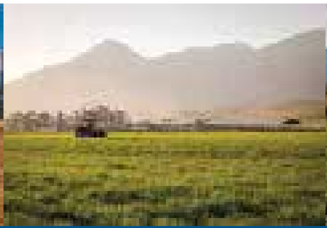
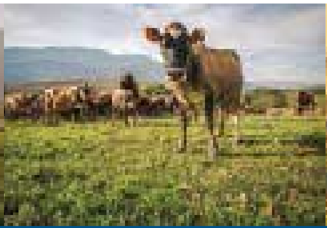
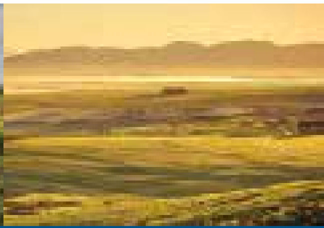
QUANTUM FOODS

Integrated report 2015

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

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About this report

OVERVIEW

This is the second integrated report of Quantum Foods Holdings Ltd and its subsidiaries ("Quantum Foods", "the Group" or "the Company"). It covers the financial period from 1 October 2014 to 30 September 2015.

It is important to note that, at the end of the previous financial year, the Group was still a wholly-owned subsidiary of the Pioneer Food Group Ltd ("Pioneer Foods"). It was unbundled to shareholders and listed separately on the main board of the Johannesburg Stock Exchange ("JSE") on 6 October 2014. This report therefore provides information about Quantum Foods' first year as an independent business.

The King Code of Governance for South Africa 2009 ("King III") and the International Integrated Reporting Council's <IR> Framework were considered in the compilation of this report.

SCOPE AND BOUNDARY

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

The report provides performance data on the Group's business activities in all its operating geographies, including South Africa, Uganda and Zambia, and for all subsidiaries of the Group (more information is provided in the business overview section on page 13).

The scope of non-financial information provided in this report expands on that which was provided in the previous year. Quantum Foods is committed to improving the level of integration of its reporting over time.

ASSURANCE

While the Group did not seek external assurance for the integrated report as a whole, assurance for elements of this report was provided by a combination of internal and external sources. This integrated report is the product of rigorous internal content development and control processes with oversight and responsibility at executive level. Quantum Foods' BBBEE score was externally assured by Empowerdex. The Group appreciates the need for a greater level of external assurance in its reporting of non-financial elements in particular and will continue to pursue improvement in this area.

REPORTING PRINCIPLES AND COMPARABILITY

The summarised financial statements provided in this integrated report are extracted from the full statutory financial statements available on the Group's website. The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act and the Listings Requirements of the JSE ("JSE Listings Requirements") and were independently audited by PricewaterhouseCoopers Inc. Comparability year-on-year is significantly affected by the change in business model for the Group's Western Cape broiler operations implemented from October 2014. The Group exited the Western Cape broiler meat market following the closure of its Durbanville abattoir and commenced with the supply of its live broiler production to other abattoirs in the region.

BOARD APPROVAL

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

MATERIAL MATTERS

The content of this report was developed using the concept of materiality to identify those matters that have a significant impact on the Group's ability to create value in the short, medium and long term. As a first step towards entrenching materiality in the reporting process, a diverse group of managers representing different areas in the business was invited to participate in an externally facilitated discussion of Quantum Foods' value creation abilities and strengths. Based on this discussion, the group identified matters that are likely to affect the value creation process, and prioritised those matters that have the highest potential impact on the business.

The following matters were identified as most material and are addressed in the sections referenced:

Material matter	Context and business response	More information
Market understanding of the changed broiler business model	Quantum Foods has to ensure that the effect of the change to the broiler business model is understood.	Business overview – page 14
	The Group largely hedged its exposure to the broiler meat market in South Africa by strategically repositioning itself and becoming a contract producer that sells live broilers to other abattoirs.	Risks and opportunities – page 16 Joint report of the chairman and CEO – page 25 – 26
Growth opportunities	The Group's experience, expertise and existing footprint in Africa enables it to identify and further realise growth on the continent, specifically in the poultry livestock, table eggs and feed value chains.	Joint report of the chairman and CEO – page 27
	Quantum Foods has secured a long-term rental farm to increase capacity for the production of layer livestock in South Africa.	Business overview – page 13
	The Group continued its strategy of renting, rather than owning, commercial egg layer farms in areas where it supplies eggs.	Business overview – page 14
	Growth in the feeds business will be mainly acquisitive.	Joint report of the chairman and CEO – page 27
Ability to recover increases in input costs	The ability to recover increases in input costs, particularly of raw materials that are also affected by the weakening rand, is vital to the profitability of the Group. This is done by a relentless focus on efficiencies and cost management as well as meticulous margin management. The change in business model is also a contributing factor.	Joint report of the chairman and CEO – page 25
Power supply challenges	Interruptions in power supply due to load shedding impact business operations, especially as feed mills are not equipped with standby generators. Where production is lost during power supply interruptions, the business needs to make up for this in planned downtime. The Group's farming operations and egg packing stations are equipped with standby generators.	Risks and opportunities – page 17

Material matter	Context and business response	More information
Skills to drive a performance culture	Attracting and retaining talented employees that can drive a culture of performance is a priority for the Group. The business requires a rare skills set, particularly in the farming operations and egg business where succession is a challenge. The Group has a sound human resource and performance management framework in place to address this.	Remuneration report – page 39 Risks and opportunities – page 19 Ensuring responsible business – page 47
Poultry diseases	Despite having effective bio-security, vaccination and monitoring programmes in place – with the assistance of veterinary companies – disease outbreaks remain a material risk that negatively affects poultry productivity.	Ensuring responsible business – page 49 Risks and opportunities – page 19
Optimised procurement and availability of key raw materials	The risk of increasing costs and availability of key raw materials required for animal feed production is mitigated by an optimised procurement and supply chain capability. The Group has a centralised internal procurement team focusing on raw materials and agreements with dependable suppliers that source locally and abroad.	Risks and opportunities – page 17
Product safety and quality	As a producer of products for human consumption, the Group must adhere to strict food safety protocols to retain its licence to operate. The Group has stringent quality control processes in place and dedicated consumer feedback channels are actively monitored to ensure any issues are managed swiftly and professionally.	Ensuring responsible business – page 45 Risks and opportunities – page 18

Material matter	Context and business response	More information
Broad-based black economic empowerment ("BBBEE") and transformation	Quantum Foods has a moral and legal obligation to contribute towards improving the socio-economic status of historically disadvantaged South Africans ("HDSA"). The agricultural industry faces many transformation and skills challenges. The Group is committed to identifying and developing new managers and leaders, especially at farm level. The focus for the new period will be on transformation with priority pillars including: Employment Equity, Skills Development, Socio Economic Development and Procurement.	Ensuring responsible business – page 48
Animal welfare	Livestock husbandry is key to the success of the business. Quantum Foods has an obligation to treat animals in accordance with required protocols, not only from an ethical and legal point of view, but also due to the concomitant impact on mortality and livestock production. The Group engages with external parties on animal welfare matters in a transparent and open manner.	Ensuring responsible business – page 49 Risks and opportunities – page 19
Protecting the environment	As an agricultural business, Quantum Foods depends on a range of natural resources and the future of the business is reliant on those resources being sustainable. It is therefore in the interest of the Group to contribute towards protecting the environment by promoting sustainable agricultural and production practices, particularly regarding water use, and supporting organisations that are focused on environmental stewardship.	Ensuring responsible business – page 45 – 46 Risks and opportunities – page 17

Material matter	Context and business response	More information
Innovation	Creating new products and markets is important to diversify, grow and sustain margins.	
	During the year, the Group acquired Safe Eggs, the only producer of pasteurised table eggs in South Africa, which complements the existing portfolio and further diversifies the product offering.	Business overview – page 14
	Feed formulation for optimal animal nutrition is a highly technical field with many opportunities to innovate.	Risks and opportunities – page 18
Water availability and quality	Continuous access to high-quality water across the Group's operations is critical to sustaining a healthy agricultural business.	Ensuring responsible business – page 45
	While the Group successfully manages this need, climate change has the potential to significantly impact the business over the longer term.	Risks and opportunities – page 17
Health and safety	Quantum Foods is committed to ensuring that its operations are conducted in an environment that supports the health and safety of employees and the animals with which they work.	Risks and opportunities – page 19
	Similarly, the Group is committed to ensuring that all products are safe for consumption.	Ensuring responsible business – page 48
	To this end, internal audits of all premises are conducted regularly on a rotational basis to evaluate and improve health and safety compliance.	
	Training of employees is a priority to create the necessary health and safety awareness and competence.	

Quantum Foods at a glance

PROFILE

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

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

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

South Africa

Animal feed is manufactured and sold under the Nova brand. External sales amounted to 262 409 tons for the year (2014: 243 513 tonnes), representing 47% of total feed volumes produced (2014: 44%). The balance is consumed internally by the integrated layer and broiler poultry operations.

Eggs are sold primarily under the Nulaid and Quantum brands, while layer livestock (day-old chicks and point-of-lay hens of the Lohmann breed) is sold under the Bergvlei Chicks brand. The egg business is the only national producer and supplied 50% of the approximately 862 million eggs sold to the retail sector during the year.

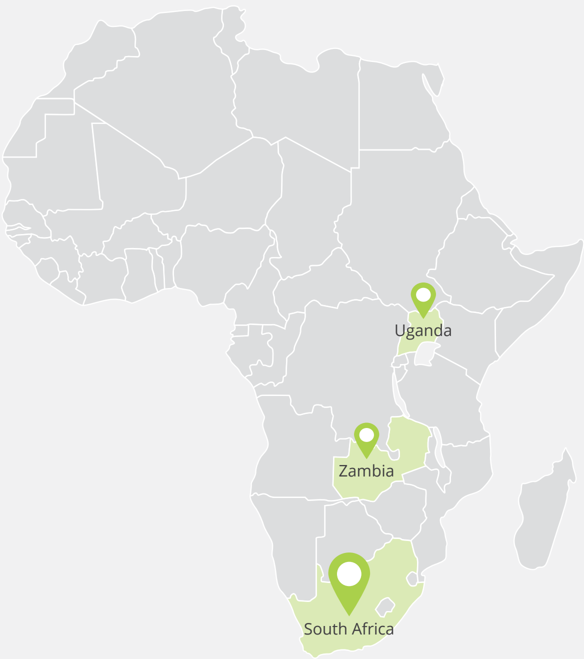
Day-old broiler chicks of the Cobb breed are sold under the Bellevue Chicks brand. An average of 579 000 live broilers were sold per week to third-party abattoirs in the Western Cape (2014: Nil). The Group operated an abattoir in Gauteng that supplied the market with 16.6 million kg of broiler meat during the year (2014: 14.7 million kg). The abattoir in Gauteng was sold to Crown Chickens (Pty) Ltd (trading as Sovereign Foods) in October 2015 and, in future, approximately 250 000 live broilers will be supplied to Sovereign Foods on a weekly basis.

Other African countries

In Zambia, Quantum Foods operates a broiler and layer breeder business (selling of day-old chicks), a feed business and a table egg business. The table egg business sold 24.7 million eggs for the year (2014: 24.5 million). A capital project to increase production capacity by 37% is in process. The Group exited the distribution business in the year.

In Uganda, the business comprises of a broiler and layer breeder business (selling day-old chicks) and a feed business. A capital project to build a table egg production facility is in progress.

GEOGRAPHIC FOOTPRINT



5.2%
of Group revenue from other African operations

558 000 tons
feed produced per annum

903.9 million
eggs produced in South Africa per annum

41.2 million
live broilers produced per annum

EXTERNAL REVENUE CONTRIBUTION (R'm)

1 100
Animal feed
2014: 1 081

1 154
Eggs and layer livestock
2014: 1 087

1 035
Broilers
2014: 1 241

179
Africa
2014: 152

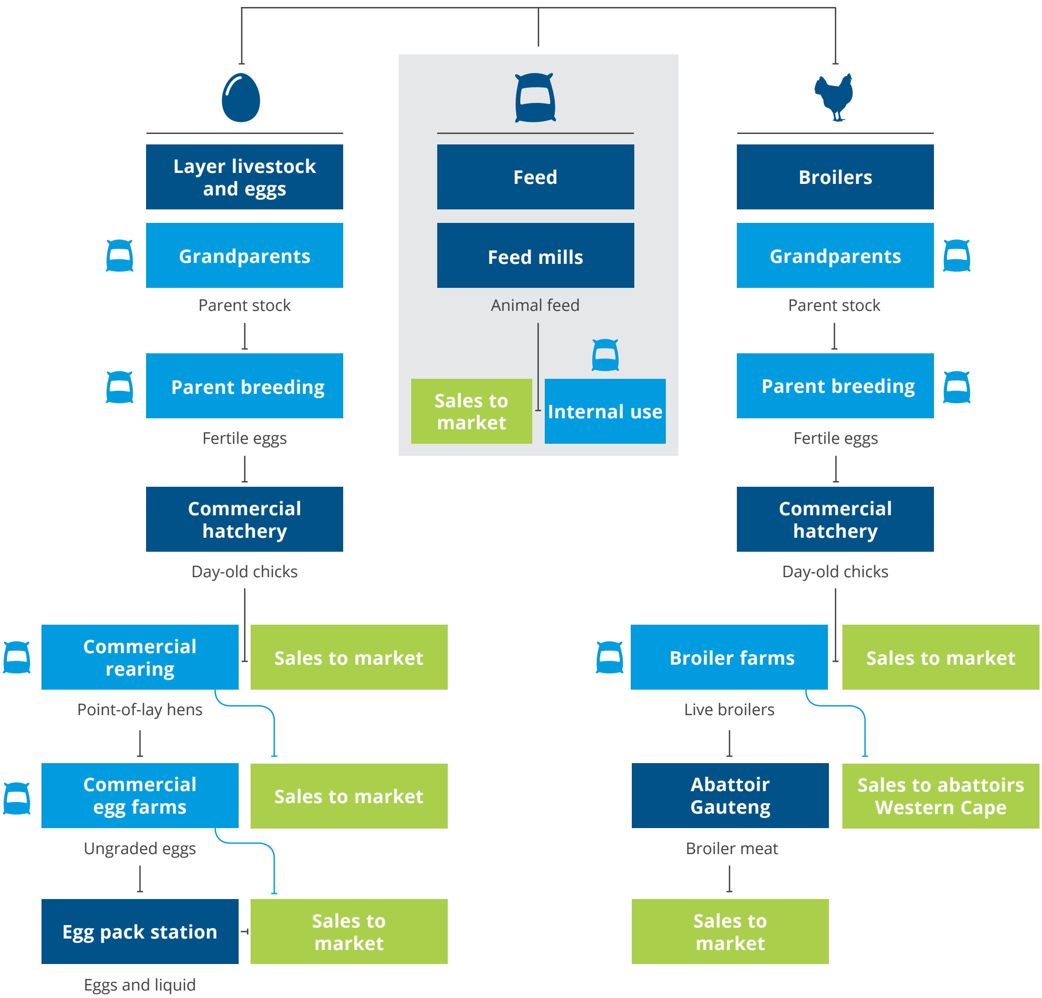
GROUP STRUCTURE

Quantum Foods Holdings Ltd
100%

Quantum Foods (Pty) Ltd
100%

- Lohmann Breeding SA (Pty) Ltd
- Philadelphia Chick Breeders (Pty) Ltd
- Quantum Foods Zambia Ltd
- Quantum Foods Uganda Ltd
- Bergsig Breeders (Pty) Ltd (28%)

VALUE CHAIN AND **BUSINESS MODEL**



Indicates in which areas of the value chain feed for internal use is applicable

FINANCIAL **HIGHLIGHTS**

Group revenue decreased by 2.6% to

R3.5bn

Headline earnings improved from R26m to

R126m

Earnings per share of

54 cents

2014: 4 cents loss

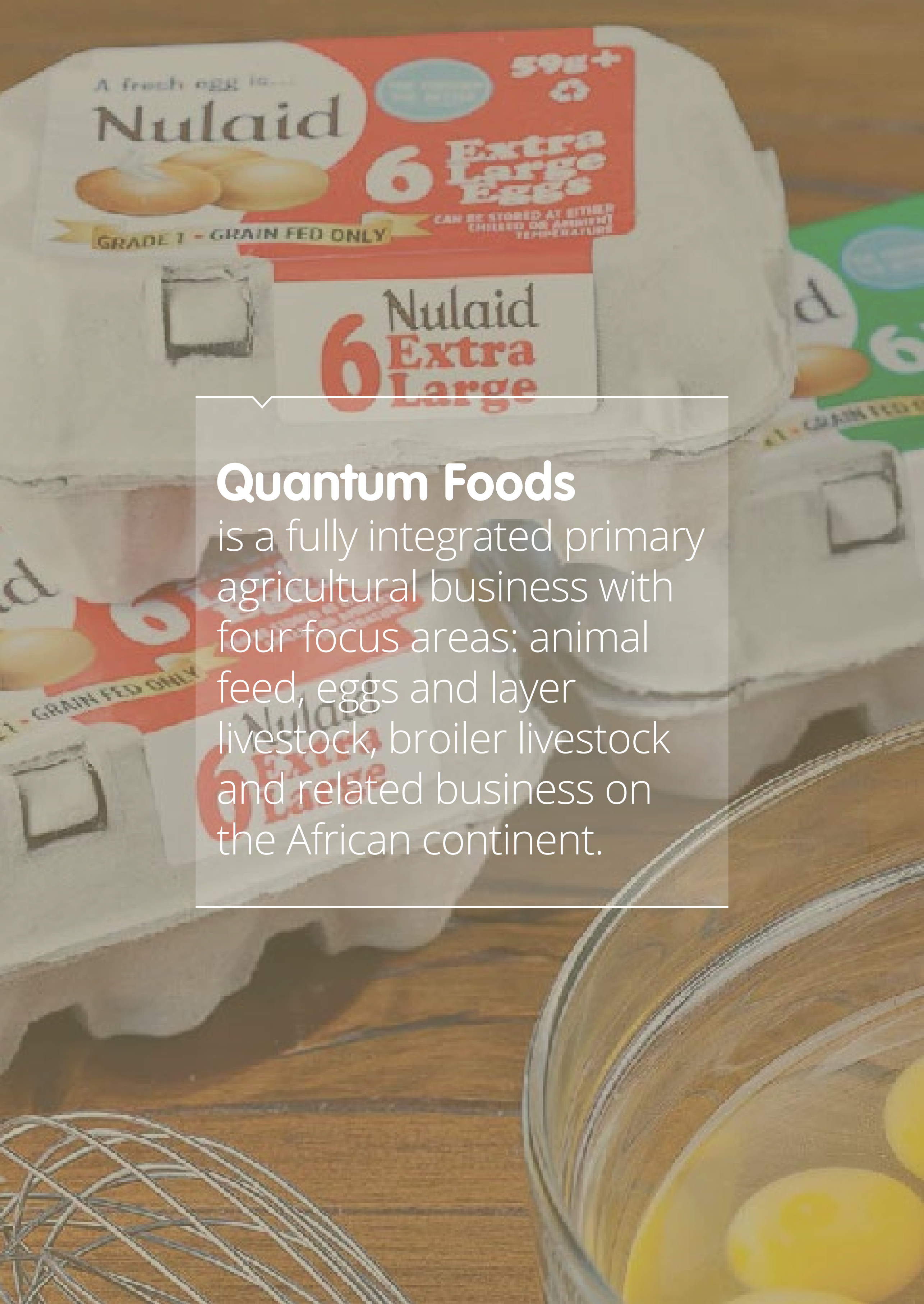
Headline earnings per share improved to

54 cents

2014: 11 cents

Maiden dividend per share

10 cents



Quantum Foods

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

BUSINESS **OVERVIEW**

SOUTH AFRICA

Animal feed manufacturing

Quantum Foods owns feed mills located in Malmesbury, George and Pretoria where feed is sold under the *NOVA* feeds brand.

The Malmesbury site consists of two factories, bringing the total number of feed mills to four, with a total production capacity of close to 55 000 tons per month. These mills are highly automated and are equipped to manufacture a wide variety of feeds for optimal animal nutrition. Integrated quality and safety systems are in place at all mills to ensure the consistent output of high-quality products for livestock consumption.

Nova Feeds has extensive expertise in the production and formulation of feeds for monogastric livestock (such as poultry) and ruminant livestock (such as cows). The main feed categories include poultry (broiler and layer), dairy, pig, ostrich and sheep feed. Feed is supplied to the integrated poultry farming operations and the external feed market.

Dairy feed represents the largest component of external sales, followed by poultry and pigs. Nova Feeds remains the leading supplier of dairy feed in the Western Cape, supplying feed to some of the country's leading dairy farmers. There is a strong focus on customised feed solutions and high levels of technical service to unlock value for customers.

Integrated layer livestock and egg production value chain

Layer livestock business

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

Day-old parent chicks are reared and placed on two parent layer farms. Fertile hatching eggs are incubated at the two commercial hatcheries in the Western Cape and Gauteng, which have an annual capacity to produce 10.8 million day-old pullets. These female day-old chicks are either sold or placed on the Group's five commercial rearing farms and one rented facility.

Bergvlei Chicks is the sales brand under which layer parent stock, hatching eggs, day-old pullets and point-of-lay hens are sold. A rental farm was procured to increase the commercial rearing farm capacity by 13% to 6.8 million point-of-lay hens per annum. The strategic locations of the hatcheries and commercial rearing farms ensure extensive distribution coverage. The Group distributes nationally and into Namibia, Botswana, Swaziland and Mozambique.

Egg production

The Group owns 14 and rents two commercial layer farms on which an average of 75.3 million eggs are produced per month (2014: 76.8 million). The farms are located in the Western Cape, Eastern Cape, Free State, Gauteng and North West provinces. Free-range eggs are produced on two of the farms. The Group also procures approximately 7.2 million eggs per month from five contract farmers (2014: 7.2 million). This equates to a total production of about 1 billion eggs per year.

Eggs are processed at packing facilities located in the Western Cape, Eastern Cape, Free State and Gauteng, as well as the recent additions near East London and Durban which commenced operations during the year.

The eggs are distributed nationally as graded, ungraded or in liquid form. Graded eggs are eggs that have been sorted in the packing facilities according to weight (for example medium, large, extra-large, jumbo) whereas liquid eggs are produced in egg breaking plants where the shells are removed from the product for sale mostly to industrial customers.

The Safe Eggs business was acquired during the year. Pasteurised eggs, which have a reduced risk of bacteria and salmonella, are produced at the plant in Gauteng and distributed by two of the packing facilities. The Group intends to increase the footprint of pasteurised egg products in South Africa.

Broiler business

Quantum Foods owns the rights to import pedigree grandparent broiler stock of the Cobb500 breed, which supplies next generation parent stock for its own requirements and non-exclusively for some customers in other countries in Africa. Day-old parent stock is placed on the three parent rearing farms in the Western Cape and thereafter placed on the five parent layer farms. Three are owned by the Group and the remaining two are contracted farms that supply the Group with fertile hatching eggs.

Day-old commercial broiler chicks are produced at two hatcheries, which have an annual capacity of 48 million day-old chicks before the day-old chicks are transferred to commercial broiler farms, both company-owned and contract-grower farms.

