QUANTUM FOODS

Notice of Annual General Meeting

for the year ended 30 September 2014

QUANTUM FOODS HOLDINGS LIMITED

Notice and proxy of annual general meeting and summary consolidated financial statements for the year ended 30 September 2014

Salient features

	2014 Rm	2013 Rm
Revenue	**3 561**	3 483
Operating profit/(loss)	**(21)**	(251)
Operating profit/(loss) (before tax and items of a capital nature)*	**27**	(21)
Headline earnings/(loss)	**26**	(80)
Profit/(loss) per share (cents)	**(4)**	(123)
Headline earnings/(loss) per share (cents)	**11**	(34)

* *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.*

CONTENTS

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LETTER TO THE SHAREHOLDERS

15 December 2014

Dear Shareholder

Notice of annual general meeting and proxy form

We are pleased to enclose herewith a detailed notice of Quantum Foods Holdings Ltd's ("Quantum Foods" or "the Company") first annual general meeting to be held at 09:00 on Friday, 20 February 2015, at Kleinevalleij Estate, towards Bainskloof, R301, Wellington.

We have also included the following:

- summary consolidated annual financial statements with explanatory notes and commentary;
- a proxy form; and
- an election to receive electronic communication form.

The proxy form includes comprehensive instructions on how to complete the form itself. However, should you have questions, do not hesitate to contact our offices.

You may elect to receive shareholder communications and notices from Quantum Foods electronically. If you make this election you will be notified by email when the Company's shareholder communication becomes available and you will be able to access such communication through the internet. The details and instructions are available on the attached form.

In an effort to support environmental initiatives, printed copies of Quantum Foods' full integrated annual report with summary financial statements will only be mailed to shareholders on request from 18 January 2015. The full report and full financial statements will be available for download on our website at www.quantumfoods.co.za towards the end of December 2014.

Therefore, should you require a printed copy of the integrated annual report, please contact Veronica Basson at info@quantumfoods.co.za or Ntokozo Ndlovu at Ntokozo.Ndlovu@quantumfoods.co.za to request a copy.

Yours sincerely

Ntokozo Ndlovu
Company Secretary

NOTICE OF ANNUAL GENERAL MEETING
FOR THE YEAR ENDED 30 SEPTEMBER 2014

Notice is hereby given to all shareholders recorded in the securities register of Quantum Foods as at Friday, 28 November 2014, that the first annual general meeting of Quantum Foods will be held on Friday, 20 February 2015, at 09:00 at Kleinevalleij Estate, towards Bainskloof, R301, Wellington ("the annual general meeting" or "AGM").

PURPOSE

The purpose of the annual general meeting is to transact the business set out in the agenda below.

AGENDA

- Presentation of the audited annual consolidated financial statements of the Company, including the reports of the directors and the audit and risk committee for the year ended 30 September 2014.
- Resolutions:
  - Ordinary resolutions 1 – 12
  - Special resolutions 1 – 4

ORDINARY RESOLUTIONS

To consider and, if deemed fit, pass, with or without modification, the following ordinary resolutions:

1. Ordinary resolution number 1

Appointment of auditors

Resolved that the appointment of PricewaterhouseCoopers Inc. as the auditors for the ensuing year on the recommendation of the audit and risk committee is hereby confirmed. Mr DG Malan, registered in accordance with the Auditing Professions Act, Act 26 of 2005, is hereby confirmed as the individual responsible for performing the function of auditor from February 2015, and the audit and risk committee will approve their remuneration.

Reason for and effect of ordinary resolution number 1

The reason for and effect of ordinary resolution number 1 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the AGM of the Company as required by the Companies Act, 71 of 2008 ("Companies Act").

2. Ordinary Resolution Number 2

Placing of shares under control of directors

"Resolved that the unissued ordinary shares in the Company, limited to 5% of the ordinary shares in issue as at 30 September 2014, be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act, the memorandum of incorporation of the Company, and the provisions of the Listings Requirements of the JSE ("the JSE Listings Requirements"), save that the aforementioned 5% limitation shall not apply to any shares issued in terms of a rights offer."

