foods") on 6 October 2014.

A credible set of results was achieved in the period under review with a significant improvement in the profitability of the South African operations of the Group. This was achieved due to a combination of lower raw material input costs as well as the focused execution of a clear strategic plan resulting in derisking and repositioning of the business.

FINANCIAL OVERVIEW

The Group was established following an internal restructuring process within Pioneer Foods and its subsidiaries during the previous financial year. As an operating segment of Pioneer Foods, the Group did not prepare separate financial statements, resulting in the presentation of "carve-out financial information" as comparative figures.

Group revenue decreased by 3.7% to R1.7 billion. Revenue from the South African operations decreased by 5% to R1.6 billion, largely due to the decrease in revenue from the broiler business following the business model change at the Western Cape operations. Revenue from the African operations increased by 26.7% to R94.4 million, due to the inclusion of revenue from the Group's Zambian distribution centre for the period under review.

Cost of sales decreased by 4.1% to R1.4 billion. Cost of sales includes the biological assets (livestock) and agricultural produce (eggs) fair value adjustments that were realised and are recorded in other gains and losses. The fair value adjustments for the six months ended 31 March 2015 are R116.6 million (2014: R46.1 million). Gross profit, excluding these fair value adjustments, improved from 19.0% to 23.6%.

Cash operating expenses decreased mostly as a result of the revised Western Cape broiler business model, but also due to the increased traction of various cost-saving initiatives implemented by the Group.

The 2014 operating loss of R24.0 million includes an impairment expense of R49.5 million.

Headline earnings improved to 26.3 cents per share (2014: 9.3 cents per share).

Cash generated by operations amounted to R111.5 million in 2015. This includes an increased investment in working capital of R7.3 million. Capital expenditure in the period under review was R22.3 million. The R36 million farming capacity expansion project in Zambia is well under way and is expected to be completed in the second half of the year. Progress was made with the R38 million Ugandan egg layer farm project and capital expenditure should commence in the second half of the year.

The Group had no interest-bearing debt at 31 March 2015.

OPERATIONAL OVERVIEW

Trading conditions in South Africa for companies in the poultry sector improved in the period under review. Maize and soya meal costs were lower due to an improved international stock position benefiting egg and broiler production costs. Egg prices improved due to a balanced supply and demand in the market and broiler prices increased despite a continual increase in bone-in portion imports.

Nova Feeds

The animal feed business performed well. External sales volumes were on par with the previous period. Cost efficiencies, volume and margin management remain the priorities. Nova Feeds continues to supply leading dairy farmers in the Western Cape and some of the largest independent poultry producers in South Africa.

Nulaid eggs and layer livestock

The egg and layer livestock business improved significantly on its performance of 2014, with the operating margin improving to 5%. Egg sales volumes were similar to 2014 with average selling prices improving by 4.0%.

Tydstroom broilers

The broiler business also improved significantly on its 2014 financial performance. The revised business model in the Western Cape and an improvement in volumes and efficiencies at the Hartebeespoort abattoir both contributed positively.

African operations

Profitability from the African operations declined in the period under review. The weakening of the local currencies in Zambia and Uganda against the South African rand negatively impacted profitability as reported. In Zambia, egg sales volumes were affected by lower production and in Uganda farm efficiencies declined due to disease challenges.

PROSPECTS

The outlook for the South African economy remains challenging. Low economic growth, instability in electricity supply and higher inflation prevail in an environment that has a continual negative impact on consumer spending. Maize costs have recently increased due to the drought in the early part of 2015. The weakened rand also has a negative impact on input costs.

Due to the repositioning of the Group, some of these risks have now been mitigated. The various supply chain and cost-saving initiatives, as well as a relentless focus on efficiencies, should assist the Group in navigating through a more challenging period.

DIVIDEND

No dividend has been declared for the six months ended 31 March 2015. 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