The Group closed its remaining abattoir in the Western Cape at the end of the previous financial year. It supplied other abattoirs with approximately 579 000 live broilers per week, with the majority supplied in terms of a long-term supply agreement. In October 2015, the Group sold its abattoir in Gauteng to Sovereign Foods and entered into a long-term supply agreement in terms of which approximately 250 000 live broilers will be supplied on a weekly basis.

This has resulted in the alignment of the broiler value chain, with the Group having exited the broiler meat market entirely to focus on its position as a significant contract grower in South Africa.

The Group also sells broiler hatching eggs and broiler day-old chicks to the market to ensure that its broiler breeder production capacity is utilised efficiently.

OTHER AFRICAN COUNTRIES

Zambia

Quantum Foods Zambia commenced operations in 1997. Operations are conducted in three regions in the country, namely Lusaka, Chingola and Chipata. In Lusaka, there is a parent breeding facility, a hatchery, a feed mill and a small laying facility. The Lusaka facility produces 1.6 million Lohmann (2014: 1.05 million) and 2.9 million Cobb500 day-old chicks (2014: 2.8 million) per annum for its own use and for external sales. The feed facility produces 4 800 tons of feed (2014: 4 300 tons) and the farm produces 7 million eggs per annum (2014: 6.6 million).

Quantum Foods Zambia's major egg operation is located near Chingola in the Copperbelt and operates under the *Mega Eggs* brand. At this location, 62 million eggs are produced per annum (2014: 61 million) and more than 10 000 tons of feed is produced for consumption on the farm (2014: 9 800 tons). A project to develop a new rearing farm and convert the previous rearing facilities into laying facilities is in progress and will be completed in 2016. This is projected to increase the egg production in Chingola by 23 million eggs per year.

During the financial year, Quantum Foods Zambia commenced production of table eggs on a rental facility in Chipata in eastern Zambia. The facility will reach full production during 2016 and is projected to produce 13 million eggs per annum.

Uganda

Quantum Foods Uganda commenced operations in 2000 and currently operates three farms located near Kampala. The farms comprise a parent breeding facility, a hatchery and a feed mill. They produce 1.4 million Lohmann (2014: 1 million) and 1.9 million Cobb500 (2014: 2.3 million) day-old-chicks per annum.

Quantum Foods Uganda initiated a table egg expansion project that should be completed during 2016. The project includes a layer rearing and egg laying facility and a feed mill, located near Masindi, in northern Uganda. On completion, the facility is projected to have a capacity of about 16.8 million eggs and 8 000 tons of feed per annum.

RISKS AND **OPPORTUNITIES**

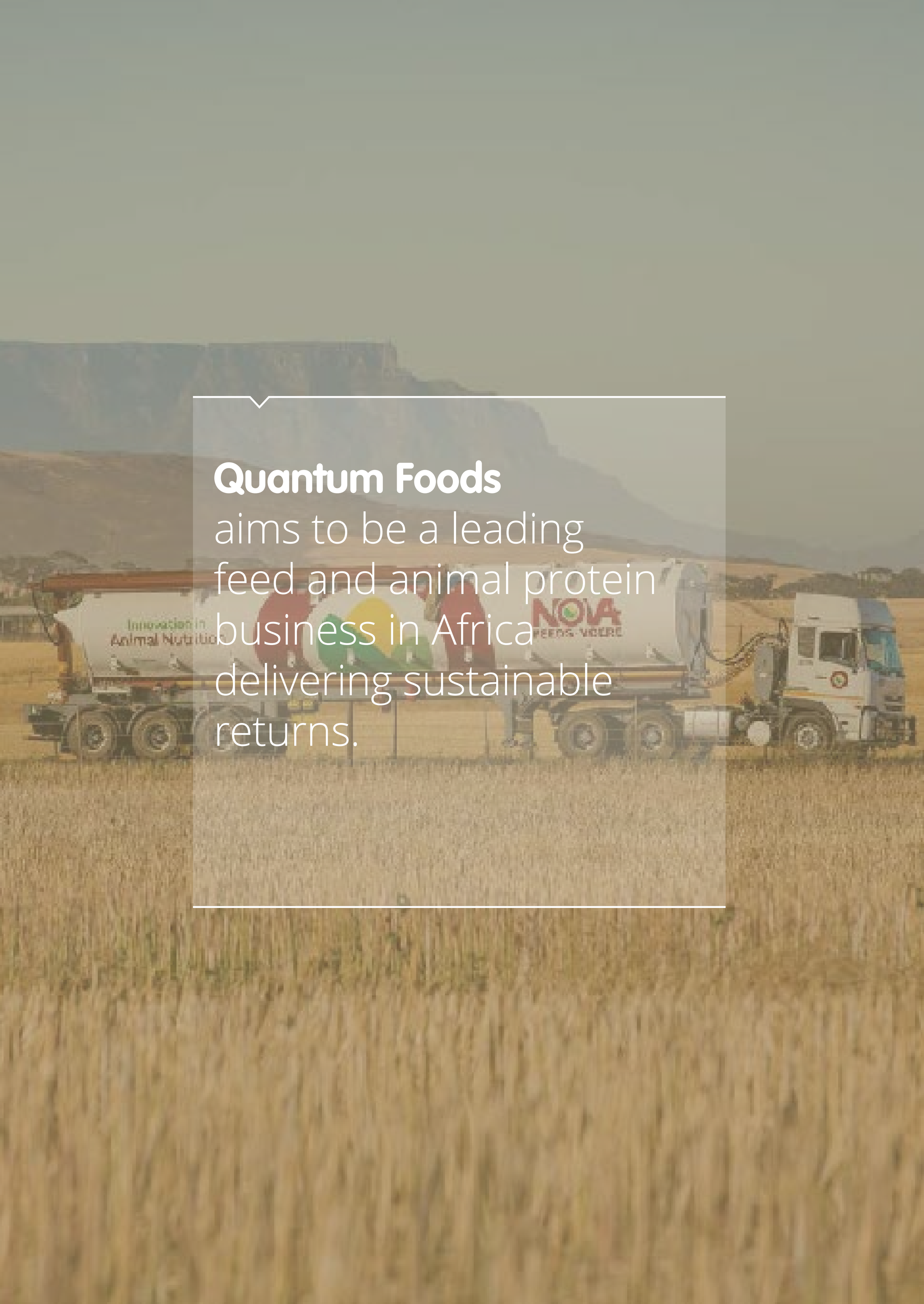
The Group determines its material risks through a risk management process, which considers the potential impact of each risk on the achievement of the Group's strategy, as well as the probability of each arising. The residual risk rating also considered the mitigation strategies in place. Material risks were identified by management in collaboration with the internal auditors. These risks are provided in summary below:

Risk description	Mitigation to create opportunities
Risk: Market and industry	
Interruption in supply of grandparent stock due to disease outbreak in the country of origin	• Representation on the committees of the South African Poultry Association ("SAPA"), Zambia Poultry Association ("PAZ") and the Animal Feed Manufacturing Association of South Africa ("AFMA") to keep abreast of industry developments. • The providers of the Group's grandparent poultry stock can source this genetic material from different countries across the world reducing the risk of interrupted supply due to disease outbreak in a specific area.
Supply and demand imbalances negatively affecting profitability, especially in the egg and broiler meat markets in South Africa	• The Group has changed its broiler business model to no longer sell final product into the broiler meat market but to sell live broilers to other abattoirs. • Adjusting the production plan following the monitoring of industry trends and available statistics to forecast specifically potential egg supply and demand imbalances.
New market entrants increasing competition	• The Group maintains an awareness of new competitors entering the market through its market research initiatives. • Participates in the committees of SAPA, AFMA and PAZ that also play a role in maintaining industry standards. • Relentless focus on production efficiencies and cost management to remain competitive.
Declining consumer spend	• The Group supplies animal feed and produces eggs and broilers that fulfil basic nutritional requirements. Poultry are excellent converters of animal feed to protein (eggs and broiler meat) cost effectively. This, together with the continuous focus on efficiencies and costs management reduces the impact of a decline in consumer spend.

Risk description	Mitigation to create opportunities
Risk: Market and industry (continued)	
Raw material price increases – maize and soybean meal	• Raw materials are procured and monitored within a Board approved hedging strategy and policy. • Raw materials are procured and hedged for own production requirements: no speculative positions are taken. • Regular monitoring of the Group's raw material cost position informs margin management. • The centralised raw material procurement department observes market trends on a daily basis.
Volatility due to exchange rate instability	• Foreign currency positions (mostly USD) affecting imported soya bean meal, are managed from the Corporate office according to a Board approved hedging strategy and policy. No speculative positions are taken.
Risk: Business disruption	
Inconsistent power supply	• Back-up generators are in place on sites housing livestock and in the egg packing stations. • Feed mills are not equipped with back-up generators but have capacity planning programmes in place to make up lost production. The viability of equipping the feed mills with backup generators is being considered.
Inconsistent or insufficient water supply	• Farms and factories have back-up water reservoirs to reduce the effect of short interruptions in water supply. • Water can be supplied by tankers from off-site resources during longer periods of interruption.
Industrial action (for example, the Road Freight Association, national union action)	• Execution of human resources polices and regular interaction with employees and unions. • Transformation progress and reporting in accordance with legislation.
Change in regulatory framework	• Maintaining awareness of changes in the regulatory framework through participation in various industry bodies and interaction with professional advisors. • The Group has largely hedged its exposure to the effects of changes in the regulatory environment (including the deliberation on allowed brining levels in broiler meat and the importation of broiler meat from the USA related to the AGOA agreement) following its change in broiler business model, resulting in the effective exit from the broiler meat market in South Africa.

Risk description	Mitigation to create opportunities
Risk: Product safety	
Product efficacy (contamination, specification, technical advice)	• Raw material and final product testing (internal and external) frameworks. • The use of carefully selected suppliers and testing adherence of purchases against product specification. • Feed formulation process controls. • Production performance (farms and factories) monitoring.
Inadequate execution of product safety requirements	• Broilers and eggs: disease monitoring processes. • Broilers and eggs: weekly flock production performance indicators monitored. • Laboratory testing throughout the value chain. • Internal and external quality audits. • Internal process review on a continuous basis. • Monitoring customer feedback. • Customer satisfaction surveys. • Monitoring consumer feedback. • Maintaining membership in the Consumer Goods Counsel.
Risk: Supply chain	
Specialised logistics arrangement failing (for example, hatchery truck or bulk feed trucks not available)	• Outsourced service level agreement monitoring. • Spare capacity available in other areas. • Preventative maintenance programmes. • Feed can be sourced from alternative suppliers.
Inappropriate selection of suppliers	• Centrally managed process for key procurement categories. • Formalised procurement policy. • Supplier performance review against quality and safety requirements.
Risk: Information Technology ("IT")	
Failure of key IT systems	• Service-level monitoring of outsourced providers of systems and support. • Performance and security monitoring by outsourced providers. • Disaster recovery and business continuity plan.
Risk: Finance	
Limited availability of funding for working capital or expansion requirements	• Regular engagement with suppliers of debt and equity funding to inform them of business developments and funding requirements.

Risk description	Mitigation to create opportunities
Risk: People	
Key persons' exposure due to limitations in talent pipeline	• Formal succession plan and biannual talent planning review. • Incentive programme for senior management.
Failure to source candidates for specialised positions	• Building relationships with universities and bursary programmes. • Formalised development plans for internal identified talent. • Annual intake of interns for animal production training. • Partnership with recruitment agencies.
Risk: Governance and statutory compliance	
Occupational certificates	• Progress according to a priority scorecard for future compliance at all sites. • Fire risk management framework and fire drills. • Internal and external certification audits.
Non-compliance with key legislation such as competition law, consumer law, food safety law, labour law, company law, etc.	• Implementation of relevant policies. • Employee training. • Legal advice for specific transactions.
Non-compliance with occupational health and safety standards resulting in fines and/or operational losses	• Internal and external audit of health and safety compliance programme. • Incident management process in terms of Compensation for Occupational Injuries and Diseases Act.
Non-compliance with country specific requirements in Africa	• Regular interaction with professional advisors, industry bodies and foreign investment centres.
Environmental compliance not achieved	• Feed mills are ISO 14000 accredited. • Other sites are audited internally and some externally, in terms of an environmental plan.
Risk: Transformation and BBBEE	
Failure to achieve transformation objectives	• Improve BBBEE rating on an ongoing basis. • Align employment practices with transformation objectives.
Risk: Animal welfare	
Non-compliance with animal welfare requirements Negative market shift due to disease, such as Avian Influenza	• Employee training assisted by veterinarians. • Internal and external audits. • Interaction with the National Society for the Prevention of Cruelty to Animals ("NSPCA"). • Representation on the committees of SAPA, PAZ and AFMA to keep abreast of industry developments.



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

STRATEGIC **FOCUS**

PURPOSE

To build a leading feed and animal protein business through:

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

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

Animal feed → Broilers → Eggs and layer livestock → Related business in Africa

INDUSTRY FEATURES

Conditions remain challenging for companies operating in the feed and poultry industry in South Africa as well as Zambia and Uganda. The cost of raw materials for feed production, variable demand levels, competitor activity, poultry flock health and changes in the regulatory environment, including governmental policy on industry protection, are some of the issues which the industry faces. The recent disagreement of the South African Government with the USA regarding import barriers, and evaluation of South Africa's eligibility to participate in the African Growth and Opportunity Act ("AGOA"), is one of many examples of how government policy impacts the industry. In both Uganda and Zambia the egg market is less developed than in South Africa from a production and per capita consumption perspective, whereas the broiler market in Zambia has become increasingly competitive following the expansion of mostly South African broiler producers into the country.

The cost of key inputs for animal feed production (maize and soybean meal), which are the most significant cost factors in the industry, are influenced by global weather patterns, the exchange rate, commodity cycles and alternative uses.

Layer hens and broilers are efficient converters of feed into animal protein, with favourable conversion ratios of feed to final product compared to other animal protein sources. With the availability of arable land and water supply coming under continued strain, together with the expected increase in global demand for animal protein, poultry will remain a critical source of human nutrition in future.

QUANTUM FOODS STRATEGIC FRAMEWORK

STRATEGIC THEMES	Business/ product composition		Unlock supply chain value		World-class efficiency		Organic growth		High-performance human capacity	
QUALITATIVE GOALS AND PERFORMANCE INITIATIVES	Gauteng abattoir		Procurement centralised	Logistics remodel	Cost increased per unit ≤ inflation	Farming operations	Animal feed	Layer livestock	Increase talent pool and capability development	Transformation initiatives
	African acquisitions	Optimal product and customer mix	Customer partnerships with procurement	Raw material supplier partnerships	Safe products	Safe environment	Zambia and Uganda table eggs	SA table eggs	Appropriate remuneration	Performance culture

INVESTMENT **CASE**

1. Balanced and optimised domestic portfolio

- Reduced exposure to cyclical nature of the poultry industry with the exit of the broiler meat market now completed.
- Increased focus on revenue from external feed sales, livestock and the African operations.
- Established egg business in South Africa with *Nulaid* achieving icon status as the best egg brand in the country for the third consecutive year in 2015/2016.
- A strong position with growth potential in animal feed.

2. Africa growth traction and prospects

- Proven track record of success in Africa – operating in Zambia and Uganda for over 16 years.
- Expansion of the existing table egg business in Zambia commenced, completion and first benefits expected during fiscal 2016.
- Project to build a commercial egg farm in Uganda will be completed in fiscal 2016.
- Strategic opportunities in other African countries are being investigated.

3. Efficient cost base

- The Group reduced its cost base further during 2015, with further improvements targeted specifically towards streamlining the supply chain and centralising further procurement categories in the near future.

4. Solid cash-generating ability

- The Group was unbundled with fully funded working capital and no long-term debt. The Group is cash generative and has sufficient debt capacity to enable growth. The Group has a healthy asset base from which to grow production of feed, layer and broiler livestock, egg and broiler sales without significant further investment.

5. The right people

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

Improved financial results were achieved, driven by a significant change in the business model, as well as favourable trading conditions.

JOINT REPORT OF THE **CHAIRMAN AND CEO**

WA HANEKOM
Chairman

HA LOURENS
Chief Executive Officer

INTRODUCTION

2015 was a historic year for Quantum Foods, being our first operating as a stand-alone listed entity. The Group was listed on the JSE on 6 October 2014. Improved financial results were achieved, driven by a significant change in the business model, as well as favourable trading conditions.

OPERATIONAL OVERVIEW

The business's primary input costs are maize and soybean meal. While maize prices were relatively low during the first half of the year, the drought in major maize-growing areas resulted in substantially increased prices during the second half. We enter the 2016 financial year with South African Futures Exchange ("Safex") maize prices at approximately R1 100 (60%) per ton more expensive than they were in September 2014.

Soybean meal costs were influenced by the South African rand, which weakened by 13.3% on a year-on-year basis. International soybean meal prices declined by 22.1% on a year-on-year basis but, due to the weakness of the local currency, soybean meal landed costs increased by 13.1% from the previous year.

Egg prices increased by 4.7%, driven by reduced supply of eggs to the market due to diseases in the national flock.

SEGMENTAL OVERVIEW

The Nova Feeds business continued its growth of recent years. External sales volumes increased by 7.7%. Margins improved due to judicious procurement practices and the continuous drive to reduce costs and increase efficiencies.

The broiler business showed a marked improvement in financial performance. The change in the business model in the Western Cape was successfully executed and yielded a return to profitability. Broiler farm performances in the Western Cape were excellent and stellar broiler breeder performances were achieved. The Gauteng business improved, but remained loss-making. The Hartbeespoort abattoir was sold to Sovereign Foods in October 2015, and we have entered into a contract grower's agreement that is projected to benefit both businesses. The broiler business models for the Western Cape and Gauteng operations have been strategically aligned and Quantum Foods is now the biggest broiler contract grower in South Africa, supplying its own feed and day-old chicks.

The layer business improved its financial performance. The layer livestock business performed well with volumes increasing satisfactorily. The egg business remained under pressure, with diseases specifically in the Gauteng / North West egg layer farms leading to increased mortality and lower egg production efficiency. This resulted in increased cost of production as well as lower volumes of eggs available for sale. During the year, Quantum Foods acquired the pasteurised egg business, Safe Eggs. Quantum Foods is one of a few companies globally able to supply pasteurised table eggs to consumers. The Nulaid brand was awarded icon status for the third year running.

The rapid weakening of the Zambian kwacha against the rand, as well as the US dollar, combined with the effect on profitability of an oversupply of day-old broilers, had a negative impact on the financial results of the Zambian business. The operation of a distribution centre in Zambia was terminated during the year to focus on core operations, while egg production capacity was increased with the rental of a farm in the Chipata region. The Zambian business remained very profitable. The project to increase egg production capacity at the Mega Eggs farm in the Copperbelt has progressed according to plan with egg production expected to commence in July 2016.

The Ugandan business also experienced a decline in financial results, mainly due to an increased cost base required for expansion. Demand for day-old chicks and pullets was also slower. The establishment of a commercial layer farm near Masindi is slightly behind schedule, and the Group expects egg production to start in the second half of 2016.

FINANCIAL OVERVIEW AND DIVIDEND

Group revenue decreased by 2.6% to R3.5 billion with a decline of R119.8 million (3.5%) in South African operations and an increase of R27.1 million (17.8%) in African operations. Revenue from African operations comprised 5.2% of Group revenue for 2015.

Revenue from South African operations:

- Declined by R206.5 million for the broiler segment, mostly due to the change in business model at the Western Cape operations.
- Increased by R67.7 million for the eggs and layer segment where sales volumes on layer livestock in particular increased by 27.3%. Selling prices of eggs increased by 4.7%.
- Increased by R19.0 million for the feed segment where an increase in external sales volumes of 7.7% was achieved

Cost of sales decreased by 4.0% to R2.9 billion. Cost of sales includes the biological assets (livestock) and agricultural produce (eggs) fair value adjustments that were realised and included in other gains and losses in the statement of comprehensive income. These fair value adjustments for the year ended September 2015 amounted to R238.0 million (2014: R112.5 million). Gross profit, excluding these fair value adjustments, improved by R151.5 million, resulting in a gross profit margin of 24.3% compared to 19.4% in 2014.

Cash operating expenses decreased further in 2015, following the closure of the Durbanville abattoir in the Western Cape. Various cost-saving initiatives, especially the remodelling of distribution, also contributed positively.

Operating profit increased by R184.9 million from a loss of R20.9 million in 2014. The 2014 operating loss included an impairment expense of R49.5 million. Operating profit in the South African operations improved by R202.6 million to R145.8 million at a margin of 4.4% (2014: -0.2%) with improvements in all three business segments. Operating profit in Africa declined by R9.8 million to R25.3 million at a margin of 14.1%.

Headline earnings per share ("HEPS") improved to 54 cents from the 11 cents per share of 2014.

Cash generated from operations amounted to R163.8 million in 2015. This includes an additional investment in working capital of R53.6 million.

Headline earnings per share ("HEPS") improved to 54 cents from the 11 cents per share of 2014.

Capital expenditure for the year amounted to R81.2 million, R31.9 million of which was incurred on the table egg expansion projects in Zambia and Uganda. South African capital expenditure includes R17.5 million for the acquisition of Safe Eggs, a pasteurised table egg business, during the year.

The Group had no interest-bearing debt at 30 September 2015.

Cash and cash equivalents increased from R105.5 million to R187.5 million and the Group has declared its first dividend of 10 cents per share, at a HEPS cover of 5.4.

Cash available to the Group will further increase following the sale of the Hartbeespoort abattoir and assist the Group in executing its expansion strategy, particularly in the South African feed operations as well as into Africa.

The Group's net asset value ("NAV") of R1.5 billion at 30 September 2015 translates to a NAV per share of R6.49 based on the number of shares in issue at that date.

PROSPECTS

The South African economy remains under pressure due to a weakening currency and muted consumer spending. While trading conditions were favourable for Quantum Foods during the 2015 financial year, we expect high input costs coupled with a weak economy to put pressure on the Group's profitability in 2016.

In the South African egg business, the emphasis will remain on operational efficiencies. An increase in point-of-lay sales is also targeted, following the addition of a farm rented for the purpose of expanding the Group's production capacity. With the new business model in the broiler value chain now complete, focused attention will be given to farm efficiencies to ensure livestock production meets customer standards. In Nova Feeds, volume and margin management will remain critical, while the execution of the growth strategy will be a priority. The expansions to the Group's table egg production operations in Zambia and Uganda should be completed in 2016 and we expect both to contribute positively to the operating results in the year to come.

Due to the repositioning of the Group, some of the risks highlighted have now been mitigated. This, together with various supply chain and cost-saving initiatives, the continued relentless focus on efficiencies and further growth prospects in the feeds, layer livestock and businesses on the African continent, should assist the Group in navigating the anticipated headwinds successfully.

APPRECIATION

A number of individuals and companies have contributed to the success of Quantum Foods during 2015. In particular, we would like to thank the board of directors, the executive committee and all the employees of Quantum Foods, as well as our customers and suppliers. A special word of thanks to Lambert Retief, who resigned from the board in February, and who played an important role in the establishment of the Group.