Reason for and effect of ordinary resolution number 2

The reason for ordinary resolution number 2 is that the Board requires authority from shareholders in terms of its memorandum of incorporation to issue ordinary shares in the Company. This general authority, once granted, allows the Board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required, inter alia, in terms of capital raising exercises and to maintain a healthy capital adequacy ratio. This general authority is subject to the restriction that it is limited to 5% of the number of ordinary shares in issue as at 30 September 2014 on the terms more fully set out in ordinary resolution number 2.

3. Ordinary resolution number 3

General authority to issue shares for cash

"Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the JSE Listings Requirements and the Company's memorandum of incorporation, and subject to the proviso that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% of the issued share capital as at the date of this notice of annual general meeting ("AGM"), provided that:

- The approval shall be valid until the date of the next AGM of the Company, provided it shall not extend beyond 15 months from the date of this resolution.
- The general issues of shares for cash in any one financial year may not exceed in the aggregate 5% of the Company's issued share capital of that class as at the date of this notice of AGM. As at the date of this notice of AGM, 5% of the Company's issued ordinary share capital amounts to 11 662 430 ordinary shares.
- In determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30 business day period.
- Any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties.
- Any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue.
- After the Company has issued shares representing, on a cumulative basis, 5% or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing the full details of such issue."

Reason for and effect of ordinary resolution number 3
The reason for ordinary resolution number 3 is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the Company.

At least 75% of the shareholders present in person or by proxy who are entitled to vote on ordinary resolution number 3 at the AGM must cast their vote in favour of this resolution.

4. Ordinary resolutions numbers 4 – 8

"Resolved that the following directors, who were co-opted by the Board as directors of the Company, and who retire as directors in accordance with the provisions of the JSE Listings Requirements, be and are hereby re-elected as directors:

4.1 Ordinary resolution number 4

Re-election and confirmation of appointment of director: Mr Norman Celliers (appointed: 10 June 2014)

4.2 Ordinary resolution number 5

Re-election and confirmation of appointment of director: Mr Lambert Phillips Retief (appointed: 10 June 2014)

4.3 Ordinary resolution number 6

Re-election and confirmation of appointment of director: Prof Abdus Salam Mohammad Karaan (appointed: 10 June 2014)

4.4 Ordinary Resolution Number 7

Re-election and confirmation of appointment of director: Mr Patrick Ernest Burton (appointed: 29 July 2014)

4.5 Ordinary resolution number 8

Re-election and confirmation of appointment of director: Mr Wouter André Hanekom (appointed: 1 October 2014)"

Reason for and effect of ordinary resolutions numbers 4 – 8

The reason for and effect of ordinary resolutions numbers 4 – 8 are that these directors were co-opted by the Board as directors, in accordance with the provisions of clause 29.2.6 of the memorandum of incorporation and as stipulated in the prelisting statement, dated 18 September 2014, in compliance with the JSE Listings Requirements. The memorandum of incorporation requires that the appointment of directors in terms of clause 29.2.6 be confirmed by shareholders at the next AGM.

A brief CV of each of the above directors appear in Annexure 3 to this notice of AGM.

5. Ordinary resolution number 9

Re-appointment of member of the audit and risk committee

"Resolved that Mr Lambert Phillips Retief, being eligible and availing himself for re-appointment, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the Board of the Company, subject to the passing of ordinary resolution number 5, until the next AGM of the Company to be held in 2016."

6. Ordinary resolution number 10

Re-appointment of member of the audit and risk committee

"Resolved that Mr Patrick Ernest Burton, being eligible and availing himself for re-appointment, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the Board of the Company, subject to the passing of ordinary resolution number 7, until the next AGM of the Company to be held in 2016."

7. Ordinary resolution number 11

Re-appointment of member of the audit and risk committee

"Resolved that Mr Wouter André Hanekom, being eligible and availing himself for re-appointment, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the Board of the Company, subject to the passing of ordinary resolution number 8, until the next AGM of the Company to be held in 2016."