WA Hanekom
Chairman



HA Lourens
Chief Executive Officer

Wellington
25 May 2015

GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 31 March 2015 R'000	Unaudited 31 March 2014 R'000	Audited 30 September 2014 R'000
ASSETS			
Non-current assets	1 034 293	1 061 172	1 061 357
Property, plant and equipment	1 015 126	1 050 918	1 045 078
Intangible assets	9 543	–	7 116
Investment in associates	6 226	5 966	6 112
Deferred income tax	3 398	4 288	3 051
Current assets	1 036 726	893 557	985 291
Inventories	189 924	223 515	232 544
Biological assets	285 974	291 244	292 372
Trade and other receivables	356 432	356 453	353 863
Derivative financial instruments	2 324	–	991
Current income tax	–	488	–
Cash and cash equivalents	202 072	21 857	105 521
Total assets	2 071 019	1 954 729	2 046 648
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent	1 504 073	1 370 437	1 461 224
Share capital	1 585 386	–	1 585 386
Net invested equity	–	1 346 456	–
Other reserves	(174 758)	(2 390)	(155 395)
Retained earnings	93 445	26 371	31 233
Total equity	1 504 073	1 370 437	1 461 224
Non-current liabilities	216 923	197 303	195 922
Deferred income tax	210 578	188 009	189 577
Provisions for other liabilities and charges	6 345	9 294	6 345
Current liabilities	350 023	386 989	389 502
Trade and other payables	349 252	384 323	388 037
Derivative financial instruments	–	1 470	–
Current income tax	771	1 196	1 465
Total liabilities	566 946	584 292	585 424
Total equity and liabilities	2 071 019	1 954 729	2 046 648

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 March 2015 R'000	Unaudited Six months ended 31 March 2014 R'000	Audited Year ended 30 September 2014 R'000
	Note		
Revenue	1 674 713	1 739 313	3 560 943
Cost of sales	(1 395 930)	(1 455 198)	(2 982 629)
Gross profit	278 783	284 115	578 314
Other income	5 815	8 278	14 450
Other gains/(losses) – net	121 027	13 528	74 767
Sales and distribution costs	(92 872)	(129 321)	(261 203)
Marketing costs	(5 045)	(5 225)	(9 080)
Administrative expenses	(47 160)	(46 139)	(95 284)
Other operating expenses	(178 229)	(149 253)	(322 823)
Operating profit/(loss)	82 319	(24 017)	(20 859)
Investment income	4 175	2 670	5 899
Finance costs	(1 686)	(2 060)	(4 974)
Share of profit of associate company	114	449	595
Profit/(loss) before income tax	84 922	(22 958)	(19 339)
Income tax expense	(22 710)	9 609	10 852
Profit/(loss) for the period	62 212	(13 349)	(8 487)
Other comprehensive income/(loss) for the period			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve	5 770	–	238
For the year	11 695	–	331
Deferred income tax effect	(2 337)	–	(93)
Current income tax effect	(938)	–	–
Realised to profit or loss	(3 681)	–	–
Deferred income tax effect	93	–	–
Current income tax effect	938	–	–
Movement on foreign currency translation reserve			
Currency translation differences	(25 300)	(26 862)	(19 927)
Total comprehensive income/(loss) for the period	42 682	(40 211)	(28 176)
Profit/(loss) for the period attributable to:			
Owners of the parent	62 212	(13 349)	(8 487)
	62 212	(13 349)	(8 487)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent	42 682	(40 211)	(28 176)
	42 682	(40 211)	(28 176)
Profit/(loss) per ordinary share (cents)	26.7	(5.7)	(3.6)
Diluted profit/(loss) per ordinary share (cents)	26.7	(5.7)	(3.6)

GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 March 2015 R'000	Unaudited Six months ended 31 March 2014 R'000	Audited Year ended 30 September 2014 R'000
Share capital	1 585 386	–	1 585 386
Opening balance	1 585 386	–	–
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	–	1 346 456	–
Opening balance	–	38 071	38 071
Net invested equity capitalised during the reporting period	–	–	(38 071)
Loan from Pioneer converted to equity	–	1 308 385	–
Other reserves	(174 758)	(2 390)	(155 395)
Opening balance	(155 395)	24 472	24 472
Other comprehensive income/(loss) for the year	(19 530)	(26 862)	(19 689)
Recognition of share-based payments – share appreciation rights	167	–	–
Common control transaction	–	–	(160 178)
Retained earnings	93 445	26 371	31 233
Opening balance	31 233	39 720	39 720
Profit/(loss) for the period	62 212	(13 349)	(8 487)
Total equity	1 504 073	1 370 437	1 461 224

All figures from 1 April 2014 are consolidated. Figures for the six months ended 31 March 2014 are presented on a carve-out basis. For further information see "Basis of preparation" in note 1.

GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 March 2015 R'000	Unaudited Six months ended 31 March 2014 R'000	Audited Year ended 30 September 2014 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES	107 852	18 282	39 908
Net cash profit from operating activities	110 830	36 052	69 550
Working capital changes	(7 319)	(17 526)	(28 292)
Cash effect from hedging activities	8 014	–	–
Net cash generated from operations	111 525	18 526	41 258
Income tax paid	(3 673)	(244)	(1 350)
NET CASH FLOW FROM INVESTING ACTIVITIES	(9 615)	(18 585)	(35 359)
Additions to property, plant and equipment	(19 705)	(22 589)	(37 364)
Additions to intangible assets	(2 624)	–	(7 188)
Proceeds on disposal of property, plant and equipment	8 539	1 334	3 294
Interest received	4 175	2 670	5 899
Net cash surplus/(deficit)	98 237	(303)	4 549
NET CASH FLOW FROM FINANCING ACTIVITIES	(1 686)	(2 060)	76 752
Proceeds from issue of ordinary shares	–	–	81 032
Interest paid	(1 686)	(2 060)	(4 280)
Net increase/(decrease) in cash and cash equivalents	96 551	(2 363)	81 301
Net cash and cash equivalents at beginning of period	105 521	24 220	24 220
Net cash and cash equivalents at end of period	202 072	21 857	105 521

GROUP SEGMENT REPORT

	Unaudited Six months ended 31 March 2015 R'000	Unaudited Six months ended 31 March 2014 R'000	Audited Year ended 30 September 2014 R'000
Segment revenue	1 674 713	1 739 313	3 560 943
Eggs and layer livestock	548 848	524 050	1 086 619
Broilers	509 872	603 210	1 241 320
Animal feeds	521 555	537 525	1 080 880
Africa	94 438	74 528	152 124
Segment results	82 319	(24 017)	(20 859)
Eggs and layer livestock	27 651	2 633	(16 435)
Broilers	14 312	(75 117)	(101 267)
Animal feeds	30 032	29 498	60 889
Africa	14 201	18 721	35 114
Unallocated	(3 877)	248	840
A reconciliation of the segment results to operating profit/(loss) before income tax is provided below:			
Segment results	82 319	(24 017)	(20 859)
Adjusted for:			
Investment income	4 175	2 670	5 899
Finance costs	(1 686)	(2 060)	(4 974)
Share of profit of associate company	114	449	595
Profit/(loss) before income tax per statement of comprehensive income	84 922	(22 958)	(19 339)
Items of a capital nature per segment included in other gains/(losses) – net			
Impairment of property, plant and equipment before income tax	–	(49 478)	(49 478)
Broilers	–	(49 478)	(49 478)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BACKGROUND

The Group was established during the previous reporting period when the business of Pioneer Foods related to the production of eggs, chicken products, animal feed and poultry livestock was incorporated as Quantum Foods. The Group comprises the following businesses: the Nulaid Business, the Tydstroom Business and the Nova Feeds Business which are divisions of Quantum Foods (Pty) Ltd; Philadelphia Chick Breeders (Pty) Ltd; Lohmann Breeding SA (Pty) Ltd; Quantum Foods Uganda Ltd; Quantum Foods Zambia Ltd, and an investment in Bergsig Breeders (Pty) Ltd, classified as an associate.

1. Basis of preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), *IAS 34 Interim Financial Reporting*, the Listings Requirements of the JSE Ltd, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

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 31 March 2014. Accordingly, the comparative interim financial information have been prepared on a carve-out basis by extracting the historical assets, liabilities, revenues and expenses reflected in the consolidated financial statements of Pioneer Foods.

2. Accounting policies

These condensed consolidated interim financial statements incorporate accounting policies that are consistent with those applied in the Group's annual 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 applicable to the Group, that became effective for the current reporting period beginning on 1 October 2014:

- *Amendments to IAS 32 – Financial instruments: Presentation*
- *Amendments to IAS 36 – Impairment of assets*
- *Amendment to IFRS 2 – Share based payment*
- *Amendment to IFRS 3 – Business combinations*
- *Amendment to IFRS 8 – Operating segments*
- *Amendment to IFRS 13 – Fair value measurement*

The adoption of these amendments to standards did not have any material impact on the Group's results and cash flows for the six months ended 31 March 2015 and the financial position at 31 March 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

2. Accounting policies (continued)

Critical accounting estimates and judgements

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2014.

	Unaudited Six months ended 31 March 2015 R'000	Unaudited Six months ended 31 March 2014 R'000	Audited Year ended 30 September 2014 R'000
3. Other gains/(losses) – net			
Biological assets fair value adjustment	65 926	31 760	51 950
Agricultural produce fair value adjustment	50 243	31 534	70 722
Foreign exchange differences	2 202	1 127	(272)
Foreign exchange contract fair value adjustments	1 314	(2 426)	230
Fair value hedging adjustment on futures	(178)	–	–
Profit on disposal of property, plant and equipment	1 520	1 011	1 615
Impairment of property, plant and equipment	–	(49 478)	(49 478)
	121 027	13 528	74 767

Unaudited Six months ended 31 March 2015 R'000	Unaudited Six months ended 31 March 2014 R'000	Audited Year ended 30 September 2014 R'000
---	---	--