WA HANEKOM
Chairman

HA LOURENS
Chief Executive Officer

BOARD OF **DIRECTORS**

Wouter André Hanekom (56)

Chairman

CA(SA)

André was nominated and elected as chairman of the Board on 28 April 2015. André joined Bokomo Breakfast Cereals in 1988 as a financial manager. He was later appointed as operational executive and in 1994, he was appointed as chief executive officer of Bokomo. After the merger between Sasko and Bokomo, André served as the executive responsible for Sasko Milling and Baking, after which he was 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.

Hendrik Albertus Lourens (52)

Chief Executive Officer

BCom (Hons), MCom, BProc

Hennie was appointed as executive of Quantum Foods (Agri was renamed Quantum Foods in 2013) in 2007, while it was a division of Pioneer Foods. He commenced his services with Pioneer Foods as the human resources manager for Bokomo in 1996 and was later appointed as general manager for the Sasko Grain Business. He has been in the fast-moving consumer goods ("FMCG") industry for 19 years and was appointed to the Board on 27 January 2014.

Patrick Ernest Burton (62)

Independent non-executive director

BCom (Hons) Financial Management, HDip in Tax Law

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. Patrick sits on the board of directors of various listed and unlisted companies. He was appointed to the Board on 29 July 2014.

Norman Celliers (42)

Non-executive director

BEng (Civil), MBA

Norman stepped down as chairman of the Board on 28 April 2015. He continues serving as a non-executive director. 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 was appointed to the Board on 10 June 2014.

Geoffrey George Fortuin (48)

Independent and non-executive director

BCom (Acc), BCom (Acc) (Hons), CA(SA)

Geoff is a qualified chartered accountant and practised as a Partner at Deloitte & Touche for 15 years during which time he was responsible for a number of South African listed companies. He was also a member of the Deloitte South Africa Board. Geoff is currently the Managing Executive (Finance) of Brimstone Investment Corporation Ltd. Geoff was appointed to the board on 28 April 2015.

Prof. Abdus Salam Mohammad Karaan (47)

Independent non-executive director

BSc Agric, BSc Agric (Hons), MSc Agric, PhD (Agric)

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 Stellenbosch University as a lecturer in the Agricultural Faculty. In October 2008, he became dean of the Faculty of AgriSciences at Stellenbosch University. He serves on various boards. Mohammad was appointed to the Board on 10 June 2014.

André Hugo Muller (45)

Chief Financial Officer

CA(SA)

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

Lambert Phillips Retief (63)

Lead independent non-executive director

BCom (Hons), CA(SA), OPM (HBS)

Resigned

Lambert is the chairman of Novus Holdings, formerly known as 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. Lambert resigned on 19 February 2015.

EXECUTIVE MANAGEMENT AND **CORPORATE SERVICES**

EXECUTIVE COMMITTEE

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

Hendrik Albertus Lourens (52)

Chief Executive Officer

BCom (Hons), MCom, BProc

Hennie was appointed as executive of Quantum Foods (Agri was renamed Quantum Foods in 2013) in 2007, while it was a division of Pioneer Foods. He commenced his services with Pioneer Foods as the human resources manager for Bokomo in 1996 and was later appointed as general manager for the Sasko Grain Business. He has been in the FMCG industry for 19 years and was appointed to the Board on 27 January 2014.

André Hugo Muller (45)

Chief Financial Officer

CA(SA)

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

Roelof Viljoen (49)

Executive: Egg business

CA(SA)

Roelof was a financial manager and a sales manager at Sasko Grain, before joining Quantum Foods in 2008, while it was still a division of Pioneer Foods. He is the executive responsible for egg production, egg processing and egg sales. Roelof is also responsible for the Uganda business. He has 15 years' experience in the food industry, of which seven years have been spent in the poultry industry.

Marthinus Petrus van Lill (45)

Executive: Feed business

BCompt (Hons), SAIPA (PA)

Thinus has been with the Nova Feeds business since 1997, when it was still a division of Pioneer Foods. He progressed from a financial manager to the executive responsible for the manufacturing and sales of the feed business. He has 18 years' experience in the animal feed and poultry industry.

Adel Deidré van der Merwe (44)

Executive: Supply chain

BCom Management Accounting

Adel commenced her services with Pioneer Foods in 1995. She started out in the corporate finance department but moved to central procurement where she spent the bulk of her time involved in raw materials and commodities procurement. In 2008, she joined Nova Feeds while it was still a division of Pioneer Foods. She has over seven years' experience in the food industry and over 16 years in central procurement.

James Joseph Murray (58)

Executive: Farming operations and broiler value chain

National Diploma in Agricultural Extension and Soil Conservation

Jimmy has 34 years' experience in the poultry industry. Most of his early experience was gained at Rainbow Chicken Ltd in various senior farming production roles. After Rainbow, he spent five years as managing director of Hy-Line SA (importer of Hy-Line grandparent layers), followed by five years as chief executive officer of Grendon (an integrated poultry operation in KwaZulu-Natal). Jimmy has been with Quantum Foods since 2013.

Heather Elizabeth Pether (47)

Executive: Human resources

National Diploma in Human Resources

Heather has 20 years' experience in the human resources field. She spent seven years as the human resources manager of the Tydstroom business while it was a division of Pioneer Foods. She was appointed as the executive responsible for human resources at Quantum Foods in 2012.

Louis Bester (56)

Executive: Zambia business

Louis joined the Sasko Grain Business of Pioneer Foods in 1981 after doing his articles with Theron du Toit. He started as an internal auditor before becoming financial manager, regional financial manager and moving to general management. Louis has been in the FMCG industry for 33 years, of which the last six years have been in the poultry sector.

Jan Hendrik van Rhyn (50)

Executive: Business Development Africa

BEng, MSc, BCom (Hons)

Jannie started his career in the South African Navy. Thereafter, he spent nine years with Naspers Ltd during which time he was involved in many start-up internet and related businesses in South Africa, China and a number of other African countries, including Nigeria, where he was based for three years. Jannie has been involved in projects, business development and operations in sub-Saharan Africa for the last 12 years. He joined Quantum Foods in November 2014, and is responsible for developing the business in Africa.

Ignatia Ntokozo Tamarie Ndlovu (29)

Company Secretary and legal advisor

LLB

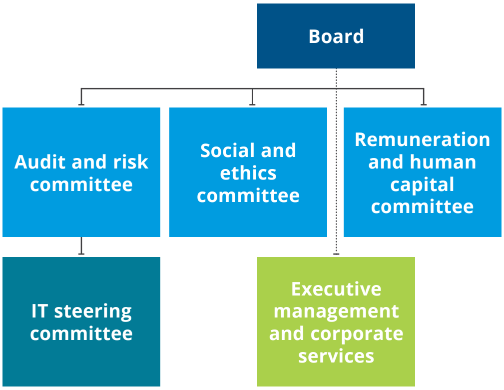
Ntokozo joined Quantum Foods in 2014 from Van der Spuy and Partners (Paarl), where she practised as an attorney in the commercial department. She articled in Bloemfontein at Phatshoane Henney Attorneys. She has five years' experience in the legal and compliance environment.

Corporate governance

Quantum Foods is a listed entity and monitors its compliance with the principles of good corporate governance, as recommended by King III. The Board evaluated the Company's compliance status and is satisfied that due consideration was given to the principles of corporate governance. No material non-compliance occurred during the period under review and, in instances where the Group is not fully compliant, appropriate reasons are identified. A detailed analysis of the Group's adherence to King III is available at www.quantumfoods.co.za/corporate-governance. The table below provides an overview of compliance with the King Code.

Chapter	Status	Explanation
1. Ethical leadership and corporate citizenship	Compliant	none
2. Boards and directors	Explain	The Group does not have a nominations committee, board appointments are a matter for the board as a whole.
3. Audit committees	Compliant	none
4. Governance of risk	Compliant	none
5. The governance of information technology	Compliant	none
6. Compliance with laws, rules, codes and standards	Compliant	none
7. Internal audit	Compliant	none
8. Governance of stakeholder relationships	Compliant	none
9. Integrated reporting and disclosure	Explain	Sustainability reporting was not independently reviewed. The requirement will be evaluated annually with a view to improve the level of independent review and taking into consideration the available resources.

GOVERNANCE STRUCTURE



THE BOARD

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

Composition and functions of the Board

The Board consists of seven directors, of whom five are non-executive directors. Four of the directors are independent non-executive directors. There were some changes to the Board during the reporting period. Mr N Celliers stepped down as chairman on 28 April 2015. He continues serving as a non-executive director. Mr WA Hanekom was nominated and elected as chairman on 28 April 2015. Mr LP Retief did not avail himself for re-election at the annual general meeting ("AGM"), and resigned as the lead independent director and as chairman of the audit and risk committee. The Board appointed Mr GG Fortuin on 28 April 2015 as a member of the Board and audit and risk committee.

The duties of the chairman are separate from those of the chief executive officer ("CEO"). The CEO and the company secretary are appointed by the Board. The independence of each non-executive director is regularly assessed by monitoring information submitted by directors relating to their relevant business interests. Quantum Foods elected not to have a nominations committee. The appointment of directors is considered a matter for the Board as a whole. The appointment of directors is transparent and takes place according to a formal process. At each AGM, one-third of the non-executive directors retire by rotation, but are eligible for re-election. Any non-executive director who has already held office for a period of more than three years since his/her last election for appointment at the AGM, retires at the next AGM, but remains eligible for re-election. A director shall be obliged to retire at the conclusion of the AGM relating to the financial year in which he/she becomes 70 years old and shall not be eligible for re-election.

A decision-making framework clearly sets out the balance of power and authority at Board level, ensuring that no one director has unfettered powers of decision-making. In line with the requirements of King III, a formal appraisal of the Board, its committees and directors was done and no material issues were identified.

The key roles and responsibilities of the Board include:

- acting as the focal point for, and custodian of, corporate governance;
- determining the strategies and strategic objectives of the Group;

- determining and setting the tone for the Group's values;
- satisfying itself that the Group is governed effectively in accordance with corporate governance best practices;
- monitoring the implementation of the Board's decisions and policies;
- ensuring that the Group has an effective and independent audit and risk committee and remuneration committee;
- ensuring that disputes are resolved effectively and efficiently; and
- appointing and evaluating the performance of the CEO and the company secretary.

The Board considers it a business imperative that all actions taken on behalf of the Company are executed ethically and professionally. Directors disclose their personal financial interests at the start of every Board or committee meeting.

Legal and compliance

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

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

Company secretary

All Board members have access to the advice and services of the company secretary, who is responsible for the proper administration of the Board and the implementation of sound corporate governance procedures. This includes the provision of appropriate information resources to assist members in the proper discharge of their duties.

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

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

BOARD COMMITTEES

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

The committees of the Board are as follows:

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

MEETING ATTENDANCE

The Board held five scheduled meetings and one special meeting during the reporting period. The board members also attended a full day session during which the 2016 strategy and budget were approved.

The committees each had two scheduled meetings and the remuneration and human capital committee attended an additional meeting during the reporting period.

All members who could not attend a meeting excused themselves accordingly.

	AGM	Board	Remuneration and human capital committee	Audit and risk committee	Social and ethics committee	Strategy session
WA Hanekom[1]	1/1	6/6	3/3	2/2	n/a	1/1
PE Burton	0/1	6/6	3/3	2/2	n/a	1/1
N Celliers	1/1	6/6	3/3	n/a	n/a	1/1
Prof. ASM Karaan[2]	0/1	5/6	n/a	1/1	2/2	1/1
HA Lourens	1/1	6/6	3/3	2/2	2/2	1/1
AH Muller	1/1	6/6	3/3	2/2	2/2	1/1
LP Retief[3]	1/1	2/2	n/a	1/1	n/a	n/a
GG Fortuin[4]	n/a	4/4	n/a	1/1	n/a	1/1
	20/02/15	>18/11/14 >19/02/15 >07/05/15 >19/05/15 >05/08/15 >15/09/15	>05/11/14 >19/02/15 >07/05/15	>17/11/14 >18/05/15	>29/10/14 >18/05/15	14/09/15

1 WA Hanekom resigned as chairman of the audit and risk committee on 28 April 2015.
2 Prof. ASM Karaan joined the audit and risk committee on 28 April 2015.
3 LP Retief resigned as a member of the Board and consequently the audit and risk committee on 19 February 2015.
4 GG Fortuin joined the Board on 28 April 2015.

Audit and risk committee ("ARC")

The ARC comprises three independent non-executive directors. The CEO and the chief financial officer ("CFO") are permanent invitees to the meeting. The ARC holds a minimum of two meetings per annum. During the reporting period, the composition of the committee changed as follows:

- LP Retief resigned on 19 February 2015;
- WA Hanekom became the chairman of the Board and consequently resigned from the committee on 28 April 2015;
- PE Burton was appointed as chairman of the committee;
- Prof. ASM Karaan was appointed as a member of the committee on 28 April 2015; and
- GG Fortuin was appointed as a member of the committee on 28 April 2015.

The committee oversees the following functions:

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

During the reporting period, the ARC performed the following functions:

- recommended the appointment of PricewaterhouseCoopers as the external auditors for 2015 and oversaw the annual financial audit process;
- approved the external audit fees;

- monitored the integrated reporting process and approved the integrity of the 2015 report;
- reviewed the annual financial statements, interim reports, preliminary or provisional results announcements, the summarised integrated information, trading statements and similar documents;
- reviewed the disclosure of non-financial information in the integrated report to ensure reliability and accuracy;
- reviewed the combined assurance model;
- reviewed the expertise, resources and experience of the Company's finance function and CFO;
- oversaw the internal audit function;
- oversaw financial reporting risks, internal financial controls, fraud risks and IT-related risk; and
- expressed a formal opinion to the Board on the effectiveness of the system and process of risk management.

Group internal audit

The internal audit services were provided by Deloitte & Touche for 2015. The internal audit function is constituted in terms of a charter and is monitored by the ARC. The internal auditors serve as an independent appraisal and assurance body that fulfils a core requirement within the Group's governance structures. It aims to add value by providing the Group with autonomous and objective assurance.

During the year ended 30 September 2015, the internal auditors also assisted in the formulation of a Group risk framework and the monitoring of the risk register. The assurance process was determined as being a combination of internal and external accountabilities. Risk mitigation was identified and risks with a high probability and impact were prioritised and included in the internal auditors' programme for the year.

The report of the audit and risk committee is provided on page 53.

Social and ethics committee ("SEC")

The SEC consists of three members. Two of the members are prescribed officers as described in the Companies Act and the SEC is chaired by Prof. ASM Karaan. The SEC holds a minimum of two meetings per annum. The SEC monitors the sustainable development and non-financial performance of the Group, specifically relating to:

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

Remuneration and human capital committee ("RHCC")

The RHCC members are Mr WA Hanekom, Mr N Celliers and the chairman is Mr PE Burton. The RHCC is primarily responsible for reviewing and approving the executives' remuneration, and assisting the Board in reviewing non-executive directors' remuneration recommendations. The RHCC takes cognisance of both local and international best practices to ensure that the Group's remuneration practices are fair and reasonable for the executives and the Company.

The RHCC performs the following main functions:

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

SOCIAL AND ETHICS **COMMITTEE REPORT**

The SEC is chaired by Prof. ASM Karaan, and Mr JJ Murray and Ms HE Pether are members of the committee. The CEO and CFO are permanent invitees of the committee.

During the reporting period, the SEC reviewed the committee charter and work plan. The SEC is guided by the five main focus areas set out in regulation 43 of the Companies Regulations, 2011. These are:

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

The committee monitored the following matters:

- BBBEE and targets – the Group was evaluated for the first time during the year. The committee will assist with the establishment and improvement of targets to ensure that Quantum Foods improves its compliance with BBBEE legislation.
- Sponsorships and charitable donations – the committee monitored the various product donations and approved a social responsibility project, which is detailed under the Ensuring responsible business section on page 49.
- Water, energy and waste disposal management – a report containing usage details is monitored biannually.
- Occupational health and safety compliance – the committee noted progress in obtaining occupational health and safety certificates for various premises of the business, which is an ongoing process. Capital has been allocated per annum to ensure compliance.
- Customer complaints and food safety – the committee monitored customer complaints and food safety and is satisfied that such matters were adequately monitored and dealt with.
- Employment equity and training – the committee monitored employment equity and training as set out in the Ensuring responsible business section on page 47.
- Animal welfare – the committee monitored engagement with the NSPCA and other stakeholders to ensure that animal welfare remains a priority.
- Ethics management – the committee monitored adherence to the code of conduct.

The SEC evaluated and approved the non-financial information contained in this report.

Prof. ASM Karaan
Chairman

Wellington
23 November 2015

REMUNERATION **REPORT**

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

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

The committee performed the following functions during the period:

- reviewed its charter and annual work plan;
- reviewed certain policies, including the Human Resources policy and rules of the Equity-Settled Phantom Share Scheme and made recommendations to the Board;
- approved an amendment to the rules of the Phantom Share Scheme with reference to the determination of the baseline HEPS;
- approved the 2015 mandates for the adjustment of salaries and wages and made a recommendation to the Board;
- approved the performance indicators for the short-term incentive ("STI") and long-term incentive ("LTI") schemes for recommendation to the Board; and
- approved the STI and LTI allocation for 2015 for recommendation to the Board.

PHILOSOPHY

Quantum Foods' remuneration framework supports the delivery of the strategy. To ensure competitiveness, a remuneration benchmark exercise was conducted against companies in the manufacturing sector.

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

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

REMUNERATION POLICY

Annual reviews of salaries take into account financial and non-financial individual performance against agreed goals and market competitiveness. Selected employees are given the opportunity to participate in STI and LTI schemes. The LTI scheme rules are approved by the Board. The STI scheme is linked to business and individual performance.

All remuneration (guaranteed and variable) is market-related and is differentiated on the basis of performance. Performance components considered for annual increases are Group and individual performance – with due consideration for inflation. Profitability and efficiency of business processes are the key Group performance indicators for reward. Individual performance indicators are determined according to the key measureable areas where individual performance will contribute to overall Group performance and strategy execution.

Remuneration comprises a combination of guaranteed pay (total cost to company ("CTC")) and variable pay (STI and LTI). This will depend on the level of seniority in the organisational hierarchy.

Guaranteed pay

Guaranteed pay is generally determined with reference to the job family market median.

Short-term incentive

The STI is a performance bonus that is designed to incentivise management to drive business performance and increase shareholder value.

The STI scheme is based on three elements of performance measurement:

1. **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, with 40% of any bonus dependent on this element.

2. **Growth in the Group's economic profit ("EP")**

   The calculation will be based on the weighted average cost of capital for the year applied to the average net asset base of the Group, with 40% of any bonus payable dependent on this element.

3. **Achievement of farming production efficiency targets**

   20% of any bonus payable is dependent on this element.

Hurdle rates for HEBT, growth in EP and farming production efficiency targets will be determined annually by the Board to establish minimum and maximum potential bonus pay-outs.

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 for the HEBT and EP components is self-funding. Achievement of targets for growth in HEBT and EP is calculated after any bonus pool has been taken into account.
- The bonus pool for farming production efficiency targets is not dependent on the achievement of targets for HEBT and PBT.

Long-term incentive scheme

The purpose of the LTI scheme is to align management and shareholder interests, and to attract and retain key managers over the long term. The LTI is a share appreciation rights scheme ("SAR scheme") and is equity settled.

The Board approved the scheme and rules of the Equity-settled Phantom Share Plan ("the Plan"), in compliance with the JSE Listings Requirements. In terms of the Plan, selected employees are granted the opportunity to acquire shares in the Company, with the quantum of their awards based on the future increase in the value of the phantom shares. The Plan is intended to promote the continued growth of the Group. The RHCC determines the allocation to qualifying employees annually. The first allocations were made in the period under review.

Multiples of annual total CTC will determine the annual allocation of SARs to qualifying employees, varying between one and seven times. In determining the annual top-up allocations, only unvested past allocations will be taken into account.

The vesting of 50% of SARs allocated is dependent on performance measures. The hurdle for vesting is compound average growth ("CAGR") in Group headline earnings per share ("HEPS") equal to the consumer price index ("CPI") plus 1% growth. In terms of the rules of the SAR plan, the Board increased the baseline HEPS for the 2015 allocation to 28.1 cents per share from the actual 11.2 cents per share recorded in 2014, to ensure that the target for the vesting of this component is fair and reasonable to both shareholders and participants.

The total 100% vesting will be realisable at CAGR in HEPS growth of CPI plus 5% from the revised baseline of 28.1 cents per share. The remaining 50% is time dependent.

One-third of the phantom shares vests after three years, one-third after four years and one-third after five years to ensure that the LTI supports employee productivity and commitment for the duration of the 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 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. During the period under review, 6 210 491 SARs were granted at a strike price of R3.148 per share.

IT GOVERNANCE **REPORT**

Information Technology ("IT") at Quantum Foods is a strategic tool that facilitates the successful implementation of the Group's strategy and sustainable business performance. The Quantum Foods IT charter is based on the principles of IT governance described in King III and guides the Board in discharging its IT responsibilities. The Board is responsible for IT governance and is ultimately responsible for ensuring information and IT strategies are aligned with business strategies. The audit and risk committee assists the Board in carrying out these responsibilities.

During the year, Quantum Foods established an IT governance framework and reporting system to provide the Board with assurance that the IT strategy, procedures and controls within the business reduce IT risk, including information security, to an acceptable level. An IT steering committee was also established, which reports to the audit and risk committee.

The Board has satisfied itself that, based on reports received from this committee, an appropriate IT governance framework exists and that its functioning is effectively monitored.

VALUE-ADDED **STATEMENT**

The contribution of the Group to its various stakeholders is indicated in the table below:

	2015 R'000	%
Revenue	3 468 312	
Less: Cost of production and services	(2 928 923)	
Value added from operating activities	541 389	
Interest received – net	7 999	
Total value added	549 388	
Value distributed as follows:		
To employees		
Salaries, wages and employee benefits	318 491	58
To the government		
Income tax	45 764	8
Skills development levies	1 945	1
To providers of capital		
Interest paid	–	–
Dividends to shareholders	–	–
Total distributions	366 200	
Income retained in the business		
Depreciation and amortisation	56 272	10
Retained profit for the year	126 916	23
Total value distributed and reinvested	549 388	

Ensuring responsible business

The Group is committed to creating value for its stakeholders through a sustainable business model. The value of sustainability will be realised through an improved ability to attract capital from socially responsible investors, an increased ability to attract and retain talent and the ability to provide shareholders with positive returns on their investment.

Quantum Foods' stakeholders include employees, shareholders, government and regulators, customers and suppliers, as well as the communities impacted by its operations. As stakeholders contribute to the Group's success, it is important to ensure that there are open channels of communication and engagement. The Group takes stakeholder concerns seriously and strives to continuously improve its governance, transformation and sustainability initiatives.

PRODUCT SAFETY AND CUSTOMER COMPLAINTS

Feeds business

Quantum Foods' aim is to provide safe feed for safe food and therefore quality assurance is key. All feed mills have integrated quality systems in place which are subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Some of the audits are conducted by internationally accredited certification bodies. An internal audit programme is also in place for continuous monitoring and improvement of quality control systems.

Customer satisfaction is important and a formal customer complaint system is in place. Furthermore, an independent customer satisfaction survey is conducted on an annual basis to measure overall satisfaction, identify trends and benchmark performance.