Reason for and effect of ordinary resolutions numbers 9 – 11

The reason for and effect of ordinary resolutions numbers 9 – 11 are that section 94(2) of the Companies Act requires the Company to elect members of the audit and risk committee at each AGM. The appointment of the first members of the audit and risk committee was done in accordance with the provisions of section 94(3) of the Companies Act, which provide for the appointment of members by the Board. A brief CV of each of the independent non-executive directors appears in Annexure 4 to this notice. As is evident from the CVs of these directors, all of them have academic qualifications or experience in one or more of the following areas, i.e. economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resources.

8. Ordinary resolution number 12

Endorsement of Quantum Foods' remuneration policy

"Resolved that the shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out in Annexure 5 to the notice of annual general meeting."

Reason for ordinary resolution number 12

The reason for ordinary resolution number 12 is that King III recommends that the remuneration policy of the Company be endorsed through a non-binding advisory vote by shareholders.

SPECIAL RESOLUTIONS

To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

9. Special resolution number 1

Approval of the non-executive directors' remuneration

"Resolved, in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its non-executive directors for their services rendered as directors as from 1 April 2015 until the date of the next annual general meeting of the Company, on the basis set out below:

	Fees from 1 April 2015 until the date of the next AGM Rand	Fees from 1 October 2014 to 31 March 2015* Rand
Chairman of the Board	**250 000**	250 000
Lead independent director	**200 000**	200 000
Chairman/committee member	**40 000**	40 000
Board member (not serving on a committee)	**180 000**	180 000

* *These are the current directors' fees which were approved by Pioneer Food Group Ltd, as the sole shareholder, on 31 July 2014 and which are valid until the annual general meeting.*

Reason for and effect of special resolution number 1

The reason for and the effect of special resolution number 1 are to approve the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period from 1 April 2015 until the date of the next AGM.

The effect of special resolution number 1 is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next AGM of the Company to be held in 2016.

10. Special resolution number 2

Share buy-back by the Company and its subsidiaries

"Resolved, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of section 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements including, inter alia, that:

- the Company may not acquire its own shares, and a subsidiary of the Company may not acquire shares of the Company if, as a result of that acquisition, there would no longer be any shares of the Company in issue other than shares held by one or more subsidiaries of the Company or convertible or redeemable shares;
- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;

- a resolution has been passed by the Board approving the purchase, that the Company has satisfied the solvency and liquidity test as defined in the Companies Act, and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the Company;
- the general repurchase is authorised by the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five business day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme that has been submitted to the JSE in writing and executed by an independent third party."

Reason for and effect of special resolution number 2
The reason for and effect of special resolution number 2 are to grant the directors a general authority in terms of the Company's memorandum of incorporation and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in the special resolution.

In terms of the JSE Listings Requirements, any general repurchase by the Company must, inter alia, be limited to a maximum of 20% of the Company's issued share capital in any one financial year of that class at the time the authority is granted. Furthermore, in terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a pro rata repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

11. Special resolution number 3

General authority to provide financial assistance to related and inter-related companies and corporations

"Resolved that the Board of the Company be and is hereby authorised in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 3), to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any related or inter-related company or corporation of the Company ("related" and "inter-related" will herein have the meanings attributed to those terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board may determine."

The main purpose for special resolution number 3 is to grant the Board the authority to authorise the Company to provide inter-group loans and other financial assistance for purposes of funding the activities of the Company and its group. The Board undertakes that –

- it will not adopt a resolution to authorise such financial assistance, unless the Board is satisfied that –
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- written notice of any such resolution by the Board shall be given to all shareholders of the Company and any trade union representing its employees –
  - within 10 business days after the Board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous financial assistance during the financial year, exceeds 0.1% of the Company's net worth at the time of the resolution; or
  - within 30 business days after the end of the financial year, in any other case.

Reason for and effect of special resolution number 3

The reason for and the effect of special resolution number 3 are to provide a general authority to the Board of the Company for the Company to grant direct or indirect financial assistance to any company or corporation forming part of the Company's group, including in the form of loans or the guaranteeing of their debts.

12. Special resolution number 4

Financial assistance for the subscription of or the acquisition of securities in the Company and in related and inter-related companies

"Resolved that, to the extent that this special resolution is required in terms of the Companies Act, the Board of the Company be and is hereby authorised in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 4), to authorise the Company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company ("related" and "inter-related" will herein have the meanings attributed to those terms in section 2 of the Companies Act), or for the purchase of any securities of the Company or a related or inter-related company, on the terms and conditions and for the amounts that the Board may determine."