4. 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 period:

Profit/(loss) for the period attributable to owners of the parent	62 212	(13 349)	(8 487)
Headline earnings 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/(loss) attributable to owners of the parent and headline earnings</i>			
Profit/(loss) for the period attributable to owners of the parent	62 212	(13 349)	(8 487)
Remeasurement of items of a capital nature (IAS 33 earnings adjusted)			
Profit on disposal of property, plant and equipment	(956)	(778)	(1 312)
Gross	(1 520)	(1 011)	(1 615)
Tax effect	564	233	303
Impairment of property, plant and equipment	–	35 840	35 840
Gross	–	49 478	49 478
Tax effect	–	(13 638)	(13 638)
Headline earnings for the period	61 256	21 713	26 041
Weighted average number of ordinary shares in issue ('000)	233 249	233 249	233 249
Earnings per share (cents)			
Basic and diluted	26.7	(5.7)	(3.6)
Headline earnings per share (cents)			
Basic and diluted	26.3	9.3	11.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

4. Earnings per ordinary share (continued)

The earnings per share and headline earnings per share for the previous reporting periods set out above are based on Quantum Foods' actual number of shares in issue on 6 October 2014, the date of listing on the JSE, being 233 248 590 shares.

5. Contingent liabilities

Litigation

Dispute with egg contract producers

As previously reported, 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 allocation 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 same in terms of the internal restructuring agreements when it acquired the egg business in terms of the internal restructuring.

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 respect of this matter.

Dispute with broiler farms and breeder farms

As previously reported, several breeder farms and broiler farms (four in total) filed claims against Pioneer Foods for the alleged breach of the terms of their supply agreements with Pioneer Foods.

Only letters of demand were received. These claims have now prescribed as more than three years have lapsed since the letters of demand were received. Although these claims were brought against Pioneer Foods, the Group indemnified Pioneer Foods against any damages suffered as a result of same in terms of the internal restructuring agreements when it acquired the broiler business in terms of the internal restructuring.

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 respect of these matters.

6. Future capital commitments

Capital expenditure approved by the Board and contracted for amount to R38.6 million (30 September 2014: R40.5 million). Capital expenditure approved by the Board, but not contracted for yet, amount to R72.3 million (30 September 2014: R73.8 million).

7. 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:

31 March 2015	Level 1 R'000	Level 2 R'000	Level 3 R'000
Assets measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	–	2 100	–
– Fair value hedges	–	224	–
	–	2 324	–
Total assets measured at fair value			2 324

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

8. Events after the reporting period

Business combinations

On 20 April 2015, Quantum Foods acquired the assets of Safe Eggs (Pty) Ltd, a producer of pasteurized eggs. The purchase price of the business assets was R17.5 million.

On 7 May 2015, the Group entered into an agreement with Crown Chickens (Pty) Ltd, a wholly owned subsidiary of Sovereign Food Investments Ltd, for the sale of the Hartebeespoort broiler abattoir business. The selling price is R120 million. The agreement is subject to conditions precedent, fully set out in a SENS dated 11 May 2015.

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

9. Preparation of financial statements

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

10. Audit

These results have not been audited or reviewed by the Company's external auditors.

ADMINISTRATION

Directors

WA Hanekom (Chairman)
N Celliers
HA Lourens (CEO)*
AH Muller (CFO)*
PE Burton
Prof ASM Karaan
GG Fortuin

(* Executive)

PM Roux resigned on 7 October 2014.
LP Retief resigned on 19 February 2015.
GG Fortuin was appointed on 28 April 2015.

Company secretary

INT Ndlovu
Email: Ntokozo.Ndlovu@quantumfoods.co.za

Registered address

11 Main Road
Wellington
7655

PO Box 1183
Wellington
7654
South Africa

Tel: 021 864 8600 Fax: 021 873 5619
Email: info@quantumfoods.co.za

Transfer secretaries

Computershare Investor Services (Pty) Ltd
PO Box 61051
Marshalltown
2107
South Africa

Tel: 011 370 5000 Fax: 011 688 5209

Sponsor

PSG Capital (Pty) Ltd
PO Box 7403
Stellenbosch
7599
South Africa

Tel: 021 887 9602 Fax: 021 887 9624

ENQUIRIES

Quantum Foods

+27 21 864 8600
info@quantumfoods.co.za

Hennie Lourens

+27 82 808 3529
hennie.lourens@quantumfoods.co.za

André Muller

+27 83 660 6088
andre.muller@quantumfoods.co.za

PSG Capital

Willie Honeyball: +27 21 887 9602
willieh@psgcapital.com

www.quantumfoods.co.za