Quality assurance and customer satisfaction remain the responsibility of management and form part of monthly reporting. The quality system is used to identify non-conformance, record specific customer complaints and identify preventative and corrective actions. These trends are used by management to improve the quality system and customer satisfaction.

Egg business

It is important for the Group to provide safe, reliable products to its customers and consumers. The grading facilities are subjected to external audits conducted at regular intervals to ensure compliance to food safety management systems, applicable laws and regulations. An internal health and safety audit is also conducted on layer farms, cull depots and grading facilities.

The Group uses an external company to monitor customer complaints. A toll-free number is available to consumers and all calls are logged and dealt with. A weekly management report is generated and monitored by executive management.

ENVIRONMENT

As a business reliant on agriculture, the Group is concerned about changing weather patterns, droughts, floods and the other likely effects of climate change.

Quantum Foods is fully committed to both the letter and spirit of environmental laws and regulations.

All efforts are made to minimise Quantum Foods' environmental impact and to support the effective consumption of resources, with specific focus on water and energy. Poultry farming contributes a large component of the Group's water consumption requirements, with limited opportunities for reduction beyond ensuring that water is not wasted. The aim is to critically analyse waste production and to ensure that all relevant aspects are managed responsibly. Initiatives for recycling are also investigated and implemented as far as practically possible. The table below outlines the overall performance for 2015 which will serve as a benchmark for monitoring future performance and the identification of improvement initiatives.

Environmental performance indicators

	Units	September 2015
Consumption		
Water	Kilolitres	**1 222 051**
– Boreholes/river extraction/dams		**818 683**
– Municipal sources		**403 368**
Electricity	kWh'000	**52 057**
Coal	Tons	**2 352**
Gas	Kg	**877 216**
Diesel/petrol/paraffin	Litres	**1 449 125**
HFO	Litres	**954 166**
Packaging	Tons	**23 926**
Waste		
Litter/manure produced	Tons	**147 972**
Mortalities to landfill/waste pit	Tons	**1 104**
Effluent water	Kilolitres	**5 758**
Packaging	Tons	**237**

Conservation

During the year under review the Group entered into a perpetual biodiversity agreement with the Western Cape Nature Conservation Board in respect of a portion of the Farm Zouterivier. This conserved area is known as the Quantum Foods Atlantis Sand Fynbos Conservation Area. Critically endangered Atlantis Sand Fynbos is conserved on the property.

Energy efficiency

Energy-saving opportunities have been identified, with the assistance of an external service provider, at certain sites across the integrated value chain. The Group's main energy intensive activities are the boilers used in the preparation of animal feed, the temperature control of the hatching eggs, the rearing of the broiler chicks and the overall production of the egg pack stations. Opportunities include process optimisation and introducing advanced technologies in these activities. Approved projects are being implemented and tracked to ensure that the full benefit from lower energy consumption is realised. The energy-saving programme will be extended to other sites across the value chains where similar opportunities are identified. The programme will also be expanded to identify opportunities to reduce energy consumption within the Group through behavioural change of the Group's employees.

DIVERSITY AND EMPLOYMENT EQUITY

Continuously improving the diversity of the Group's workforce is a strategic imperative of the Group. Quantum Foods remains committed to attracting and developing key skills. In order to improve this, an employment equity project was concluded during the year. This involved the following:

- developing an employment equity strategy;
- engaging extensively with employees to identify any barriers to diversity;
- introducing measures to improve diversity at all Quantum Foods' operations and ensuring that diversity measures are integrated into the employment equity plan.

The Group has also embarked on a pilot project with its learnership service provider to appoint disabled learners at the Group's head office in Wellington, Western Cape.

The employment equity statistics of the South African operations of the Group are provided in the table below:

EMPLOYMENT EQUITY STATISTICS AS AT 30 SEPTEMBER 2015

	African		Coloured		Indian		White		Foreign nationals		
Occupational levels	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**Total**
Top management	0	0	0	1	0	0	6	1	0	0	8
Senior management	1	1	0	0	1	0	16	2	0	0	21
Professionally qualified, experienced specialists and mid-management	8	1	9	8	4	2	46	5	0	0	83
Skilled technical and qualified workers, junior management, supervisors, foremen, superintendents	82	13	44	33	4	3	37	32	0	0	248
Semi-skilled and discretional decision-making	191	201	83	54	0	3	3	10	4	13	562
Unskilled and defined decision-making	315	300	43	62	0	0	0	0	3	0	723
Total permanent	597	516	179	158	9	8	108	50	7	13	1 645
Non-permanent employees	13	4	2	1	1	0	8	2	2	0	33
Total	**610**	**520**	**181**	**159**	**10**	**8**	**116**	**52**	**9**	**13**	**1 678**

The Group also employs 240 employees in Zambia and 61 employees in Uganda.

Training

The Group continuously engages with the Skills Education Training Authority ("SETA") regarding mandatory and discretionary skills levy refunds and requests for learnerships.

The partnership with Tshwane University of Technology was once again successful, with the business permanently appointing a number of students who were on internships. The newly formed partnership with Elsenburg in the Western Cape will ensure that Quantum Foods has access to a larger pool of candidates.

The Group launched an ABET initiative and, while enrolment was low, it will continue to focus on this important initiative.

The commitment to employee development has resulted in a number of bursaries being awarded to employees. The development of unqualified artisans to address the issue of skills shortages in this discipline remains a focus area.

The table below indicates the number of participants in the different training initiatives:

Skills pipeline

	2015
Interns	**10**
Apprenticeships	**8**
Learnerships	**18**
Bursaries	**12**

Occupational health and safety

Quantum Foods strives to adhere to and comply with all health and safety legislation across all its businesses to ensure a safe work environment for its employees.

The number of injuries on duty for 2015 was 42 compared to 47 in 2014, with one fatality reported in 2015.

The fatality, which occurred at the Hartbeespoort abattoir due to drowning, was reported to the authorities and the investigation that followed exonerated the Group from any liability. A special internal audit was conducted at the abattoir to verify health and safety measures.

All appointments in terms of sections 16(1) and 16(2) of the Occupational Health and Safety Act, Act 85 of 1993 have been implemented, and health and safety meetings are held regularly.

The NOSA system, which formalises management of safety, health and the environment, was evaluated and updated at all the Group's feed factories.

Employee turnover

The employee turnover figures for the South African operations of the Group were as follows:

- Management – 0.61% compared with 0.35% in 2014.
- Not in management – 38.84% compared with 25.13% in 2014

The turnover percentages for both include restructuring processes that occurred in 2014 and 2015. Turnover percentages reported also include the termination of fixed term contracts.

BBBEE

Below are the results of the Group's first BBBEE rating. The group achieved a level 6 rating. The audit was carried out by Empowerdex, an accredited BEE verification agency using the Agricultural Sector Code scorecard. This score forms the baseline for further improvements.

	AGRI BEE indicative scorecard	Quantum Foods score
Empowerment indicator		
Ownership (Land and Equity)	20	10.18
Management Control	10	2.63
Employment Equity	10	3.07
Skills Development	20	6.32
Preferential Procurement	20	10.27
Enterprise Development	10	10.00
Rural Development, Poverty Alleviation and SED	10	2.48
Level 6 Contributor	**100**	**45.95**

The rating is valid until November 2016. The focus for the new period will be on transformation with priority pillars including: Employment Equity, Skills Development, Socio Economic Development and Procurement.

COMMUNITY PROJECTS

Quantum Foods is involved in a variety of community projects, including education and donations of products to impoverished communities.

The Group recently adopted a primary school in the area close to its head office in Wellington. Quantum Foods funds the salary of an additional teacher to assist with literacy and numeracy in the foundation phase and also funded the installation of teaching equipment at the school.

The Group started a scholarship programme aimed at Historically Disadvantaged South African's, who are studying towards an agricultural qualification.

HUMAN RIGHTS

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

ETHICS

Quantum Foods believes in doing what is right with regard to the effect of its products and operations, and in relation to its stakeholders. The Group's code of ethics ensures that employees are aware of the situations which may require ethical responses.

CONFLICT OF INTEREST

All Group employees are required to declare any gifts received from stakeholders in a register monitored by the executive committee. A monthly competitor contact register is also monitored by the executive committee. These matters are regulated in the code of ethics.

INSIDER TRADING

The Board approved an insider trading policy in November 2014 which regulates trading in Group shares by employees during open and closed periods. In this regard, all executives and board members must request permission to trade in shares from the authorised individuals.

TIP-OFFS ANONYMOUS

Quantum's tip-offs anonymous line was activated in November 2014 and from the tip-offs received, seven were investigated in the period under review. Four of the tip-offs received were founded, and were resolved appropriately.

BRIBERY, CORRUPTION, THEFT AND FRAUD

No form of bribery, corruption, theft or fraud is tolerated from employees. The Group is guided by the Prevention and Combating of Corrupt Practices Act which clearly defines the offense of corruption. The social and ethics committee monitors these matters as well as the audit and risk committee.

ANIMAL WELFARE

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

Summary consolidated financial statements

DIRECTORS' RESPONSIBILITY

In accordance with the requirements of the Companies Act, the Board is responsible for the preparation of the annual financial statements and the consolidated annual financial statements of Quantum Foods. These conform to IFRS and fairly present the state of the Group at the reporting date.

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

The Board is ultimately responsible for the internal control processes of Quantum Foods. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and reasons given by management and the internal auditors, the Board is of the opinion that the accounting controls are sufficient and 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, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

The annual financial statements were approved by the Board on 23 November 2015 and are signed on its behalf by:

WA HANEKOM
Chairman

HA LOURENS
Chief Executive Officer

NOTICE IN TERMS OF SECTION 29 OF THE COMPANIES ACT

The summary consolidated financial statements comprise a summary of the audited annual financial statements of the Group for the year ended 30 September 2015. The consolidated annual financial statements have been audited in compliance with the Companies Act. The consolidated annual financial statements have been prepared under the supervision of AH Muller, CA(SA), chief financial officer. A copy of the full audited annual financial statements of the Group is available on www.quantumfoods.co.za

COMPANY SECRETARY DECLARATION

In accordance with section 88 of the Companies Act, for the year ended 30 September 2015, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

INT Ndlovu
Company Secretary

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee ("the committee") is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act and responsibilities highlighted in King III.

AUDIT AND RISK COMMITTEE CHARTER

The committee is guided by formal terms of reference. An annual work plan which serves as a guideline for the committee in the execution of its mandate was adopted during the period.

Both the charter and work plan are reviewed annually and amended as necessary.

The committee's role and responsibilities outlined in the charter include both the statutory duties and responsibilities as required by the relevant provisions of the Companies Act as well as those highlighted in King III.

MEMBERS OF THE AUDIT AND RISK COMMITTEE

As at 30 September 2015, the committee comprised of three independent non-executive directors namely, ASM Karaan, GG Fortuin and is chaired by PE Burton.

These members will retire and avail themselves for re-election at the second AGM in terms of section 94(2) of the Companies Act. All members are required to act objectively and independently, as described in the Companies Act and in King III.

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

The Board has approved the recommended external auditor who will be formally recommended for appointment to the shareholders at the AGM. The auditor will attend all meetings of the committee in his capacity as assurance provider.

MEETINGS

The committee held two meetings during the year. Attendance of the meetings is shown on page 35 of the integrated report.

FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

During the period under review, the committee was able to discharge the following functions outlined in its charter and ascribed to it in terms of the Companies Act and King III:

- Reviewed the interim, preliminary and summary results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act; considered and, when appropriate, made recommendations on internal financial controls;
  - ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, Act 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

- Reviewed the external audit reports on the Group's annual financial statements.
- Oversaw the integrated reporting process. The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.
- Recommended the reappointment of PricewaterhouseCoopers Inc. as the external auditor and Mr DG Malan as the designated auditor, after satisfying itself through enquiry that PricewaterhouseCoopers Inc. is independent as defined in terms of the Companies Act. This will be Mr DG Malan's third year as designated auditor of the Company.
- Confirmed that PricewaterhouseCoopers Inc. and the designated auditor are accredited by the JSE.
- Confirmed and approved the internal audit charter and annual internal audit year plan.
- Reviewed the internal audit risk reports and tip-offs anonymous reports.
- Reviewed and approved risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.

CHIEF FINANCIAL OFFICER

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

In addition, the committee also considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the financial function and experience of the senior members of management responsible for the financial function.

GOING CONCERN

The committee has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Group and has made recommendations to the Board in accordance. The Board's statement regarding the going concern status of the Group, as supported by the committee, is included in the directors' responsibility report on page 51.

PE Burton
Chairman: Audit and risk committee

Wellington
23 November 2015

INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF QUANTUM FOODS HOLDINGS LTD

The summary consolidated financial statements of Quantum Foods Holdings Ltd, set out on pages 56 to 68, which comprise the summary consolidated statement of financial position as at 30 September 2015, 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 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 23 November 2015. 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's (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 2015 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 23 November 2015 states that as part of our audit of the consolidated financial statements for the year ended 30 September 2015, we have read the directors' report, the audit 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
23 November 2015

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets		**945 625**	1 061 357
Property, plant and equipment	3	**923 322**	1 045 078
Intangible assets		**12 784**	7 116
Investment in associate		**6 731**	6 112
Deferred income tax		**2 788**	3 051
Current assets		**1 053 062**	985 291
Inventories		**234 566**	232 544
Biological assets		**288 775**	292 372
Trade and other receivables		**334 794**	353 863
Derivative financial instruments		**7 424**	991
Cash and cash equivalents		**187 503**	105 521
Assets held for sale	10	**83 399**	–
Total assets		**2 082 086**	2 046 648
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		**1 514 567**	1 461 224
Share capital		**1 585 386**	1 585 386
Other reserves		**(228 968)**	(155 395)
Retained earnings		**158 149**	31 233
Total equity		**1 514 567**	1 461 224
Non-current liabilities		**220 747**	195 922
Deferred income tax		**214 258**	189 577
Provisions for other liabilities and charges		**6 489**	6 345
Current liabilities		**346 772**	389 502
Trade and other payables		**343 890**	388 037
Current income tax		**2 882**	1 465
Total liabilities		**567 519**	585 424
Total equity and liabilities		**2 082 086**	2 046 648

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 R'000	2014 R'000
Revenue		**3 468 312**	3 560 943
Cost of sales		**(2 864 073)**	(2 982 629)
Gross profit		**604 239**	578 314
Other income		**11 639**	14 450
Other gains/(losses) – net	4	**238 482**	74 767
Sales and distribution costs		**(193 631)**	(261 203)
Marketing costs		**(11 287)**	(9 080)
Administrative expenses		**(96 168)**	(95 284)
Other operating expenses		**(389 212)**	(322 823)
Operating profit/(loss)		**164 062**	(20 859)
Investment income		**9 886**	5 899
Finance costs		**(1 887)**	(4 974)
Share of profit of associate company		**619**	595
Profit/(loss) before income tax		**172 680**	(19 339)
Income tax (expense)/credit		**(45 764)**	10 852
Profit/(loss) for the year		**126 916**	(8 487)
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		**796**	238
For the year		**16 851**	331
Deferred income tax effect		**–**	(93)
Current income tax effect		**(4 718)**	–
Realised to profit or loss		**(15 747)**	–
Deferred income tax effect		**93**	–
Current income tax effect		**4 317**	–
Movement on foreign currency translation reserve			
Currency translation differences		**(75 513)**	(19 927)
Total comprehensive income/(loss) for the year		**52 199**	(28 176)
Profit/(loss) for the year attributable to owners of the parent		**126 916**	(8 487)
Total comprehensive income/(loss) for the year attributable to owners of the parent		**52 199**	(28 176)
Earnings/(loss) per ordinary share (cents)	5	**54**	(4)
Diluted earnings/(loss) per ordinary share (cents)	5	**54**	(4)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 R'000	2014 R'000
Share capital	**1 585 386**	1 585 386
Opening balance	**1 585 386**	–
Borrowings and net invested equity capitalised during the year	**–**	1 344 176
Common control transaction	**–**	160 178
Shares issued during the year	**–**	81 032
Net invested equity	**–**	–
Opening balance	**–**	38 071
Net invested equity capitalised during the year	**–**	(38 071)
Other reserves	**(228 968)**	(155 395)
Opening balance	**(155 395)**	24 472
Other comprehensive loss for the year	**(74 717)**	(19 689)
Recognition of share-based payments	**1 144**	–
Common control transaction	**–**	(160 178)
Retained earnings	**158 149**	31 233
Opening balance	**31 233**	39 720
Profit/(loss) for the year	**126 916**	(8 487)
Total equity	**1 514 567**	1 461 224

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 R'000	2014 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		**163 819**	41 946
Net cash profit from operating activities		**232 127**	70 945
Working capital changes		**(53 630)**	(27 649)
Cash effect of hedging activities		**1 104**	–
Net cash generated from operations		**179 601**	43 296
Income tax paid		**(15 782)**	(1 350)
NET CASH FLOW FROM INVESTING ACTIVITIES		**(62 031)**	(35 359)
Additions to property, plant and equipment		**(58 323)**	(37 364)
Additions to intangible assets		**(5 389)**	(7 188)
Proceeds on disposal of property, plant and equipment		**9 295**	3 294
Business combination	9	**(17 500)**	–
Interest received		**9 886**	5 899
Net cash surplus		**101 788**	6 587
NET CASH FLOW FROM FINANCING ACTIVITIES		**(1 370)**	76 752
Proceeds from issue of ordinary shares		**–**	81 032
Interest paid		**(1 370)**	(4 280)
Net increase in cash and cash equivalents		**100 418**	83 339
Effects of exchange rate changes		**(18 436)**	(2 038)
Net cash and cash equivalents at beginning of year		**105 521**	24 220
Net cash and cash equivalents at end of year		**187 503**	105 521

SUMMARY CONSOLIDATED SEGMENT REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 R'000	2014 R'000
Segment revenue	**3 468 312**	3 560 943
Eggs and layer livestock	**1 154 315**	1 086 619
Broilers	**1 034 834**	1 241 320
Animal feed	**1 099 905**	1 080 880
Africa	**179 258**	152 124
Segment results	**164 062**	(20 859)
Eggs and layer livestock	**40 571**	(16 435)
Broilers	**39 706**	(101 267)
Animal feed	**65 493**	60 889
Africa	**25 286**	35 114
Unallocated	**(6 994)**	840
A reconciliation of the segment results to operating profit/(loss) before income tax is provided below:		
Segment results	**164 062**	(20 859)
Adjusted for:		
Investment income	**9 886**	5 899
Finance costs	**(1 887)**	(4 974)
Share of profit of associate company	**619**	595
Profit/(loss) before income tax per statement of comprehensive income	**172 680**	(19 339)
Items of a capital nature per segment included in other gains/(losses) – net		
Impairment of property, plant, equipment and intangible assets before income tax	**–**	49 478
Broilers	**–**	49 478
Segment assets	**1 885 064**	1 931 964
Eggs and layer livestock	**736 872**	753 485
Broilers	**568 344**	596 920
Animal feed	**390 376**	358 054
Africa	**168 645**	199 445
Other	**20 827**	24 060

	2015 R'000	2014 R'000
A reconciliation of the segments' assets to the Group's assets is provided below:		
Segment assets per segment report	**1 885 064**	1 931 964
Adjusted for:		
Investment in associate	**6 731**	6 112
Deferred income tax assets	**2 788**	3 051
Cash and cash equivalents	**187 503**	105 521
Total assets per statement of financial position	**2 082 086**	2 046 648
Total segment liabilities	**350 379**	394 382
Eggs and layer livestock	**84 456**	62 202
Broilers	**53 258**	71 217
Animal feed	**150 890**	200 448
Africa	**18 686**	13 123
Other	**43 089**	47 392
A reconciliation of the segments' liabilities to the Group's liabilities is provided below:		
Segment liabilities per segment report	**350 379**	394 382
Adjusted for:		
Current and deferred income tax liabilities	**217 140**	191 042
Total liabilities per statement of financial position	**567 519**	585 424
Total assets held for sale	**83 399**	–
Broilers	**83 399**	–

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

BACKGROUND

The Group was established during the previous reporting period when the business of the 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 eggs and layer livestock business, the Tydstroom broiler 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 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 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 to also, as a minimum, 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 annual 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.

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 2015 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 2014:

- *Amendments to IAS 32 – Financial instruments: Presentation*
- *Amendments to IAS 36 – Impairment of assets*
- *Improvements to IFRSs 2013*

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 2015 and the financial position at 30 September 2015.

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
3. PROPERTY, PLANT AND EQUIPMENT				
30 September 2015				
Cost				
At 1 October 2014	**487 273**	**1 104 362**	**44 389**	**1 636 024**
Additions	**19 230**	**37 759**	**1 334**	**58 323**
Transfers	**2 979**	**(2 979)**	**–**	**–**
Business combinations	**–**	**15 500**	**–**	**15 500**
Foreign exchange adjustment	**(25 100)**	**(30 846)**	**(2 369)**	**(58 315)**
Disposals	**(11 485)**	**(5 586)**	**(4 327)**	**(21 398)**
Transferred to assets held for sale	**(74 842)**	**(85 546)**	**(789)**	**(161 177)**
At 30 September 2015	**398 055**	**1 032 664**	**38 238**	**1 468 957**
Accumulated depreciation and impairment				
At 1 October 2014	(137 944)	(433 892)	(19 110)	(590 946)
Charge for the year	(9 100)	(42 651)	(3 256)	(55 007)
Foreign exchange adjustment	3 553	3 927	1 377	8 857
Depreciation on disposals	7 321	3 885	2 477	13 683
Transferred to assets held for sale	25 170	52 177	431	77 778
At 30 September 2015	(111 000)	(416 554)	(18 081)	(545 635)
Net book value at 30 September 2015	287 055	616 110	20 157	923 322

	2015 R'000	2014 R'000
4. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	**111 882**	51 950
Unrealised – reflected in carrying amount of biological assets	**(4 489)**	9 767
Realised – reflected in cost of goods sold	**116 371**	42 183
Agricultural produce fair value adjustment	**121 128**	70 722
Foreign exchange differences	**4 000**	(272)
Foreign exchange contract fair value adjustments	**(108)**	230
Profit on disposal of property, plant and equipment	**1 580**	1 615
Impairment of property, plant and equipment	**–**	(49 478)
	238 482	74 767

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

	2015 R'000	2014 R'000
5. 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:		
Profit/(loss) for the year attributable to owners of the parent	**126 916**	(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.		
Reconciliation between profit/(loss) attributable to owners of the parent and headline earnings		
Profit/(loss) for the year attributable to owners of the parent	**126 916**	(8 487)
Remeasurement of items of a capital nature		
Profit on disposal of property, plant and equipment	**(1 000)**	(1 312)
Gross	**(1 580)**	(1 615)
Tax effect	**580**	303
Impairment of property, plant and equipment	**–**	35 840
Gross	**–**	49 478
Tax effect	**–**	(13 638)
Headline earnings for the year	**125 916**	26 041
Weighted average number of ordinary shares in issue ('000)*	**233 249**	233 249
Earnings/(loss) per share (cents)		
Basic and diluted	**54**	(4)
Headline earnings per share (cents)		
Basic and diluted	**54**	11

* *The loss per share and headline earnings per share for the previous reporting period set out above were 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.*

	2015 R'000	2014 R'000
6. CONTINGENT LIABILITIES		
Guarantees in terms of loans by third parties to contracted service providers	**42 300**	45 900

Litigation

Dispute with egg contract producers

As previously reported, six contract egg producers proceeded with claims in the Western Cape High Court: Cape Town. The claim from one of the six contract producers is 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 four egg contract producers. A further contract producer withdrew its claim. These settlements had no adverse financial impact on Pioneer Foods.