The main purpose for this authority is to grant the Board the authority to authorise the Company to provide financial assistance to any person for the subscription of or the purchase of any securities in the Company and in related companies.

The Board undertakes that –

- it will not adopt a resolution to authorise such financial assistance, unless the Board is satisfied that –
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Reason for and effect of Special Resolution Number 4

The reason for and the effect of special resolution number 4 are to grant the directors the authority to provide financial assistance to any person, by way of a loan, guarantee, the provision of security or otherwise, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

13. To transact any other business that may be transacted at an annual general meeting of the Company.

RECORD DATES

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the Company in order to receive notice of the Annual General Meeting is **Friday, 28 November 2014**.

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the Company in order to be able to attend, participate and vote at the AGM is **Friday, 13 February 2015**, with the last day to trade being **Friday, 6 February 2015**.

APPROVALS REQUIRED FOR ORDINARY AND SPECIAL RESOLUTIONS

Ordinary resolutions numbers 1 to 2 and 4 to 12 contained in this notice of AGM require approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, subject to the provisions of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements.

Ordinary resolution number 3 and special resolutions numbers 1 to 4 contained in this notice of AGM require approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, subject to the provisions of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements.

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

Shareholders who have not dematerialised their shares, or who have dematerialised their shares with "own name" registration, are entitled to attend and vote at the AGM and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the Company. Proxy forms must be lodged with the transfer secretaries of the Company, being Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them by no later than **Wednesday, 18 February 2015**, at **09:00** (South African time).

Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder shall be entitled to the number of votes determined in accordance with the voting rights associated with the shares held in the Company.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement –

- to furnish them with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

PROOF OF IDENTIFICATION REQUIRED

In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the AGM must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the AGM. A green barcoded identification document issued by the South African Department of Home Affairs, a valid driver's licence or passport will be accepted at the AGM as sufficient identification.

By order of the Board

INT Ndlovu
Company Secretary
Quantum Foods Holdings Ltd

15 December 2014

ANNEXURE 1

QUANTUM FOODS HOLDINGS LTD
SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

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 separately listed on the main board of the JSE. This took place on 6 October 2014.

Financial overview

Quantum Foods Holdings Ltd and its subsidiaries ("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 price 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, were 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.

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 have a formal dividend policy as yet, 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
18 November 2014

REPORT OF THE INDEPENDENT AUDITOR ON THE 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 14 to 26, 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 JSE's 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.

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.

PricewaterhouseCoopers Inc.
Director: DG Malan
Registered Auditor

Paarl

18 November 2014

CONSOLIDATED 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

CONSOLIDATED 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 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)

CONSOLIDATED 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.

CONSOLIDATED 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

CONSOLIDATED 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 ANNUAL 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 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 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 confirm 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*

2. **Accounting policies** continued

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.

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.

	Audited 30 September 2014 R'000
3. Impairment of property, plant and equipment continued	
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.

	Audited 30 September 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

	Audited 30 September 2014 R'000	Audited 30 September 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.

	Audited year ended 30 September 2014 R'000	Audited year ended 30 September 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/(loss) per share (cents)		
Basic and diluted	**(4)**	(123)
Headline earnings/(loss) 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 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:

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.

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.

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 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.

ANNEXURE 2

SHAREHOLDER ANALYSIS
Register date: 17 October 2014
Issued share capital: 233 248 590 shares

Beneficial shareholders holding 5% or more	Number of shares	%
Zeder Investments Ltd*	**58 250 788**	**24.97**
Government Employees Pension Fund	**23 058 197**	**9.89**
Pioneer Foods (Pty) Ltd	**17 982 056**	**7.71**

* *In terms of a scheme of arrangement, Zeder Investments Ltd acquired all the shares in Agri Voedsel Ltd on 20 October 2014.*

ANNEXURE 3

CURRICULUM VITAE OF DIRECTORS UP FOR RE-ELECTION

Norman Celliers (41)

BEng (Civil), MBA
Chairman

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.