Pioneer Foods filed a plea in respect of the remaining claim as well as a counterclaim to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producer. Pioneer Foods is awaiting the setting of a trial date in this matter.

Although the claims were brought against Pioneer Foods, the Group indemnified Pioneer Foods against any damages that may be suffered as a result of same in terms of the internal restructuring agreements when it acquired the egg business.

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

Termination of contract

The Group received a summons in respect of early termination of a distribution contract. The matter will be defended in the High Court.

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

7. FUTURE CAPITAL COMMITMENTS

Capital expenditure approved by the Board and contracted for amount to R49.0 million (30 September 2014: R40.5 million). Capital expenditure approved by the Board, but not contracted for, amount to R113.0 million (30 September 2014: R73.8 million). This amount includes the approved acquisition of the Olifantskop feed mill, as well as the possible acquisition of a business in another African country.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

8. 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 2015:

	Level 1 R'000	Level 2 R'000	Level 3 R'000
Assets measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	–	4	–
– Fair value hedges	–	7 420	–
	–	7 424	–
Total assets measured at fair value			7 424

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

9. BUSINESS COMBINATION

During the year under review, the following business was acquired and all assets and liabilities relating to this acquisition has been accounted for on the acquisition basis:

	2015 R'000
9. BUSINESS COMBINATION (CONTINUED)	
Safe Eggs – Pasteurised eggs (on 20 April 2015)	
Fair value	
Property, plant and equipment	15 500
Trademarks	1 544
Inventory	510
Trade and other payables	(54)
Purchase consideration – settled in cash	17 500
Reason for business combination	
To enter into a new market segment in the egg industry. Pasteurised eggs is a value added product.	
Contribution since acquisition	
Revenue	12 602
Operating profit before finance cost and income tax	837
Pro forma contribution assuming the acquisition was at the beginning of the year	
Revenue	30 245
Operating profit before finance cost and income tax	2 009

10. ASSETS HELD FOR SALE

The Group's shareholders were advised on SENS on 11 May 2015 of an agreement entered into with Sovereign Food Investments Ltd, in terms of which the Group will dispose of the Tydstroom Abattoir business in Hartbeespoort, as a going concern. The Tydstroom Abattoir business in Hartbeespoort, relates to the slaughtering and processing of broilers for human consumption.

Accordingly, the Tydstroom Abattoir business in Hartbeespoort has been treated as an "asset held for sale" in terms of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* for the year ended 30 September 2015.

The disposal will result in the Group exiting the broiler meat market served from the Hartbeespoort abattoir in Gauteng. It will furthermore result in an aligned broiler business model for the Group in both the Western Cape and Gauteng, with the Group being a contract producer of live broilers and not participating directly in the broiler meat market.

The Group's shareholders were advised on SENS on 7 October 2015 that all of the conditions precedent to the sale have been fulfilled and accordingly the sale is unconditional, with an effective date of 19 October 2015.

	2015 R'000
Assets of the disposal group classified as held for sale	
Property, plant and equipment	83 399
	83 399

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

11. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final dividend of 10 cents per ordinary share has been declared for the year, on 23 November 2015. This will only be reflected in the statement of changes in equity in the next reporting period.

Additional information disclosed

These dividends are declared from income reserves and qualify as a dividend as defined in the Income Tax Act, Act 58 of 1962.

Dividends will be paid net of dividends tax of 15%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as a result of the double taxation agreement between South Africa and the country of domicile of such owner.

The net dividend amounts to 8.5 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 10.0 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 233 248 590 as at the date of this declaration.

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 summary consolidated financial statements by the Board.

12. PREPARATION OF FINANCIAL STATEMENTS

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

13. 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.

Corporate information

QUANTUM FOODS HOLDINGS LTD
Incorporated in the Republic of South Africa
Registration number: 2013/208598/06
Share code: QFH ISIN code: ZAE000193686

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

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

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

TRANSFER SECRETARIES
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PO Box 61051
Marshalltown
2107
South Africa
Tel: 011 370 5000
Fax: 011 688 5209

SPONSOR
PSG Capital (Pty) Ltd
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403,Stellenbosch,7599)
Tel: 021 887 9602
Fax: 021 887 9624

and

1st Floor, Building 8
Inanda Greens Business Park
54 Wierda Road West
Wierda Valley
Sandton, 2196
(PO Box 650957, Benmore, 2010)

SHAREHOLDERS' DIARY

Financial year-end	30 September
Annual general meeting	19 February 2016

Reports

Interim report for the half-year ended 31 March 2016	May 2016
Announcement of results for the year ended 30 September 2016	November 2016
Integrated report for the year ended 30 September 2016	December 2016

Dividends

Interim	Announcement	May 2016
	Payment	July 2016
Final	Announcement	November 2016
	Payment	February 2017

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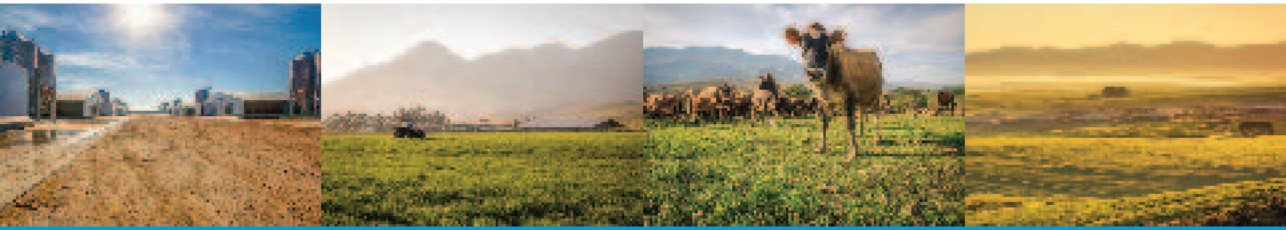

Annual financial statements 2015

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Consolidated financial statements for the year ended 30 September 2015

Company financial statements for the year ended 30 September 2015

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 Holdings Ltd ("Quantum Foods" or the "Company"). These conform to International Financial Reporting Standards ("IFRS") and fairly present the state of Quantum Foods Holdings Ltd and its subsidiaries ("the Group") at the reporting date.

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

The Board is ultimately responsible for the internal control processes of Quantum Foods. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and reasons given by management and the internal auditors, the Board is of the opinion that the accounting controls are sufficient and 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, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

The annual financial statements which appear on pages 7 to 87 were approved by the Board on 23 November 2015 and are signed on its behalf by:

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

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

These annual financial statements have been audited in compliance with the Companies Act. These annual financial statements have been prepared under the supervision of Mr AH Muller, CA(SA), chief financial officer.

COMPANY SECRETARY

In accordance with section 88 of the Companies Act, for the year ended 30 September 2015, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

INT Ndlovu
Company Secretary

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee ("the committee") is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act and responsibilities highlighted in King III.

AUDIT AND RISK COMMITTEE CHARTER

The committee is guided by formal terms of reference. An annual work plan which serves as a guideline for the committee in the execution of its mandate was adopted during the period.

Both the charter and work plan are reviewed annually and amended as necessary.

The committee's role and responsibilities outlined in the charter include both the statutory duties and responsibilities as required by the relevant provisions of the Companies Act as well as those highlighted in King III.

MEMBERS OF THE AUDIT AND RISK COMMITTEE

As at 30 September 2015, the committee comprised of three independent non-executive directors namely, ASM Karaan, GG Fortuin and is chaired by PE Burton. These members will retire and avail themselves for re-election at the second AGM in terms of section 94(2) of the Companies Act. All members are required to act objectively and independently, as described in the Companies Act and in King III.

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

The Board has approved the recommended external auditor who will be formally recommended for appointment to the shareholders at the AGM. The auditor will attend all meetings of the committee in his capacity as assurance provider.

MEETINGS

The committee held two meetings during the year. Attendance of the meetings is shown on page 35 of the integrated report.

FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

During the period under review, the committee was able to discharge the following functions outlined in its charter and ascribed to it in terms of the Companies Act and King III:

- Reviewed the interim, preliminary and summary results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, Act 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.
- Reviewed the external audit reports on the Group's annual financial statements.
- Oversaw the integrated reporting process. The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.
- Recommended the reappointment of PricewaterhouseCoopers Inc. as the external auditor and Mr DG Malan as the designated auditor, after satisfying itself through enquiry that PricewaterhouseCoopers Inc. is independent as defined in terms of the Companies Act. This will be Mr DG Malan's third year as designated auditor of the Company.
- Confirmed that PricewaterhouseCoopers Inc. and the designated auditor are accredited by the JSE.
- Confirmed and approved the internal audit charter and annual internal audit year plan.
- Reviewed the internal audit risk reports and tip-offs anonymous reports.
- Reviewed and approved risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.

CHIEF FINANCIAL OFFICER

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

In addition, the committee also considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the financial function and experience of the senior members of management responsible for the financial function.

GOING CONCERN

The committee has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Group and has made recommendations to the Board in accordance. The Board's statement regarding the going concern status of the Group, as supported by the committee, is included in the directors' responsibility report on page 2.

PE Burton
Chairman: Audit and risk committee
Wellington
23 November 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QUANTUM FOODS HOLDINGS LTD

We have audited the consolidated and separate financial statements of Quantum Foods Holdings Ltd set out on pages 9 to 87, which comprise the statements of financial position as at 30 September 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate 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 these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Quantum Foods Holdings Ltd as at 30 September 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2015, we have read the Directors' Report, the Audit 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 and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: DG Malan
Registered Auditor

Paarl
23 November 2015

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Quantum Foods Holdings Ltd and its subsidiaries are a diversified feeds and poultry business providing quality animal protein to selected South African and African markets.

2. FINANCIAL RESULT

The annual financial statements on pages 9 to 87 set out fully the financial position, financial performance and the cash flows for the year ended 30 September 2015.

3. SHARE CAPITAL

The authorised share capital consists of 400 000 000 (2014: 400 000 000) ordinary no par value shares. At year-end 233 248 590 (2014: 233 284 332) ordinary shares were in issue.

During the reporting period, 35 742 shares held by Pioneer Food Group Ltd ("Pioneer Foods"), were cancelled before the listing of the Company on 6 October 2014. These shares were cancelled to ensure an equal 1:1 unbundling of shares at the listing.

4. DIVIDENDS

A final gross dividend of 10 cents (2014: Rnil) per ordinary share was declared.

5. SUBSIDIARIES

The detail on interest in and loans to subsidiaries are presented in note 5 to the consolidated financial statements.

6. DIRECTORS

The directors of the Company are responsible for the activities and reports related to the Group. The Board comprises:

- Wouter André Hanekom – appointed as chairman on 28 April 2015
- Norman Celliers – stepped down as chairman on 28 April 2015
- Lambert Phillips Retief – resigned on 19 February 2015
- Hendrik Albertus Lourens
- André Hugo Muller
- Prof. Abdus Salam Mohammad Karaan
- Patrick Ernest Burton
- Geoffrey George Fortuin – appointed on 28 April 2015

7. SPECIAL RESOLUTIONS PASSED

Annual general meeting of shareholders ("AGM")
At the AGM held at Kleinevalleij Estate, Wellington on Friday, 20 February 2015 at 09:00 the following special resolutions were passed by the Company:

Special resolution one, for approval of the remuneration payable by the Company to its non-executive directors for their services as directors for the period 1 April 2015 until the date of the next AGM, was passed.

Special resolution two, for approval of the general authority to the Board to repurchase any of the shares issued by the Company, on the basis reflected in the special resolution, by the Company and its subsidiaries, was passed.

Special resolution three, for approval of a general authority to the Board of the Company to grant direct and indirect financial assistance to any company forming part of the Company's group, including in the form of loans or the guaranteeing of their debts, was passed.

Special resolution four, for the approval of a general authority to the Board of the Company, 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, was passed.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

8. LITIGATION STATEMENT

Refer to note 29 (contingent liabilities) of the annual financial statements for detail on the status of the dispute with contract growers and broiler and breeder farms and a claim for early termination of a distribution agreement. No other litigation matters with potential material consequences exist at the reporting date.

9. EVENTS AFTER THE REPORTING PERIOD

Other than the matters raised in note 38 to the consolidated financial statements, no other events occurred after the reporting date that may have a material effect on the Group.

10. AUDITORS

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act, Act 71 of 2008.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1. BASIS OF PREPARATION

The principle accounting policies applied in the preparation of these consolidated annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated annual financial statements of the Group have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS") and International Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements, the Listings Requirements of the JSE Ltd and the Companies Act. These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The consolidated annual financial statements are prepared on the historic cost convention, as modified by the revaluation of biological assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The reorganisation of the Pioneer Foods businesses into the Group during the previous reporting period was a common control transaction as Pioneer Foods was the ultimate controlling entity before and after the reorganisation. These financial statements were based on predecessor accounting arising from such common control transaction. This method required that the assets and liabilities of the Group were presented using the carrying amounts from the highest level of common control (i.e. Pioneer Foods) for which consolidated financial statements were 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.

Net invested equity

The divisions of the Group generated assessed losses which were utilised by other divisions of Pioneer Foods, as such, the utilisation of these tax losses has been recognised as a distribution in net invested equity in the previous reporting period.

Furthermore all investments in subsidiaries and associates transferred to the Group were recognised in net invested equity.

The acquisitions of the subsidiaries were common control transactions. An accounting policy has been established for these business combinations as IFRS is currently silent on the treatment of these transactions. Also refer to note 2 "Basis of consolidation" of the accounting policies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2 to the consolidated annual financial statements.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

1. BASIS OF PREPARATION (CONTINUED)

1.1 New and amended accounting standards and interpretations effective in 2015

The following standards, amendments and interpretations, have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2014, which did not have a material impact on reported results:

Amendments to IAS 32 – Financial instruments: Presentation (effective 1 January 2014)

The amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has applied set-off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations.

Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets (effective 1 January 2014)

The IASB has made small changes to the disclosures required by IAS 36, Impairment of assets when the recoverable amount is determined based on the fair value less costs of disposal.

IFRS 13 – Fair Value Measurement, made consequential amendments to the disclosure requirements of IAS 36. One of the amendments was drafted more widely than intended. This limited scope amendment corrects this and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment.

Improvements to IFRS 2013 (effective 1 July 2014)

This is a collection of amendments to IFRS. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project for 2012. The annual improvements project provides a vehicle for making non-urgent, but necessary amendments to IFRS. Certain amendments resulted in consequential amendments to IFRS.

1.2 New and amended accounting standards and interpretations that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations are not yet effective and have not been early adopted by the Group (the effective dates stated below refer to financial reporting periods beginning on or after the stated dates):

IFRS 9 – Financial Instruments (effective 1 January 2018)

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that related to the classification and measurement of financials instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 15 – Revenue from contracts with customers (effective 1 January 2018)

IFRS 15 establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

Improvements to IFRS 2014 (effective 1 January 2016)

This is a collection of amendments to IFRS. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project for 2014. The annual improvements project provides a vehicle for making non-urgent, but necessary amendments to IFRS. Certain amendments resulted in consequential amendments to IFRS.

Impact of the above amendments on the Group's financial statements

The Group is in the process of assessing the impact of the above standards and interpretations on the Group's financial statements.

2. BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 – Financial Instruments: Recognition and Measurement either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intergroup transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

2. BASIS OF CONSOLIDATION (CONTINUED)

Subsidiaries (continued)

In the stand-alone financial statements of the holding Company, the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

Interest-free loans to subsidiaries, with no specific terms of repayment and with a definite intent not to demand repayment, are considered to be capital distributions to the subsidiary and are included in the carrying amount of the investment.

Associates

Associates are all entities over which the Group has significant influence, but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as part of the "share of profit of investments accounted for using the equity method" in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognised in profit or loss. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Common control reserve

IFRS 3 excludes from its scope business combinations between entities under common control. The Group has made the policy choice to apply predecessor accounting.

The principles of predecessor accounting are that no assets or liabilities are restated to their fair values. The Group incorporates predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity.

No new goodwill arises. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Differences on consolidation are included in the common control reserve in equity.

3. PROPERTY, PLANT AND EQUIPMENT

Land and buildings mainly comprises factories, farms, poultry houses, offices and silos. All property, plant and equipment is stated at historical cost less depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Land is not depreciated. Depreciation on buildings, poultry houses, machinery, vehicles, furniture and equipment is calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives.

The expected useful lives are as follows:

• Buildings	10 – 25 years
• Poultry houses	25 years
• Plant, machinery and equipment	3 – 30 years
• Vehicles	3 – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amounts. These are included within "other gains/(losses) – net" in profit or loss.

4. INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill arising from business combinations is included in "intangible assets".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Trademarks and intellectual property

Trademarks and intellectual property are shown at historical cost. Subsequently these intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intellectual property has finite useful lives, whereas trademarks either have finite or indefinite useful lives.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

4. INTANGIBLE ASSETS (CONTINUED)

Trademarks and intellectual property (continued)

Intellectual property and trademarks with finite useful lives are amortised over their useful lives of between 5 and 25 years and assessed for impairment when there is an indication that the assets may be impaired.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between two and five years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditure that does not meet the criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

5. IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets, other than goodwill, that have suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

6. FINANCIAL ASSETS

6.1 Classification

The Group classifies its financial assets in the following categories:

- at fair value through profit or loss
- loans and receivables

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held-for-trading unless they are designated as hedges. The Group's financial instruments at fair value through profit or loss comprise 'derivative financial instruments' not earmarked for hedging. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are included within "other gains/(losses) – net" in profit or loss in the period in which they arise.

The fair values of quoted investments are based on current bid prices. The Group establishes fair value by using valuation techniques if the market for a financial asset is not active and for unlisted securities. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

6.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Loans and receivables

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing on trade receivables is described in note 11 of the accounting policy.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

7. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

8. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sales transaction or distribution and a sale or distribution is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

9. BIOLOGICAL ASSETS

Biological assets consist of livestock. The presentation of biological assets as current or non-current assets depend on the nature of the biological assets. Livestock is a consumable asset and is presented as current assets. Biological assets of the Group includes biological assets held at contract growers as the Group retains ownership of these assets. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Changes in the measurement of fair value less cost to sell are included within "other gains/(losses) – net" in profit or loss for the period in which they arise.

All costs incurred in maintaining the assets are included within "cost of sales" in profit or loss for the period in which they arise. Fair values of livestock held for breeding, laying hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

Agricultural produce is the harvested product of the entity's biological assets and is measured at its fair value less cost to sell at the point of harvest. Such measurement is the cost at that date when transferring the harvested produce to inventory. Agricultural produce of the Group includes eggs from laying hens, hatching eggs from breeder hens and meat from broiler chickens.

10. INVENTORIES

Inventories are valued at the lower of cost or net realisable value. Cost in each category is determined as follows:

- Raw material at actual cost on a weighted average cost basis.
- Own manufactured products at direct raw material and labour cost plus an appropriate portion of production overheads, on a weighted average cost basis.
- Consumable and trading stock at actual cost on a weighted average cost basis.
- Eggs purchased and broilers are valued at actual cost on a weighted average cost basis.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials.

11. TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision for impairment of trade receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss within "other operating expenses". The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, they are written off as "other operating expenses" in profit or loss. Subsequent recoveries of amounts previously written off, are credited against "other operating expenses" in profit or loss.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments.

Deposits held at call with banks and other short-term highly liquid investments are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. These deposits are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

13. SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds.

When any Group company purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the parent.

Interest-bearing borrowings and net invested equity from Pioneer Foods were converted to share capital as part of the Pioneer Foods reorganisation on 1 October 2013.

14. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the year-end reporting date.

15. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as "finance costs" in profit or loss.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

16. TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

17. CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period comprises current and deferred income tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

18. DIVIDEND WITHHOLDING TAX

Dividend withholding tax ("DWT") became effective from 1 April 2012. Dividends are taxed at 15% in the hands of certain recipients of the dividends, rather than in the hands of the declarer of the dividend. As such, for dividends declared and paid by the Group after 1 April 2012, the Group does not recognise tax on dividends declared.

Where the Group has incurred DWT on dividends received, the tax is included in the "income tax expense" line in profit or loss.

19. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after elimination of sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income is recognised as follows:

Sale of goods

Sale of goods is recognised when a Group entity has delivered products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured. No element of financing is deemed present as sales are made within credit terms which are consistent with market practice. The sale of goods is the only income included in "revenue" in profit or loss.

Sale of services

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided. The sale of services is included in "other income" in profit or loss. Sale of services includes rental income received.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method. When loans or receivables are impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate. Interest income is included in "investment income" in profit or loss.

20. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates ("the functional currency"). The consolidated financial statements are presented in South African rand, which is the Group's functional and presentation currency.

Transactions and balances

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All other foreign exchange gains and losses are presented in profit or loss within "other gains and losses – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation differences resulting from changes in amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the "fair value gain or loss".

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of South African rand are translated into South African rand as follows:

- Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the reporting date.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

20. FOREIGN CURRENCY TRANSLATION (CONTINUED)

Group entities (continued)

- Income and expenditure included in profit or loss for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenditure are translated at the exchange rates prevailing at the dates of the transactions).
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities, and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

21. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty, is recognised as an expense in the period in which termination takes place.

22. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSOR

Operating leases

Operating lease assets are included in property, plant and equipment in the statement of financial position. These assets are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the period of the lease and included in "other income" in profit or loss.

23. EMPLOYEE BENEFITS

Retirement scheme arrangements

The policy of the Group is to provide retirement benefits for all its employees in the form of a defined contribution plan. A defined contribution plan is a retirement scheme under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the retirement benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other long-term employee benefits

The Group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within "other operating expenses" in profit or loss.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits falling due more than 12 months after the year-end reporting date are discounted to present value using the effective interest rate method.

Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Leave pay

Annual leave entitlement is provided for over the period that the leave accrues. In terms of the Group's policy, employees are entitled to accumulate vested leave benefits not taken to a cap of 36 days. Any leave days vesting in excess of the cap are forfeited in the vesting month.

Leave may not be converted to cash except at termination of employment.

24. SHARE-BASED PAYMENTS

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share appreciation rights is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share appreciation rights that are expected to become exercisable. At each reporting date, the Group revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to other comprehensive income. Benefits falling due more than 12 months after the year-end reporting date are discounted to present value using the effective interest rate method.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the share appreciation rights are exercised.

25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either cash flow or fair value hedges.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (CONTINUED)

The fair values of various derivative instruments used for hedging purposes and detail on movements in the hedging reserve are disclosed in note 10 to the consolidated annual financial statements. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the reporting date and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months from this date. Trading derivatives are classified as current assets or liabilities.

Fair value hedges

Fair value hedges cover the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk). Foreign currency risk of an unrecognised firm commitment is accounted for as a cash flow hedge.