Lambert Phillips Retief (62)

BCom (Hons), CA(SA), OPM (HBS)
Lead independent 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.

Prof Abdus Salam Mohammad (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 Faculty of Agriculture. In October 2008, he became dean of the Faculty of AgriSciences at the University of Stellenbosch and serves on various boards.

He 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 Thembeka 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 (André) Hanekom (55)

CA(SA)
Independent non-executive director

André joined Bokomo Breakfast Cereals in 1988 as financial manager. He was later appointed as operational executive and in 1994, he became chief executive officer of Bokomo. After the merger between Sasko and Bokomo, André served as the executive responsible for Sasko Milling and Baking, before being appointed as chief executive officer of Pioneer Foods in 1999. André retired as chief executive officer of Pioneer Foods in March 2013.

He was appointed to the Board on 1 October 2014.

ANNEXURE 4

MEMBERS OF THE AUDIT AND RISK COMMITTEE

Current and re-appointment:

Lambert Phillips Retief (62)

BCom (Hons), CA(SA), OPM (HBS)
Lead independent 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.

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 and Thembeka 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 (André) Hanekom (55)

CA(SA)
Independent non-executive director

André joined Bokomo Breakfast Cereals in 1988 as financial manager. He was later appointed as operational executive and in 1994, he became the chief executive officer of Bokomo. After the merger between Sasko and Bokomo, André served as the executive responsible for Sasko Milling and Baking before being appointed as chief executive officer of Pioneer Foods in 1999. André retired as chief executive officer of Pioneer Foods in March 2013.

He was appointed to the Board on 1 October 2014.

ANNEXURE 5

REMUNERATION

Remuneration approach

Remuneration strategies aim to attract, motivate and retain competent and committed employees who provide strategic direction and drive sustainable shareholder value. Therefore it seeks to reward employees at market-related levels according to their contribution to the Company's operating and financial performance. This covers basic pay, short and long-term incentives, which include share incentives – a critical element of executive incentive pay.

Quantum Foods usually structures packages on a total cost-to-company ("CTC") basis, which incorporate base pay, car allowance, and medical and retirement benefits. Remuneration packages are reviewed annually according to a formal system that includes job evaluation, performance assessment, and market comparisons.

Remuneration policy

The Company's remuneration philosophy, strategy, and policy have been approved by the remuneration and human capital committee of the Board.

The remuneration strategy's main aim is to enable the Company to develop, motivate and retain an internal human capital pipeline and, when necessary, attract the requisite skills from the labour market to enable the business's growth strategy.

The pay mix comprises a combination of guaranteed pay (total CTC) and variable pay (short and long-term incentives). Incentives will depend on the level of seniority in the organisational hierarchy.

Guaranteed pay

Guaranteed pay is generally referenced to the job family market median.

Short-term incentive

The short-term incentive ("STI") is essentially a performance bonus that is designed to incentivise management to drive business performance and increase shareholder value.

The STI scheme will be based on three elements of performance measurement:

- Growth in the Group's headline earnings before tax ("HEBT") –
  - The growth calculation will be based on an audited and agreed comparative base for the previous financial year; 40% of any bonus is dependent on this element.
- Growth in the Group's economic profit ("EP") –
  - The calculation will be based on the pre-tax weighted average cost of capital for the year applied to the average net asset base of the Group; 40% of any bonus payable is dependent on this element.
- Achievement of farming production efficiency targets –
  - 20% of any bonus payable is dependent on this element.

Hurdle rates for minimum HEBT and farming production efficiency targets before any bonus can be paid will be determined annually by the Board, as well as hurdle rates for HEBT and farming production efficiency targets that will result in maximum bonus being paid.

A maximum bonus pool will be calculated annually to govern the total amount of the STI payable as follows:

- Annual CTC of participating executives and senior managers using maximum bonus multiples of between 15% and 100% of CTC.
- The bonus pool is self-funding; achievement of targets for growth in HEBT and EP is calculated after any bonus pool has been taken into account.

Long-term incentive (subject to ordinary resolution number 12 being carried)

The purpose of the long-term incentive ("LTI") scheme is to align management and shareholder interests, and to enable the attraction and retention of key managers over the long term. Essentially the LTI is a share appreciation rights scheme ("SAR scheme") and is equity-settled.