The Group only applies fair value hedge accounting to hedge commodity price risk, i.e. changes in the fair value of fixed-price commodity purchase commitments, due to changes in the forward price in the market of the related commodity. Financial instruments designated as fair value hedges include commodity futures and foreign exchange contracts.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest rate method is used, is amortised in profit or loss over the period of maturity.

Cash flow hedges

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability; or
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

Cash flow hedging instruments are mainly used to manage operational exposure to foreign exchange and commodity price risks. Financial instruments designated as cash flow hedges include commodity futures and foreign exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately within "other gains or losses – net" in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in "cost of goods sold" in profit or loss (in the case of inventory) or in "depreciation" in profit or loss (in the case of property, plant and equipment).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised in profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to "other gains or losses – net" in profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss within "other gains or losses – net".

26. DIVIDEND DISTRIBUTION

Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the board of directors.

27. SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision-maker ("CODM"), this being the chief executive officer and financial director of the Group, in order to allocate resources and assess performance and for which distinct financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The operating segments were identified and grouped together based mainly on the nature of their activities and the products offered by them.

28. AMORTISED COSTS

Finance costs and investment income are recognised on a time-proportion basis using the effective interest rate method. When determining the amortised cost amount of financial assets and liabilities, the Group reduces the carrying amount to the amount recoverable or payable, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as accretions of discount. These accretions or unwinding of discount on financial assets and liabilities carried at amortised cost are included in "finance costs" or "investment income" in profit or loss.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets		**945 625**	1 061 357
Property, plant and equipment	3	**923 322**	1 045 078
Intangible assets	4	**12 784**	7 116
Investment in associate	6	**6 731**	6 112
Deferred income tax	15	**2 788**	3 051
Current assets		**1 053 062**	985 291
Inventories	7	**234 566**	232 544
Biological assets	8	**288 775**	292 372
Trade and other receivables	9	**334 794**	353 863
Derivative financial instruments	10	**7 424**	991
Cash and cash equivalents	11	**187 503**	105 521
Assets held for sale	37	**83 399**	–
Total assets		**2 082 086**	2 046 648
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		**1 514 567**	1 461 224
Share capital	12	**1 585 386**	1 585 386
Other reserves	14	**(228 968)**	(155 395)
Retained earnings		**158 149**	31 233
Total equity		**1 514 567**	1 461 224
Non-current liabilities		**220 747**	195 922
Deferred income tax	15	**214 258**	189 577
Provisions for other liabilities and charges	16	**6 489**	6 345
Current liabilities		**346 772**	389 502
Trade and other payables	17	**343 890**	388 037
Current income tax	27	**2 882**	1 465
Total liabilities		**567 519**	585 424
Total equity and liabilities		**2 082 086**	2 046 648

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 R'000	2014 R'000
Revenue		**3 468 312**	3 560 943
Cost of sales		**(2 864 073)**	(2 982 629)
Gross profit		**604 239**	578 314
Other income	18	**11 639**	14 450
Other gains/(losses) – net	19	**238 482**	74 767
Sales and distribution costs		**(193 631)**	(261 203)
Marketing costs		**(11 287)**	(9 080)
Administrative expenses		**(96 168)**	(95 284)
Other operating expenses		**(389 212)**	(322 823)
Operating profit/(loss)	20	**164 062**	(20 859)
Investment income	21	**9 886**	5 899
Finance costs	22	**(1 887)**	(4 974)
Share of profit of associate company	6	**619**	595
Profit/(loss) before income tax		**172 680**	(19 339)
Income tax (expense)/credit	23	**(45 764)**	10 852
Profit/(loss) for the year		**126 916**	(8 487)
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		**796**	238
For the year		**16 851**	331
Deferred income tax effect		**–**	(93)
Current income tax effect		**(4 718)**	–
Realised to profit or loss		**(15 747)**	–
Deferred income tax effect		**93**	–
Current income tax effect		**4 317**	–
Movement on foreign currency translation reserve			
Currency translation differences		**(75 513)**	(19 927)
Total comprehensive income/(loss) for the year		**52 199**	(28 176)
Profit/(loss) for the year attributable to owners of the parent		**126 916**	(8 487)
Total comprehensive income/(loss) for the year attributable to owners of the parent		**52 199**	(28 176)
Earnings/(loss) per ordinary share (cents)	24	**54**	(4)
Diluted earnings/(loss) per ordinary share (cents)	24	**54**	(4)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Share capital R'000	Net invested equity R'000	Common control reserve R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2014	**1 585 386**	**–**	**(160 178)**	**238**	**4 545**	**–**	**(155 395)**	**31 233**	**1 461 224**
Comprehensive income:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**126 916**	**126 916**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**796**	**(75 513)**	**–**	**(74 717)**	**–**	**(74 717)**
Movement on foreign currency translation reserve	**–**	**–**	**–**	**–**	**(75 513)**	**–**	**(75 513)**	**–**	**(75 513)**
Cash flow hedging									
Fair value adjustments to cash flow hedging reserve									
For the year	**–**	**–**	**–**	**16 851**	**–**	**–**	**16 851**	**–**	**16 851**
Deferred income tax effect	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Current income tax effect	**–**	**–**	**–**	**(4 718)**	**–**	**–**	**(4 718)**	**–**	**(4 718)**
Realised to profit or loss	**–**	**–**	**–**	**(15 747)**	**–**	**–**	**(15 747)**	**–**	**(15 747)**
Deferred income tax effect	**–**	**–**	**–**	**93**	**–**	**–**	**93**	**–**	**93**
Current income tax effect	**–**	**–**	**–**	**4 317**	**–**	**–**	**4 317**	**–**	**4 317**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**–**	**894**	**894**	**–**	**894**
Deferred income tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**250**	**250**	**–**	**250**
Balance as at 30 September 2015	**1 585 386**	**–**	**(160 178)**	**1 034**	**(70 968)**	**1 144**	**(228 968)**	**158 149**	**1 514 567**
Balance as at 1 October 2013	–	38 071	–	–	24 472		24 472	39 720	102 263
Borrowings and net invested equity capitalised during the year	1 344 176	(38 071)	–	–	–		–	–	1 306 105
Common control transaction	160 178	–	(160 178)	–	–		(160 178)	–	–
Shares issued during the year	81 032	–	–	–	–		–	–	81 032
Comprehensive income:									
Loss for the year	–	–	–	–	–		–	(8 487)	(8 487)
Other comprehensive income/(loss) for the year	–	–	–	238	(19 927)		(19 689)	–	(19 689)
Movement on foreign currency translation reserve	–	–	–	–	(19 927)		(19 927)	–	(19 927)
Cash flow hedging									
Fair value adjustments to cash flow hedging reserve									
For the year	–	–	–	331	–		331	–	331
Deferred income tax effect	–	–	–	(93)	–		(93)	–	(93)
Balance as at 30 September 2014	1 585 386	–	(160 178)	238	4 545		(155 395)	31 233	1 461 224

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 R'000	2014 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		**163 819**	41 946
Net cash profit from operating activities	25	**232 127**	70 945
Working capital changes	26	**(53 630)**	(27 649)
Cash effect of hedging activities		**1 104**	–
Net cash generated from operations		**179 601**	43 296
Income tax paid	27	**(15 782)**	(1 350)
NET CASH FLOW FROM INVESTING ACTIVITIES		**(62 031)**	(35 359)
Additions to property, plant and equipment	3	**(58 323)**	(37 364)
Additions to intangible assets	4	**(5 389)**	(7 188)
Proceeds on disposal of property, plant and equipment	28	**9 295**	3 294
Business combination	36	**(17 500)**	–
Interest received	21	**9 886**	5 899
Net cash surplus		**101 788**	6 587
NET CASH FLOW FROM FINANCING ACTIVITIES		**(1 370)**	76 752
Proceeds from issue of ordinary shares		**–**	81 032
Interest paid		**(1 370)**	(4 280)
Net increase in cash and cash equivalents		**100 418**	83 339
Effects of exchange rate changes		**(18 436)**	(2 038)
Net cash and cash equivalents at beginning of year		**105 521**	24 220
Net cash and cash equivalents at end of year	11	**187 503**	105 521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1. ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these historical financial information are set out on pages 9 to 23.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

These items are depreciated over their useful lives, taking into account the residual value at the end of the item's useful life. Residual values and useful lives are based on industry knowledge and past experience with similar assets.

The Group continuously considers the existence of impairment indicators. An impairment loss is only recognised if the asset's or cash generating unit ("CGU") carrying amount exceeds its respective 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. These calculations require the use of estimates.

Fair value measurement of biological assets

In measuring fair value of biological assets, management estimates and judgements are required for determination of fair value. Refer to note 33 for key assumptions used.

Assessment of control over contract growers

The Group utilises contract growers for the growing of broilers in exchange for a fee. Goods delivered to contract growers are not recognised as revenue as the Group retains ownership of the goods. These goods are recognised as biological assets and inventories held at third parties.

The Group assesses whether it exercises control over contract growers based on an analysis of the activities of these entities, the Group's decision-making powers, its ability to obtain benefits from these entities and the residual risks regarding these entities that are retained by the Group. Based on this analysis the Group concluded that it does not control the activities of any contract grower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

	2015 R'000	2014 R'000
3. PROPERTY, PLANT AND EQUIPMENT		
Land and buildings	287 055	349 329
Plant, machinery and equipment	616 110	670 470
Vehicles	20 157	25 279
Net book value	923 322	1 045 078

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
30 September 2015				
Cost				
At 1 October 2014	487 273	1 104 362	44 389	1 636 024
Additions	19 230	37 759	1 334	58 323
Transfers	2 979	(2 979)	–	–
Business combinations	–	15 500	–	15 500
Foreign exchange adjustment	(25 100)	(30 846)	(2 369)	(58 315)
Disposals	(11 485)	(5 586)	(4 327)	(21 398)
Transferred to assets held for sale	(74 842)	(85 546)	(789)	(161 177)
At 30 September 2015	398 055	1 032 664	38 238	1 468 957
Accumulated depreciation and impairment				
At 1 October 2014	(137 944)	(433 892)	(19 110)	(590 946)
Charge for the year	(9 100)	(42 651)	(3 256)	(55 007)
Foreign exchange adjustment	3 553	3 927	1 377	8 857
Depreciation on disposals	7 321	3 885	2 477	13 683
Transferred to assets held for sale	25 170	52 177	431	77 778
At 30 September 2015	(111 000)	(416 554)	(18 081)	(545 635)
Net book value at 30 September 2015	287 055	616 110	20 157	923 322

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
30 September 2014				
Cost				
At 1 October 2013	479 062	1 093 942	42 485	1 615 489
Additions	14 257	18 759	4 348	37 364
Transfers	(1 302)	1 302	–	–
Foreign exchange adjustment	(4 119)	(5 533)	(482)	(10 134)
Disposals	(625)	(4 108)	(1 962)	(6 695)
At 30 September 2014	487 273	1 104 362	44 389	1 636 024
Accumulated depreciation and impairment				
At 1 October 2013	(110 400)	(364 761)	(16 301)	(491 462)
Charge for the year	(9 239)	(42 500)	(3 474)	(55 213)
Impairments	(18 763)	(29 947)	(768)	(49 478)
Foreign exchange adjustment	25	80	86	191
Depreciation on disposals	433	3 236	1 347	5 016
At 30 September 2014	(137 944)	(433 892)	(19 110)	(590 946)
Net book value at 30 September 2014	349 329	670 470	25 279	1 045 078

	2015 R'000	2014 R'000
3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
The property, plant and equipment balance includes assets in the course of construction amounting to:	**26 490**	3 564

Land and buildings with a cost price of R215 million (2014: R392 million) are in the process of being transferred and are not yet registered in the name of the Group. This relates mainly to the property still in process of being transferred to Quantum Foods (Pty) Ltd, as part of the restructuring and unbundling from Pioneer Foods on 6 October 2014.

A register with full details of assets is available at the Group's registered office.

Impairment losses on property, plant and equipment where impairment indicators exist

These losses are impairment losses other than those resulting from the impairment of goodwill assigned to a CGU and tested annually for impairment.

The Group continuously considers the existence of impairment indicators relating to items of property, plant and equipment and 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.

Impairment indicators identified resulted in the following impairment losses being recognised in the previous reporting period

The carrying values of property, plant and equipment were impaired as follows based on the calculation performed:

	2015 R'000	2014 R'000
Broiler business		
Property, plant and equipment	**–**	49 478
Total impairment	**–**	49 478

No impairment was recognised during the current reporting period.

	2015 R'000	2014 R'000
4. INTANGIBLE ASSETS		
Computer software	**11 369**	7 116
Goodwill	**–**	–
Trademarks	**1 415**	–
Net book value	**12 784**	7 116

	Computer Software R'000	Goodwill R'000	Trademarks R'000	Total R'000
30 September 2015				
Cost				
At 1 October 2014	**8 441**	**76 944**	**23 000**	**108 385**
Additions	**5 389**	**–**	**–**	**5 389**
Business combinations	**–**	**–**	**1 544**	**1 544**
At 30 September 2015	**13 830**	**76 944**	**24 544**	**115 318**
Accumulated depreciation and impairment				
At 1 October 2014	**(1 325)**	**(76 944)**	**(23 000)**	**(101 269)**
Charge for the year	**(1 136)**	**–**	**(129)**	**(1 265)**
At 30 September 2015	**(2 461)**	**(76 944)**	**(23 129)**	**(102 534)**
Net book value at 30 September 2015	**11 369**	**–**	**1 415**	**12 784**

	Computer software R'000	Goodwill R'000	Trademarks R'000	Total R'000
30 September 2014				
Cost				
At 1 October 2013	1 253	76 944	23 000	101 197
Additions	7 188	–	–	7 188
At 30 September 2014	8 441	76 944	23 000	108 385
Accumulated depreciation and impairment				
At 1 October 2013	(1 194)	(76 944)	(23 000)	(101 138)
Charge for the year	(131)	–	–	(131)
At 30 September 2014	(1 325)	(76 944)	(23 000)	(101 269)
Net book value at 30 September 2014	7 116	–	–	7 116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

		2015 R'000	2014 R'000
4.	**INTANGIBLE ASSETS (CONTINUED)**		
	The carrying value of the trademark above are included in the following CGUs:		
	Eggs and layer livestock		
	Safe Eggs	1 415	–
	The trademark has a remaining useful life of 4 years and 7 months.		
5.	**INTEREST IN SUBSIDIARIES**		
	Cost of shares		
	Lohmann Breeding SA (Pty) Ltd	4 227	4 227
	Philadelphia Chick Breeders (Pty) Ltd	10 000	10 000
	Quantum Foods (Pty) Ltd	1 585 386	1 585 386
	Quantum Foods Uganda Ltd (incorporated in Uganda)*	51 081	5 081
	Quantum Foods Zambia Ltd (incorporated in Zambia)	117 220	117 220
		1 767 914	1 721 913

The Group holds a 100% (2014: 100%) interest in all the subsidiaries listed above.

The subsidiaries are incorporated in South Africa unless indicated otherwise.

* *Bokomo Uganda (Pty) Ltd changed its name to Quantum Foods Uganda Ltd during the reporting period.*

		2015 R'000	2014 R'000
6.	**INVESTMENT IN ASSOCIATE**		
	Unlisted shares at cost	1 700	1 700
	Interest in retained earnings and reserves	5 031	4 412
	Balance beginning of year	4 412	3 817
	Share of profit of associated company	619	595
	Dividends paid	–	–
		6 731	6 112
	Cost of shares		
	Bergsig Breeders (Pty) Ltd	1 700	1 700
	Effective interest 28% (2014: 28%)		
		1 700	1 700
	The following is the summarised statement of financial position of the abovementioned associated company:		
	Non-current assets	18 148	19 502
	Current assets	20 925	19 500
	Total assets	39 073	39 002
	Non-current liabilities	11 607	14 662
	Current liabilities	5 258	4 343
	Total liabilities	16 865	19 005
	Capital and reserves	22 208	19 997
	Total equity and liabilities	39 073	39 002
	The following is the summarised profit of the associated company for the year:		
	Revenue	52 885	51 487
	Operating profit	3 560	3 673
	Net profit after income tax	2 211	2 125

Bergsig Breeders (Pty) Ltd is a private company and there is no quoted market price available for its shares. The company is operational in the poultry industry in South Africa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

	2015 R'000	2014 R'000
7. INVENTORIES		
Raw material	**159 269**	160 242
Manufactured products	**43 446**	41 027
Packing materials and consumables	**31 851**	31 275
	234 566	232 544
Inventory carried at net realisable value	**3 443**	6 560
Cost of inventories included in "cost of sales"	**2 553 451**	2 752 691
8. BIOLOGICAL ASSETS		
Livestock – poultry	**288 775**	292 372

Poultry includes point-of-lay hens, day-old-chicks, broilers and hatching eggs.

Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

	Broiler stock R'000	Layer stock R'000	Total R'000
Fair value at 1 October 2014	**81 085**	**211 287**	**292 372**
Increase due to established cost	**834 298**	**798 806**	**1 633 104**
Decrease due to harvest/sales	**(829 239)**	**(797 399)**	**(1 626 638)**
Fair value adjustment recorded in profit and loss	**672**	**(5 161)**	**(4 489)**
Foreign exchange adjustment	**(780)**	**(4 794)**	**(5 574)**
Fair value at 30 September 2015	**86 036**	**202 739**	**288 775**
Fair value at 1 October 2013	84 550	192 187	276 737
Increase due to established cost	945 839	819 710	1 765 549
Decrease due to harvest/sales	(951 116)	(807 628)	(1 758 744)
Fair value adjustment recorded in profit and loss	1 943	7 824	9 767
Foreign exchange adjustment	(131)	(806)	(937)
Fair value at 30 September 2014	81 085	211 287	292 372

	2015 R'000	2014 R'000
8. BIOLOGICAL ASSETS (CONTINUED)		
Biological assets at fair value less cost to sell consist of the following:		
Chickens – breeding stock	**39 168**	37 437
Chickens – laying	**186 837**	196 814
Chickens – broilers	**41 502**	37 404
Hatching eggs	**19 718**	18 894
Other	**1 550**	1 823
	288 775	292 372

	2015 Quantity	2014 Quantity
At 30 September, the Group held the following biological assets:		
Chickens – grandparents	**35 359**	24 519
Hatching eggs	**7 378 540**	7 067 174
Chickens – broilers	**4 013 838**	3 991 005
Chickens – layers 39 weeks and younger	**3 871 167**	4 058 118
Chickens – layers older than 39 weeks	**2 151 456**	1 973 972
Other	**555**	589

	2015 R'000	2014 R'000
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	**337 136**	324 398
Allowance for outstanding credit notes	**(2 589)**	(3 178)
Trade receivables	**334 547**	321 220
Provision for impairment	**(18 642)**	(7 971)
Trade receivables – net	**315 905**	313 249
Prepayments	**7 755**	4 727
Receivables from related parties (refer to note 31)	**2 732**	20 077
Other debtors	**190**	11
Receiver of Revenue – VAT	**8 212**	15 799
	334 794	353 863

The carrying value of trade and other receivables approximates their fair value at the reporting date.

	2015 R'000	2014 R'000
9. TRADE AND OTHER RECEIVABLES (CONTINUED)		
An allowance for outstanding credit notes is accounted for based on past experience.		
Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amount of fully performing financial assets included in trade and other receivables at year-end equals:		
National customers	**112 464**	119 501
Other customers	**183 360**	181 337
	295 824	300 838
The credit quality of fully performing financial assets included in trade and other receivables is supported by the high proportion of the carrying value that can be ascribed to national customers. National customers for this purpose are customers with a limited risk profile and with a national geographical representation. The credit quality of the customer base is considered to be good based on historical default rates. Other customers include local and international customers.		
Financial assets included in trade and other receivables that are outside their normal payment terms are considered to be past due. The following represents an analysis of the past due number of days of financial assets that are past due but not impaired:		
National customers		
Within 30 days*	**571**	2 817
Between 30 and 60 days*	**1 520**	3 430
Between 60 and 90 days*	**563**	6 266
Between 90 and 120 days*	**458**	986
More than 120 days*	**3 330**	5 351
	6 442	18 850
Other customers		
Within 30 days*	**9 168**	981
Between 30 and 60 days*	**3 643**	2 494
Between 60 and 90 days*	**891**	1 069
Between 90 and 120 days*	**2 041**	1 038
More than 120 days*	**818**	8 067
	16 561	13 649
Total	**23 003**	32 499

* *Represents the days exceeding credit terms*

	2015 R'000	2014 R'000
9. TRADE AND OTHER RECEIVABLES (CONTINUED)		
Individually impaired receivables where indicators of impairment are present, comprise of a number of customers. The following trade receivables were impaired at year-end:		
National customers	**–**	–
Other customers	**18 642**	7 971
Total customers	**18 642**	7 971
Interest charged on impaired trade receivables	**592**	890
Movements on the Group's provision for impairment of trade receivables are as follows:		
At 1 October	**7 971**	6 415
Provision for receivables impaired	**12 719**	2 073
Receivables written off during the year as uncollectible	**(1 732)**	(283)
Unused amounts reversed	**(126)**	(234)
Foreign exchange translation adjustment	**(190)**	–
At 30 September	**18 642**	7 971
The Group holds a number of categories of collateral as security for trade receivable balances. These collateral categories include mortgage bonds, notarial bonds and various guarantees.		
Fair value of collateral held on past due and/or impaired trade receivables:	**13 131**	14 635
The carrying amount of the Group's trade receivables are denominated in the following currencies, which are the functional currencies of the relevant subsidiaries:		
Zambian kwacha	**6 747**	7 076
Ugandan shilling	**–**	15
SA rand	**330 389**	317 307
Total	**337 136**	324 398

Other receivables are largely denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

	2015 R'000	2014 R'000
10. DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign exchange contracts	**4**	991
Futures – fair value hedges	**7 420**	–
	7 424	991

Trading derivatives are classified as a current asset or liability. The carrying values of derivative financial instruments are measured at their fair values at the reporting date.

The purchase of foreign exchange contracts are for the import of raw materials used for production.

10.1 Derivative instruments earmarked for hedging (fair value hedges)

Commodity instruments

	2015 R'000	2014 R'000
Futures	**7 420**	–

	Foreign amount '000	Rand amount R'000	Fair value R'000
10.2 Other derivative instruments			
30 September 2015			
Currency forward contracts			
Purchases of foreign exchange contracts			**4**
US dollar	**459**	**6 361**	**25**
Euro	**170**	**2 649**	**(21)**
30 September 2014			
Purchases of foreign exchange contracts			991
US dollar	1 750	19 809	949
Euro	39	563	8
British pound	69	1 273	34

	2015 R'000	2014 R'000
11. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**187 503**	105 521

For the purposes of the statement of cash flows, the year-end cash and cash equivalents consist of only cash at bank and on hand.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2015 R'000	2014 R'000
SA rand	**142 509**	48 744
US dollar	**18**	18 187
Zambian kwacha (functional currency of a subsidiary)	**40 893**	31 536
Ugandan shilling (functional currency of a subsidiary)	**4 083**	7 054
Total	**187 503**	105 521

The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.

Restricted balances

Cash and cash equivalents include restricted balances of R2.1 million (2014: R1.8 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the Group when the related derivative positions are closed.