The remuneration and human capital committee determines the share allocation to qualifying managers annually for the SAR scheme. Multiples of annual CTC will determine the annual allocation of SARs to qualifying employees varying between 1 and 7 times. In determining the annual top up allocations, only unvested allocations of the past will be taken into account.

The vesting of 50% of SARs allocated is dependent on performance measures – compound average growth ("CAGR") in Group headline earnings per share ("HEPS") of CPI plus 1% growth is the hurdle for vesting. The total 100% vesting will be realisable at CAGR in HEPS growth of CPI plus 5%. The remaining 50% is time dependent.

A third of the shares vest after three years, another third after four years and another third after five years to ensure that the LTI keeps employees productively engaged for the duration of this period. No qualifying employee can be allocated more than 1 million ordinary shares, once converted.

The time allowed to exercise the SARs will be six months after each and every respective vesting date. If performance vesting conditions are not met at vesting date, the relevant SAR allocation is forfeited.

The total number of ordinary shares that may be transferred to employees under the SAR scheme is limited to 14.5 million shares. No SAR allocations were made during the period under review.

ANNEXURE 6

GOING CONCERN STATEMENT

The audit and risk committee ("the committee") has considered and reviewed a documented assessment, including key assumptions, as prepared by management, of the going concern status of the Company and has made recommendations to the Board in accordance therewith. The Board's statement regarding the going concern status of the Company, as supported by the committee, is included in the directors' responsibility report included in the integrated report.

ANNEXURE 7

DIRECTORS' RESPONSIBILITY

In accordance with the requirements of the Companies Act, the Board is responsible for the preparation of the annual financial statements and the consolidated annual financial statements of Quantum Foods which conform with International Financial Reporting Standards ("IFRS") and which fairly present the state of affairs of Quantum Foods and its subsidiaries ("the Group") at the end of the financial year, and the net profit and cash flows for that period. The Board is also responsible for the information, other than that contained in the annual financial statements that are included in the integrated report for both its accuracy and its consistency with the financial statements.

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

The Board is ultimately responsible for the internal control processes. Management enables the Board to meet its responsibilities in this regard. 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 auditor, the Board is of the opinion that the accounting controls are sufficient and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Group, has occurred during the year under review and up to the date of this report. The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

The annual financial statements were approved by the Board on 18 November 2014 and are signed on behalf of the Board by:

N Celliers
Chairman

HA Lourens
Chief Executive Officer

Wellington
18 November 2014

ANNEXURE 8

DIRECTORS' INTEREST IN SHARES

As at 30 September 2014, no director had any beneficial interest, either directly or indirectly, in the issued share capital of the Company. At the date of the unbundling of the Group, and the separate listing of the Company on the JSE, the direct and indirect interest of the directors in the issued share capital of the Company are reflected in the table below:

	Number of shares#			% of issued ordinary share capital
	Direct	Indirect	Total	
10 October 2014				
HA Lourens	142 005	–	142 005	0.061
AH Muller	11 079	–	11 079	0.005
N Celliers	–	–	–	–
LP Retief	–	–	–	–
Prof ASM Karaan	–	86 147	86 147	0.037
PE Burton	–	3 000	3 000	0.001
PM Roux*	9 631	–	9 631	0.004
WA Hanekom**	324 426	441 890	766 316	0.328
	487 141	531 037	1 018 178	0.436

Notes:

* *Stepped down as director on 7 October 2014.*

** *Appointed on 1 October 2014.*

\# *There has been no change in the directors' interest in shares from the record date for the unbundling to the date of the approval of the annual financial statements.*

ANNEXURE 9

REPORT OF THE SOCIAL AND ETHICS COMMITTEE ("SEC")

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.

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, donations 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 2014

CORPORATE INFORMATION

QUANTUM FOODS HOLDINGS LTD
(previously Business Ventures Investments no 1792 (Pty) Ltd)
Incorporated in the Republic of South Africa
Registration number: 2013/208598/06
Share code: QFH ISIN code: ZAE000193686

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

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