	2015 R'000	2014 R'000
12. SHARE CAPITAL		
Authorised – ordinary shares		
400 000 000 (2014: 400 000 000) ordinary no par value shares	**400 000 000**	400 000 000
Issued and fully paid – ordinary shares		
233 248 590 (2014: 233 284 332) ordinary no par value shares	**1 585 386**	1 585 386
Reconciliation of shares issued during the reporting period		
Opening balance	**1 585 386**	–
Shares issued to acquire entities under common control	**–**	1 504 354
Additional share capital raised	**–**	81 032
	1 585 386	1 585 386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

12. SHARE CAPITAL (CONTINUED)

During the reporting period, 35 742 shares held by Pioneer Foods, were cancelled before the listing of the Company on 6 October 2014. These shares were cancelled at no value to ensure a equal 1:1 unbundling of shares at the listing.

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 converted on 1 October 2013 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.

13. SHARE-BASED PAYMENTS

Management share appreciation rights scheme (equity-settled)

The Group adopted a share appreciation rights scheme for qualifying management during the current reporting period.

The exercise of vested share appreciation rights entitles the employee to ordinary shares in the Company. This number of ordinary shares is calculated by dividing the amount by which the share price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the share price at the exercise date.

	2015 Number '000	2014 Number '000
Number of share appreciation rights made available		
Number at beginning of year	–	–
New allocation at R3.15 per share	6 210	–
Expired/forfeited	–	–
Number at end of year	6 210	–
Number of share appreciation rights		
At R3.15 per share, exercisable up to 27 August 2020	6 210	–
	6 210	–

Share appreciation rights were granted on 27 February 2015 at a strike price of R3.15. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 27 February 2018 subject to certain time and performance-based criteria.

The net estimated weighted average fair value at grant date per share appreciation right for share appreciation rights outstanding at 30 September 2015 is R0.93. The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based payment. The cost accounted for in the current year amounts to R893 800.

13. SHARE-BASED PAYMENTS (CONTINUED)

	2015	2014
These fair values were calculated using the Actuarial Binomial Option Pricing Model.		
The principal assumptions were as follows:		
Weighted average share price at grant date (cents per share)	375	
Expected volatility	20.9% to 23.8%	
Expected dividend yield	3.0%	
Risk-free rate	6.5% to 6.8%	
Expected life (years)	3 to 5	

Expected volatility was determined by calculating the volatility of the share price of a similar JSE-listed entity in the agricultural industry.

The shareholders initially approved a maximum number of 14 500 000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2015, 14 500 000 ordinary shares were still available for issue.

14. OTHER RESERVES

	2015 R'000	2014 R'000
Common control reserve	(160 178)	(160 178)
Share-based payment reserve	1 144	–
Foreign currency translation reserve	(70 968)	4 545
Hedging reserve	1 034	238
	(228 968)	(155 395)

The fair value of share appreciation rights issued to qualifying management are accounted for in the share-based payment reserve over the respective vesting periods. The reserve is adjusted at each reporting date when the entity revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to this reserve in equity for the equity-settled plan. Refer to note 13 for further detail.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

14. OTHER RESERVES (CONTINUED)

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. The material devaluation of the Zambian kwacha in the reporting period, is the main reason for the decrease in the translation reserve.

The hedging reserve relates to the change in fair value of derivative financial instruments. These derivative financial instruments include futures. Refer to note 10 for further detail.

	2015 R'000	2014 R'000
15. DEFERRED INCOME TAX		
Balance at beginning of year	**186 526**	194 692
Charge in profit or loss	**28 966**	(13 499)
Foreign exchange translation adjustment	**(3 679)**	(256)
Deferred income tax on hedging reserve charged to equity	**(93)**	93
Deferred income tax on share-based payments	**(250)**	–
Deferred income tax on common control transaction	**–**	5 496
	211 470	186 526
Due to the following temporary differences:		
Capital allowances, including trademarks	**157 654**	157 653
Inventories	**9 931**	8 471
Biological assets	**64 789**	64 442
Assessed loss utilised	**(4 413)**	(31 734)
Prepaid expenses	**1 904**	757
Provision for long-service awards	**(1 817)**	(1 777)
Leave accrual	**(4 104)**	(3 909)
Bonus accrual	**(5 888)**	(2 649)
Provision for impairment of trade receivables	**(3 726)**	(1 633)
Rebates, growth incentives and settlement discount accruals	**(1 595)**	(1 227)
Allowance for credit notes	**(725)**	(890)
Deferred income	**(1 446)**	(843)
Derivative financial instruments	**246**	266
Share-based payments	**(237)**	–
Accruals personnel costs	**(570)**	(396)
Other	**1 467**	(5)
	211 470	186 526

	2015 R'000	2014 R'000
15. DEFERRED INCOME TAX (CONTINUED)		
For the purposes of the statement of financial position deferred income tax is presented as follows:		
Non-current assets	**(2 788)**	(3 051)
Non-current liabilities	**214 258**	189 577
	211 470	186 526

During the year, deferred income tax assets of R2 787 577 (2014: R3 051 429) have been recognised of which the utilisation thereof depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

These deferred tax assets relate to assessed losses of Group entities that suffered losses in the current and/or preceding years. The losses suffered in the current and/or previous period arose from identifiable causes that are unlikely to recur. These entities have a strong earnings potential and future profitability is expected against which unrecognised tax losses can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

		2015 R'000	2014 R'000
16.	**PROVISIONS FOR OTHER LIABILITIES AND CHARGES**		
	Long-service awards	**6 489**	6 345
16.1	**Long-service awards**		
	Balance at beginning of year	**6 345**	9 294
	Interest	**517**	694
	Actuarial loss	**31**	(3 926)
	Current service costs	**797**	1 238
	Payments	**(1 201)**	(955)
		6 489	6 345
	The amount recognised in the statement of financial position was determined as follows:		
	Present value of unfunded obligations	**6 489**	6 345
	Unrecognised actuarial loss	**–**	–
		6 489	6 345
	Existing provisions are based on the following important assumptions:		
	Discount rate	**8.5% p.a.**	8.2% p.a.
	Salary increases	**7% p.a.**	7% p.a.
	Normal retirement age	**60 years**	60 years
	The date of the most recent actuarial valuation is:	**30 September 2015**	30 September 2014
17.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**271 714**	262 443
	Accrued expenses	**20 524**	21 267
	Related parties (refer to note 31)	**5 292**	72 996
	Provision for leave	**14 703**	14 863
	Provision for 13th cheque	**7 715**	9 990
	Provision for short-term incentive bonus	**13 494**	–
	Value-added tax	**785**	25
	Other payables	**9 663**	6 453
		343 890	388 037

		2015 R'000	2014 R'000
17.	**TRADE AND OTHER PAYABLES (CONTINUED)**		
	The carrying amount of the Group's trade payables are denominated in the following currencies:		
	Covered by means of foreign exchange contracts:	**2 681**	1 832
	Euro	**2 681**	563
	UK pound	**–**	1 269
	Uncovered:	**269 033**	260 611
	Euro	**1 199**	563
	US dollar	**15 710**	14 933
	Zambian kwacha (functional currency of a subsidiary)	**5 369**	7 086
	Ugandan shilling (functional currency of a subsidiary)	**316**	2 200
	SA rand	**246 439**	235 829
	Total	**271 714**	262 443

Other payables are mostly denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.

		2015 R'000	2014 R'000
18.	**OTHER INCOME**		
	Rental income	**2 728**	2 225
	Sundry income and commissions	**8 911**	12 225
		11 639	14 450
19.	**OTHER GAINS/(LOSSES) – NET**		
	Biological assets fair value adjustment	**111 882**	51 950
	Unrealised – reflected in carrying amount of biological assets	**(4 489)**	9 767
	Realised – reflected in cost of goods sold	**116 371**	42 183
	Agricultural produce fair value adjustment	**121 128**	70 722
	Foreign exchange differences	**4 000**	(272)
	Foreign exchange contract fair value adjustments	**(108)**	230
	Profit on disposal of property, plant and equipment	**1 580**	1 615
	Impairment of property, plant and equipment	**–**	(49 478)
		238 482	74 767

Biological assets fair value adjustment

The adjustment of biological assets from cost to fair value includes a realised and unrealised component. The unrealised portion is reflected in the carrying amount of biological assets in the statement of financial position and the realised portion is reflected in cost of goods sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

		2015 R'000	2014 R'000
20.	**EXPENSE BY NATURE**		
	Cost of raw materials	**2 366 378**	2 518 424
	Fair value adjustment on biological assets and agricultural produce	**238 023**	112 473
	Inventory written off	**29 031**	26 791
	Research and development costs	**12 236**	9 318
	Staff costs	**312 577**	363 634
	Wages and salaries	**277 286**	313 997
	Termination benefits	**–**	8 255
	Other staff costs	**16 782**	20 141
	Pension costs	**17 615**	21 241
	Share-based payments expense (refer to note 13)	**894**	–
	Directors' remuneration	**9 120**	–
	Technical services from non-employees	**8 198**	5 708
	Auditors' remuneration	**3 207**	2 198
	Audit – current year	**2 934**	2 075
	Audit (over)/under provision pervious year	**4**	–
	Tax-related services	**154**	62
	Other consultation services	**115**	61
	Internal audit fees	**950**	–
	Rental of premises, machinery and vehicles	**30 887**	28 139
	Travel and entertainment	**6 558**	4 802
	Energy costs	**92 763**	110 649
	Maintenance	**74 226**	64 829
	Depreciation and amortisation	**56 272**	55 344
	Insurance	**8 315**	14 067
	Cleaning	**20 962**	25 969
	Office expenses	**47 667**	48 601
	Marketing costs	**9 342**	8 421
	Security	**17 734**	18 262
	Change in provision for trade receivables	**10 704**	1 556
	Change in allowance for credit notes	**(589)**	(95)
	Bad debts	**1 911**	1 395
	Transport and distribution costs	**197 899**	250 337
	Other expenses	**–**	197
	Total cost of sales, sales and distribution costs, marketing, administrative and other operating expenses	**3 554 371**	3 671 019

		2015 R'000	2014 R'000
21.	**INVESTMENT INCOME**		
	Interest income on financial assets: loans and receivables		
	– Call accounts and other	**9 886**	5 899
		9 886	5 899
22.	**FINANCE COSTS**		
	Interest expense on financial liabilities measured at amortised cost		
	– Call loans	**1 370**	30
	– Provision for unwinding of discount	**517**	694
	– Related parties (refer to note 31)	**–**	4 250
		1 887	4 974
23.	**INCOME TAX EXPENSE/(CREDIT)**		
	Current income tax	**16 798**	2 647
	Current year	**16 798**	2 647
	Deferred taxation	**28 966**	(13 499)
	Current year	**28 966**	(13 499)
		45 764	(10 852)
	The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory rate as follows:	**28%**	28%
		%	**%**
	Standard rate for companies*	**28.0**	28.0
	Increase/(decrease) in rate:		
	Exempt income	**(0.1)**	–
	Non-deductible expenditure	**2.6**	(7.9)
	Effect of capital gains tax	**(0.4)**	0.7
	Effect of different tax rates	**(2.9)**	26.4
	Other differences	**(0.7)**	8.9
	Effective rate	**26.5**	56.1

* *The standard tax rate for foreign subsidiaries differ from the income tax rate of 28%. Quantum Foods Zambia Ltd's agricultural profits are taxed at 10% and other income are taxed at 35%. Quantum Foods Uganda Ltd's profits are taxed at 30%.*

		2015 R'000	2014 R'000
23.	**INCOME TAX EXPENSE/(CREDIT) (CONTINUED)**		
	Gross calculated tax losses of certain subsidiaries at the end of the reporting period available for utilisation against future taxable income of those companies	**15 762**	114 865
	Less: Utilised in reduction of deferred tax	**(5 806)**	(103 969)
		9 956	10 896
	A current and deferred income tax charge of R308 336 (2014: R93 000) is debited directly through other comprehensive income/(loss).		
24.	**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:		
	Profit/(loss) for the year	**126 916**	(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.		

		2015 R'000	2014 R'000
24.	**EARNINGS PER ORDINARY SHARE (CONTINUED)**		
	Reconciliation between profit attributable to owners of the parent and headline earnings		
	Profit/(loss) for the year	**126 916**	(8 487)
	Remeasurement of items of a capital nature		
	Profit on disposal of property, plant and equipment	**(1 000)**	(1 312)
	Gross	**(1 580)**	(1 615)
	Tax effect	**580**	303
	Impairment of property, plant and equipment	**–**	35 840
	Gross	**–**	49 478
	Tax effect	**–**	(13 638)
	Headline earnings for the year	**125 916**	26 041
	Weighted average number of ordinary shares in issue ('000)*	**233 249**	233 249
	Earnings/(loss) per share (cents)		
	Basic and diluted	**54**	(4)
	Headline earnings per share (cents)		
	Basic and diluted	**54**	11

* *The loss per share and headline earnings per share for the previous corresponding period set out above were based on the Group's actual number of shares in issue on the date of listing on the JSE on 6 October 2014.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

		2015 R'000	2014 R'000
25.	**CASH PROFIT FROM OPERATING ACTIVITIES**		
	Reconciliation of profit before tax and cash profit from operating activities:		
	Profit/(loss) before income tax	**172 680**	(19 339)
	Adjustment for:		
	Depreciation and amortisation	**56 272**	55 344
	Impairment of property, plant and equipment	**–**	49 478
	Biological assets fair value adjustment	**4 489**	(9 767)
	Agricultural produce fair value adjustment – unrealised	**524**	(432)
	Net profit on sale of property, plant and equipment	**(1 580)**	(1 615)
	Adjustment on fixed rate leases	**200**	111
	Unrealised (profits)/losses on FEC contracts and foreign exchange	**1 832**	(1 483)
	Fair value of commodity futures	**(7 420)**	–
	Change in provision for impairment of trade receivables	**10 704**	1 556
	Change in provision for credit notes based on history	**(589)**	(95)
	Bad debts	**1 911**	1 395
	Share-based payments	**894**	–
	Changes in provisions for long-service awards	**828**	(2 688)
	Interest received	**(9 886)**	(5 899)
	Interest paid	**1 887**	4 974
	Share of profit of associate company	**(619)**	(595)
		232 127	70 945
26.	**WORKING CAPITAL CHANGES**		
	Increase in inventory	**(1 512)**	(354)
	Decrease/(increase) in trade and other receivables	**7 043**	(77 222)
	(Decrease)/increase in trade and other payables	**(55 699)**	54 925
	Increase in current biological assets	**(1 416)**	(5 436)
	Changes to derivative financial instruments	**(845)**	1 393
	Decrease in provisions	**(1 201)**	(955)
		(53 630)	(27 649)
27.	**INCOME TAX PAID**		
	Amounts unpaid at beginning of year	**(1 465)**	(168)
	Current tax charge in profit and loss	**(16 798)**	(2 647)
	Hedging reserve – income tax current year	**(401)**	–
	Amounts unpaid at end of year	**2 882**	1 465
		(15 782)	(1 350)

		2015 R'000	2014 R'000
27.	**INCOME TAX PAID (CONTINUED)**		
	For the purposes of the statement of financial position, current income tax (receivable)/payable are presented as follows:		
	Current assets	**–**	–
	Current liabilities	**2 882**	1 465
		2 882	1 465
28.	**PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**		
	Book value of property, plant and equipment	**7 715**	1 679
	Profit on disposal of property, plant and equipment	**1 580**	1 615
		9 295	3 294
29.	**CONTINGENT LIABILITIES**		
	Guarantees in terms of loans by third parties to contracted service providers	**42 300**	45 900

Litigation

Dispute with egg contract producers

As previously reported, six contract egg producers proceeded with claims in the Western Cape High Court: Cape Town. The claim from one of the six contract producers is 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 four egg contract producers. A further contract producer withdrew its claim. These settlements had no adverse financial impact on Pioneer Foods.

Pioneer Foods filed a plea to the remaining claim as well as a counterclaim to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producer. Pioneer Foods is awaiting the setting of a trial date in this matter.

Although the claims were brought against Pioneer Foods, the Group indemnified Pioneer Foods against any damages which may be suffered as a result of same in terms of the internal restructuring agreements when it acquired the egg business.

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

Termination of contract

The Group received a summons in respect of early termination of a distribution contract. The matter will be defended in the High Court.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

		2015 R'000	2014 R'000
30.	**COMMITMENTS**		
30.1	**Operating lease commitments**		
	Future minimum lease payments		
	The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
	No later than one year	**9 989**	6 641
	Later than one year, and no later than five years	**34 080**	7 827
	Later than five years	**–**	–
		44 069	14 468
30.2	**Operating lease receivables**		
	The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:		
	No later than one year	**1 494**	13
	Later than one year, and no later than five years	**1 614**	–
	Later than five years	**–**	–
		3 108	13
30.3	**Capital commitments**		
	Contractually committed	**49 037**	40 511
	Approved by the Board, but not yet contractually committed	**113 000**	73 844
	Available for the next financial year	**113 000**	73 844
	Available for the year following the next financial year	**–**	–
		162 037	114 355

The expenditure will be financed from operating income, cash reserves and borrowed funds, in accordance with a budget approved by the board of directors.

31. RELATED-PARTY TRANSACTIONS

During the previous reporting period, the Group conducted numerous transactions with Pioneer Foods, subsidiaries, associates and key management personnel. Although the Group still transact with certain Pioneer Foods entities, they are no longer a related party of the Group since the listing of the Company on 6 October 2014.

Only transactions and balances with current related parties are disclosed in this note.

		2015 R'000	2014 R'000
31.	**RELATED-PARTY TRANSACTIONS (CONTINUED)**		
31.1	**Sale of goods and services**		
	Bergsig Breeders (Pty) Ltd	**41 077**	50 385
		41 077	50 385
31.2	**Purchase of goods and services**		
	Bergsig Breeders (Pty) Ltd	**31 444**	43 442
		31 444	43 442
31.3	**Key management staff compensation**		
	Salaries and other short-term employee benefits	**13 297**	11 039
	Post-employment benefits	**1 247**	1 041
	Bonuses and incentives	**11 523**	5 995
	Other long-term benefits	**197**	–
	Share-based payments	**586**	–
		26 850	18 075

Key management staff include the members of the Board and members of the Group's executive committee. Previous reporting period includes amounts paid by Pioneer Foods on behalf of the Group.

		2015 R'000	2014 R'000
31.4	**Year-end balances arising from sales/purchases of goods/services**		
	Receivables from related parties		
	Bergsig Breeders (Pty) Ltd	**2 732**	4 906
		2 732	4 906
	Payables to related parties		
	Bergsig Breeders (Pty) Ltd	**(5 292)**	(4 855)
		(5 292)	(4 855)

Receivables from related parties are unsecured and bear no interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

	Loans and receivables R'000	Assets at fair value through profit and loss R'000	Total R'000
32. FINANCIAL INSTRUMENTS BY CATEGORY			
30 September 2015			
Assets as per statement of financial position			
Derivative financial instruments	–	7 424	7 424
Trade and other receivables*	318 827	–	318 827
Cash and cash equivalents	187 503	–	187 503
Total	506 330	7 424	513 754

	Liabilities at fair value through profit and loss R'000	Other financial liabilities R'000	Total R'000
30 September 2015			
Liabilities as per statement of financial position			
Trade and other payables^	–	307 193	307 193
Total	–	307 193	307 193

	Loans and receivables R'000	Assets at fair value through profit and loss R'000	Total R'000
30 September 2014			
Assets as per statement of financial position			
Derivative financial instruments	–	991	991
Trade and other receivables*	333 337	–	333 337
Cash and cash equivalents	105 521	–	105 521
Total	438 858	991	439 849

	Liabilities at fair value through profit and loss R'000	Other financial liabilities R'000	Total R'000
30 September 2014			
Liabilities as per statement of financial position			
Trade and other payables^	–	363 159	363 159
Total	–	363 159	363 159

* *Financial assets do not include prepaid expenses and VAT amounts receivable.*

^ *Financial liabilities do not include provisions for 13th cheque, leave and VAT amounts payable.*

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Board approved a broad decision making framework in terms of which financial risks are evaluated, managed and hedged by executive management.

(a) Market risk

(i) Cash flow interest rate risk

The Group's interest rate risk arises from both financial assets and financial liabilities.

Financial liabilities exposed to interest rate risk include interest-bearing short- and long-term borrowings. The Group only borrows at variable interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. At year-end the Group had no borrowings.

Financial assets exposed to cash flow interest rate risk include cash and short-term bank deposits. The Group's cash and cash equivalents are placed with creditable financial institutions. At year-end the Group only had cash at bank and on hand.

(ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, British pound, US dollar, Zambia kwacha and Uganda shilling. Foreign exchange risk arises from future commercial transactions denominated in foreign currencies, recognised assets and liabilities denominated in foreign currencies and derivative financial instruments. Apart from the Group's exposure to trade receivables and payables and cash denominated in foreign currencies, no other financial assets or liabilities expose the Group to significant foreign exchange risk.

The Group manages short-term foreign exchange exposure relating to trade imports, in terms of formal foreign exchange policies with prescribed limits. Foreign exchange risk arising from capital imports is hedged in total by means of forward exchange contracts or other appropriate hedging instruments.

Refer to note 10 for material forward foreign exchange contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to commodity price risk. The risk arises from the Group's need to buy specific quantities and qualities of raw materials to meet its feed requirements. These raw materials include maize and soya meal.

The Group uses exchange-for-physical contracts to hedge itself against the price risk of the maize commodity. These contracts hedge the future purchase price of raw materials. Settlement of the physical contracts and local futures are effected by physical delivery.

(iv) Sensitivity analysis

The table below summarises the impact on post-tax profit and equity of changes in market risks relating to the Group's financial instruments exposed to foreign exchange risk.

Change in foreign currency

Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 3% (2014: 2%), British pound of 3% (2014: 1%), Euro of 3% (2014: 5%), Zambian kwacha of 3% (2014: 1%) and Uganda shilling of 3% (2014: 1%), with all other variables held constant.

	2015 R'000	2014 R'000
Rand depreciates against foreign currencies		
– Increase/(decrease) in profit after income tax		
Trade receivables	**149**	51
Cash and cash equivalents	**970**	46
Trade payables	**(450)**	(265)
Derivative financial instruments	**22**	315
	691	147

Change in interest rate

The summary below reflects the results of an expected change in the prime interest rate of 0.5% (2014: 0.5%), with all other variables held constant.

	2015 R'000	2014 R'000
Interest rate increases		
– Increase/(decrease) in profit after income tax		
Call accounts and other	**511**	97
	511	97

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33.1 Financial risk factors (continued)

(a) Market risk (continued)

Interest rates decrease

If the prime interest rate decreases, the impact will be an increase in the profit after tax of the same amount on financial instruments.

Change in commodity prices

Derivative financial instruments affected by changes in the commodity prices relate to futures. The summary below reflects the results of an expected change in the maize price of 2%, with all other variables held constant.

	2015 R'000	2014 R'000
Commodity price increase		
– Increase in equity after income tax		
Derivative financial instruments earmarked for hedging	**(398)**	541
	(398)	541

If these prices would decrease it will result in a decrease in reserves of the same amount.

(b) Credit risk

Financial assets that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents and derivative financial instruments, as well as credit exposure to trade receivables, including outstanding receivables and committed transactions.

The Group's credit risk exposure relating to cash and cash equivalents and derivative financial instruments is managed on a group level and are placed with a limited group of creditable financial institutions, all of which have a Moody's P-2 short-term credit ratings. A short-term rating of P-2 indicates that the issuer has a strong ability to re-pay short-term debt obligations.

The Group's credit risk exposure relating to trade receivables is managed on a centralised basis. Trade receivables are subject to credit limits, credit control and credit approval procedures. The credit quality of customers is assessed, taking into account its financial position, past experience with the customer and other factors when approving new customers and determining or revising individual credit limits. The utilisation of credit limits is regularly monitored.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33.1 Financial risk factors (continued)

(b) Credit risk (continued)

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas. The customer base of the Group includes large national customers in the formal retail sector. These customers amounted to approximately 44% of Trade receivables – net in the previous reporting period. This has however decreased in the current reporting period, and as such the following additional credit risk evaluation is disclosed.

	2015 R'000
The credit quality of trade receivables with an external rating is as follows:	
Low risk	70 816
Below average risk	133 112
Above average risk	17 247
High risk	–
	221 175

The ratings are based on the risk of default on payments from the individual debtor, which takes into account the results of a full background and credit assessment of the debtor, payment profile and an analysis of the financial statements of the debtor, where available. The balance of trade receivables consist of smaller customers for which credit evaluations was done but no external rating received in the last 12 months.

Other receivables consist mainly of prepayments, Value-added tax receivable and other debtors. The risk of default is assessed as low.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group manages its liquidity risk by using reasonable and restrospectively assessed assumptions to forecast the future cash-generating capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate. The Group's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held no short-term bank deposits.

At year-end, the Group has a borrowing facility in the form of a debtors finance facility at one of the major South African banks. Sufficient collateral in the form of trade receivables are provided as security for the debt.

	2015 R'000	2014 R'000
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	146 329	–
Net interest-bearing liabilities	–	–
	146 329	–

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed are the contractual undiscounted cash flows.

	Capital R'000	Interest R'000	Total R'000
Maturity analysis of financial liabilities			
30 September 2015			
Not later than 1 year			
Trade and other payables	**(304 002)**	**–**	**(304 002)**
	(304 002)	**–**	**(304 002)**
Total			
Trade and other payables	**(304 002)**	**–**	**(304 002)**
	(304 002)	**–**	**(304 002)**
30 September 2014			
Not later than 1 year			
Trade and other payables	(359 127)	–	(359 127)
	(359 127)	–	(359 127)
Total			
Trade and other payables	(359 127)	–	(359 127)
	(359 127)	–	(359 127)

Note:
Financial liabilities do not include provisions, accrual for 13th cheque, deferred revenue, accrual for leave and VAT amounts payable.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33.2 Capital risk management

For capital management purposes the current level of capital in the Group is defined as the difference between the total assets and total liabilities of the Group. The capital employed is managed on a basis that enables the Group to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and bank overdrafts as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as capital and reserves attributable to owners of the parent as shown in the statement of financial position.

The main focus of the Group's capital management is to ensure liquidity, in the form of short-term borrowing facilities, in order to have sufficient available funding for the group's working capital requirements.

33.3 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 at the end of the reporting period. No financial assets have been classified as level 1.

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).

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33.3 Fair value measurement (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at:

	Level 1 R'000	Level 2 R'000	Level 3 R'000
30 September 2015			
Assets measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	–	4	–
– Fair value hedges	–	7 420	–
Biological assets			
– Livestock	–	–	288 775
	–	7 424	288 775
Total assets measured at fair value			296 199

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

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

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33.3 Fair value measurement (continued)

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 makes assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for derivative financial instruments. The fair value of foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

Financial instruments in level 3: 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. Fair values of livestock held for breeding, 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 include rearing and layer livestock, are determined by the market prices of day-old chicks, point of lay hens and culls. The fair value of the layer birds at the different stages in the lifecycle are based on their age and by using a standard production profile.

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

Changes in the fair value are included in profit or loss, with a loss of R4 489 312 (2014: profit of R9 766 851) being recognised as the unrealised fair value adjustment in profit or loss in the current period to adjust the biological asset livestock to fair value.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33.3 Fair value measurement (continued)

Financial instruments in level 3: Biological assets (continued)

In measuring the fair value of biological assets, the following significant unobservable inputs were used:

Unobservable input	Range of unobservable inputs 2015	2014
Layer livestock		
Market price of day-old chicks	**R7.55 to R7.79**	R7.35 to R7.42
Market price of point-of-lay hens	**R49.93 to R52.36**	R50.69 to R53.01
Market price of culls	**R19.56 to R32.41**	R21.78 to R23.92
Broiler livestock		
Market price of day-old chicks	**R3.90 to R4.15**	R3.90 to R4.20
Market price of live birds	**R19.49 to R21.94**	R19.70 to R20.31

Sensitivity analysis

A sensitivity analysis of a 2% change in the market price, is shown for the significant unobservable inputs below:

Input	Sensitivity
Day-old chick market prices	A change in market price would result in a R0.7 million (2014: R0.7 million) change in the fair value of poultry livestock.
Point-of-lay hens market prices	A change in the market prices would result in a R2.3 million (2014: R2.9 million) change in the fair value of laying hens.
Cull market prices	A change in the market prices would result in a R0.8 million (2014: R0.5 million) change in the fair value of laying hens.
Live-bird market prices	A change in the market prices would result in a R0.8 million (2014: R0.7 million) change in the fair value of broiler livestock.

The effect of an increase in market prices will result in an increase in the fair value of the livestock.

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.

34. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed on a regular basis by the CODM in order to make strategic decisions.

Operating segments are divided into the following:

- Eggs and layer livestock
- Broilers
- Animal feeds
- Other African countries
- Unallocated

Quantum Foods comprises eggs and layer livestock, broilers and animal feeds in South Africa and the businesses of Quantum Foods Zambia Ltd and Quantum Foods Uganda Ltd.

The nature of the Quantum Foods Zambia and Quantum Foods Uganda businesses operations are predominantly the production of animal feeds and the production and sale of commercial eggs and day-old chicks. These two entities are aggregated for segmental reporting as these entities are similar in nature.

The segment results disclosed per segment below is the CODM's measure of each segment's operational performance. The measure represents operating profit as per the statement of comprehensive income.

External revenue and all other items of income, expenses, profits and losses reported in the segment report is measured in a manner consistent with that in the statement of comprehensive income.

Segment assets consist of property, plant and equipment, intangible assets, inventories, biological assets, trade and other receivables and derivative financial instrument assets and exclude cash and cash equivalents, investment in associates and deferred and current income tax assets.

Segment liabilities consist of trade and other payables, provisions for other liabilities and charges and derivative financial instrument liabilities, and exclude current and deferred income tax liabilities.

Segment capital expenditure consists of additions and replacements of property, plant, equipment and intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

	2015 R'000	2014 R'000
34. SEGMENT INFORMATION (CONTINUED)		
Segment revenue	**3 468 312**	3 560 943
Eggs and layer livestock	**1 154 315**	1 086 619
Broilers	**1 034 834**	1 241 320
Animal feeds	**1 099 905**	1 080 880
Other African countries	**179 258**	152 124
Segment results	**164 062**	(20 859)
Eggs and layer livestock	**40 571**	(16 435)
Broilers	**39 706**	(101 267)
Animal feeds	**65 493**	60 889
Other African countries	**25 286**	35 114
Unallocated	**(6 994)**	840
A reconciliation of the segment results to operating profit/(loss) before income tax is provided below:		
Segment results	**164 062**	(20 859)
Adjusted for:		
Investment income	**9 886**	5 899
Finance costs	**(1 887)**	(4 974)
Share of profit of associate company	**619**	595
Profit/(loss) before income tax per statement of comprehensive income	**172 680**	(19 339)
Segment assets	**1 885 064**	1 931 964
Eggs and layer livestock	**736 872**	753 485
Broilers	**568 344**	596 920
Animal feeds	**390 376**	358 054
Other African countries	**168 645**	199 445
Other	**20 827**	24 060
A reconciliation of the segments' assets to the Group's assets is provided below:		
Segment assets per segment report	**1 885 064**	1 931 964
Adjusted for:		
Investment in associate	**6 731**	6 112
Deferred income tax assets	**2 788**	3 051
Cash and cash equivalents	**187 503**	105 521
Total assets per statement of financial position	**2 082 086**	2 046 648

	2015 R'000	2014 R'000
34. SEGMENT INFORMATION (CONTINUED)		
Total segment liabilities	**350 379**	394 382
Eggs and layer livestock	**84 456**	62 202
Broilers	**53 258**	71 217
Animal feeds	**150 890**	200 448
Other African countries	**18 686**	13 123
Other	**43 089**	47 392
A reconciliation of the segments' liabilities to the Group's liabilities is provided below:		
Segment liabilities per segment report	**350 379**	394 382
Adjusted for:		
Current and deferred income tax liabilities	**217 140**	191 042
Total liabilities per statement of financial position	**567 519**	585 424
Total segment capital expenditure (excluding business combinations)	**63 712**	44 552
Eggs and layer livestock	**15 575**	6 388
Broilers	**2 335**	18 450
Animal feeds	**6 617**	4 001
Other African countries	**33 811**	8 670
Other	**5 374**	7 043
Total segment capital expenditure (business combinations)	**17 500**	–
Eggs and layer livestock	**17 500**	–
Total assets held for sale	**83 399**	–
Broilers	**83 399**	–
Total segment depreciation and amortisation	**56 272**	55 344
Eggs and layer livestock	**24 676**	21 936
Broilers	**16 512**	17 165
Animal feeds	**7 682**	8 736
Other African countries	**7 402**	7 507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

	2015 R'000	2014 R'000
34. SEGMENT INFORMATION (CONTINUED)		
Items of a capital nature per segment included in other gains/(losses) – net		
Profit on disposal of property, plant and equipment before income tax	**1 580**	1 615
Eggs and layer livestock	**718**	584
Broilers	**894**	72
Animal feeds	**(35)**	935
Other African countries	**3**	24
Impairment of property, plant and equipment before income tax	**–**	49 478
Broilers	**–**	49 478

Geographical information

The Group mainly operates in South Africa. Other operations are located in Africa. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.

Revenue derived by Group companies domiciled in the Republic of South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.

	2015 R'000	2014 R'000
Segment revenue	**(3 468 312)**	(3 560 943)
South Africa	**(3 289 054)**	(3 408 819)
Other African countries	**(179 258)**	(152 124)
Total segment non-current assets	**945 625**	1 061 357
South Africa	**816 130**	908 870
Other African countries	**129 495**	152 487
Total segment capital expenditure (excluding business combinations)	**63 712**	44 552
South Africa	**29 901**	35 882
Other African countries	**33 811**	8 670
Total segment capital expenditure (business combinations)	**17 500**	–
South Africa	**17 500**	–
Other African countries	**–**	–

	2015 R'000	2014 R'000
34. SEGMENT INFORMATION (CONTINUED)		
Information regarding major customers		
During the period under review, revenue from certain customers exceeded 10% of Group revenue:		
Customer A	**406 666**	656 905
Customer B	**622 899**	–

Revenue from these customers is reported within all operating segments except "Other".

35. RETIREMENT BENEFITS

The Group contributes to retirement and provident funds for all its employees which are administered by several service providers. These retirement and provident funds are defined contribution plans which are arranged and governed by the Pension Fund Act of 1956, and no actuarial valuation is required.

36. BUSINESS COMBINATION

36.1 Safe Eggs – Pasteurised eggs

The assets of this business were acquired on 20 April 2015 and can be summarised as follows:

	2015 R'000	2014 R'000
Fair value		
Plant and equipment	**15 500**	
Trademarks	**1 544**	
Inventory	**510**	
Trade and other payables	**(54)**	
Purchase consideration – settled in cash	**17 500**	

Reason for business combination:

To enter into a new market segment in the egg industry. Pasteurised eggs are a value-added product.

	2015 R'000	2014 R'000
Contribution since acquisition:		
Revenue	**12 602**	
Operating profit before finance cost and income tax	**837**	
Pro forma contribution assuming the acquisition was at the beginning of the year:		
Revenue	**30 245**	
Operating profit before finance cost and income tax	**2 009**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

37. ASSETS HELD FOR SALE

The Group's shareholders were advised on SENS, on 11 May 2015, of an agreement entered into with Sovereign Food Investments Ltd, in terms of which the Group will dispose of the Tydstroom Abattoir business in Hartbeespoort, as a going concern. The Tydstroom Abattoir business in Hartbeespoort, relates to the slaughtering and processing of broilers for human consumption.

Accordingly, the Tydstroom Abattoir business in Hartbeespoort has been treated as an "asset held for sale" in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations for the year ended 30 September 2015.

The disposal will result in the Group exiting the broiler meat market served from the Hartbeespoort abattoir in Gauteng. It will furthermore result in an aligned broiler business model for the Group in both the Western Cape and Gauteng, with the Group being a contract producer of live broilers and not participating directly in the broiler meat market.

The Group's shareholders were advised on SENS, on 7 October 2015, that all of the conditions precedent to the sale have been fulfilled and accordingly the sale is unconditional, with an effective date of 19 October 2015.

	2015 R'000
Assets of the disposal group classified as held for sale:	
Property, plant and equipment	83 399
	83 399

38. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final dividend of 10 cents per ordinary share has been declared for the year, on 23 November 2015. This will only be reflected in the statement of changes in equity in the next reporting period.

Additional information disclosed:

These dividends are declared from income reserves and qualify as a dividend as defined in the Income Tax Act, Act 58 of 1962.

Dividends will be paid net of dividends tax of 15%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as result of the double taxation agreement between South Africa and the country of domicile of such owner.

The net dividend amounts to 8.5 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 10.0 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 233 248 590 as at the date of this declaration.

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 consolidated annual financial statements by the Board.

39. GOING CONCERN STATEMENT

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Retirement fund contributions R'000	Directors' fees R'000	Total R'000
40. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS						
30 September 2015						
Executive directors						
HA Lourens	2 358	62	2 195	257	–	4 872
AH Muller	1 409	88	1 337	154	–	2 988
Total executive directors	3 767	150	3 532	411	–	7 860
Non-executive directors						
WA Hanekom (1 October 2014)*	–	–	–	–	275	275
N Celliers	–	–	–	–	255	255
Prof. ASM Karaan	–	–	–	–	240	240
PE Burton	–	–	–	–	260	260
GG Fortuin (28 April 2015)*	–	–	–	–	110	110
LP Retief (19 February 2015)**	–	–	–	–	120	120
Total non-executive directors	–	–	–	–	1 260	1 260
Total directors	3 767	150	3 532	411	1 260	9 120
Prescribed officers						
HE Pether	880	78	965	143	–	2 066
JJ Murray	1 395	250	1 471	112	–	3 228
	2 275	328	2 436	255	–	5 294

Notes:

* *Appointed during the year.*

** *Resigned as director during the year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

40. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS (CONTINUED)

Directors' share appreciation rights ("SARs")

30 September 2015

	Number of SARs initially allocated	Date awarded	Exercisable up to date	Strike price Cents	Fair value per SAR at grant date Cents	Fair value of total SARs granted during the year R'000	Number of SARs not redeemed
Executive directors							
HA Lourens	774 376	2015/02/27	2020/08/27	315	93	720	774 376
AH Muller	477 854	2015/02/27	2020/08/27	315	93	444	477 854
Prescribed officers							
HE Pether	224 410	2015/02/27	2020/08/27	315	93	209	224 410
JJ Murray	246 652	2015/02/27	2020/08/27	315	93	229	246 652

	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Retirement fund contributions R'000	Directors' fees R'000	Total R'000
40. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS (CONTINUED)						
30 September 2014						
Executive directors						
HA Lourens[1]	2 197	62	3 051	241	–	5 551
AH Muller[2]	1 191	88	750	125	–	2 154
Total executive directors	3 388	150	3 801	366	–	7 705
Non-executive directors						
N Celliers[3]	–	–	–	–	248	248
LP Retief[4]	–	–	–	–	248	248
Prof. ASM Karaan[5]	–	–	–	–	344	344
PE Burton[6]	–	–	–	–	72	72
PM Roux[7]	4 446	370	8 745	920	–	14 481
Total non-executive directors	4 446	370	8 745	920	912	15 393
Total directors	7 834	520	12 546	1 286	912	23 098

Notes:

1 *HA Lourens remained an employee of Pioneer Foods until 30 September 2014. His remuneration was paid by Pioneer Foods. He was employed by Quantum Foods from 1 October 2014.*

2 *AH Muller was appointed by Quantum Foods from 1 October 2013.*

3 *N Celliers was appointed as non-executive director of Quantum Foods on 10 June 2014. N Celliers also serves on the board of directors of Pioneer Foods and received director's fees in the amount of R247 992 from Pioneer Foods.*

4 *LP Retief was appointed as an independent non-executive director of Quantum Foods on 10 June 2014. LP Retief also serves on the board of directors of Pioneer Foods and received director's fees in the amount of R247 992 from Pioneer Foods.*

5 *Prof. ASM Karaan was appointed as an independent non-executive director of Quantum Foods on 10 June 2014. Prof. ASM Karaan also serves on the board of directors of Pioneer Foods and received director's fees in the amount of R344 434 from Pioneer Foods.*

6 *PE Burton was appointed as an independent non-executive director of Quantum Foods on 29 July 2014. PE Burton received director's fees in his capacity as a director of Quantum Foods in the amount of R72 000, which was paid by Pioneer Foods.*

7 *PM Roux was appointed as a non-executive director of Quantum Foods on 1 August 2014. PM Roux also serves on the board of directors of Pioneer Foods Group as an executive director and received his total remuneration from Pioneer Foods.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

41. DIRECTORS' INTEREST IN SHARES

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#			
	Direct	Indirect	Total	% of issued ordinary share capital
30 September 2015				
HA Lourens	**402 005**	**–**	**402 005**	**0.172**
AH Muller	**131 079**	**–**	**131 079**	**0.056**
WA Hanekom (1 October 2014)*	**–**	**5 810 620**	**5 810 620**	**2.491**
N Celliers	**–**	**–**	**–**	**–**
Prof. ASM Karaan	**–**	**86 147**	**86 147**	**0.037**
PE Burton	**–**	**3 000**	**3 000**	**0.001**
GG Fortuin (28 April 2015)*	**–**	**–**	**–**	**–**
LP Retief (19 February 2015)**	**–**	**–**	**–**	**–**
	533 084	**5 899 767**	**6 432 851**	**2.758**

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 separately 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:

	Direct	Indirect	Total	% of issued ordinary share capital
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 (7 October 2014)**	9 631	–	9 631	0.004
WA Hanekom (1 October 2014)*	324 426	441 890	766 316	0.328
	487 141	531 037	1 018 178	0.436

Notes:

 # There has been no change in the directors' interest in shares from the end of the financial year to the date of the approval of the annual financial statements.

** Appointed during the year.*

*** Resigned as director during the year.*

42. SHAREHOLDER INFORMATION

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Shareholder spread				
Ordinary shares				
Individuals	**4 173**	**80**	**32 766 871**	**14**
Nominees and trusts	**543**	**10**	**15 071 173**	**6**
Investment companies and corporate bodies	**547**	**10**	**185 410 546**	**80**
	5 263	**100**	**233 248 590**	**100**
Non-public/public shareholders				
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2015, is as follows:				
Analysis of shareholding – ordinary shares				
Public shareholding				
Major shareholding				
Allan Gray (on behalf of clients)	**1**	**–**	**34 653 506**	**14.9**
Coronation (on behalf of clients)	**1**	**–**	**29 015 921**	**12.4**
Other shareholders	**5 255**	**100**	**101 526 228**	**43.5**
Non-public shareholding				
Major shareholding				
Zeder Investments Ltd	**1**	**–**	**61 620 084**	**26.4**
Other shareholders				
Directors	**5**	**–**	**6 432 851**	**2.8**
	5 263	**100**	**233 248 590**	**100**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
42. SHAREHOLDER INFORMATION (CONTINUED)				
Distribution of ordinary shareholders				
Number of shares				
1 – 1 000 shares	2 388	45	751 521	–
1 001 – 10 000 shares	1 786	34	7 067 970	3
10 001 – 100 000 shares	871	17	28 349 986	12
100 001 – 1 000 000 shares	181	3	48 263 956	21
1 000 001 shares and over	37	1	148 815 157	64
	5 263	100	233 248 590	100

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets		1 585 386	1 585 386
Investment in subsidiary	3	1 585 386	1 585 386
Total assets		1 585 386	1 585 386
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		1 584 280	1 585 386
Share capital	4	1 585 386	1 585 386
Retained earnings		(1 106)	–
Total equity		1 584 280	1 585 386
Current liabilities		1 106	–
Borrowings	5	1 106	–
Total liabilities		1 106	–
Total equity and liabilities		1 585 386	1 585 386

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 R'000	2014 R'000
Other income	6	1 008	–
Administrative expenses		(848)	–
Other operating expenses		(1 266)	–
Operating loss	7	(1 106)	–
Loss before income tax		(1 106)	–
Income tax expense		–	–
Loss for the year		(1 106)	–
Other comprehensive income for the year		–	–
Total comprehensive loss for the year		(1 106)	–
Loss for the year attributable to owners of the parent		(1 106)	–
Total comprehensive loss for the year attributable to owners of the parent		(1 106)	–

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Share capital R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2014	–	–	–
Shares issued in acquisition of entities under common control	1 504 354	–	1 504 354
Shares issued during the reporting period	81 032	–	81 032
Balance as at 30 September 2014	1 585 386	–	1 585 386
Balance as at 1 October 2014	1 585 386	–	1 585 386
Comprehensive income:			
Loss for the year	–	(1 106)	(1 106)
Balance as at 30 September 2015	1 585 386	(1 106)	1 584 280
Note	4		

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 R'000	2014 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		(1 106)	–
Net cash loss from operating activities	9	(1 106)	–
NET CASH FLOW FROM INVESTING ACTIVITIES		–	(1 585 386)
Net acquisition of subsidiaries	3	–	(1 585 386)
Net cash deficit		(1 106)	(1 585 386)
NET CASH FLOW FROM FINANCING ACTIVITIES		1 106	1 585 386
Loan received from related party	5	1 106	–
Proceeds from issue of ordinary shares		–	1 585 386
Net increase in cash and cash equivalents		–	–
Net cash and cash equivalents at beginning of year		–	–
Net cash and cash equivalents at end of year		–	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 R'000	2014 R'000
1. ACCOUNTING POLICIES		
The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to note 1 of the Group financial statements.		
2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS		
The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.		
3. INVESTMENT IN SUBSIDIARIES		
Cost of shares		
Quantum Foods (Pty) Ltd	1 585 386	1 585 386
	1 585 386	1 585 386
The Company holds a 100% interest in the subsidiary listed above.		
The subsidiary is incorporated in South Africa.		
4. SHARE CAPITAL		
Authorised – ordinary shares		
400 000 000 (2014: 400 000 000) ordinary no par vale shares	400 000 000	400 000 000
Issued and fully paid – ordinary shares		
233 248 590 (2014: 233 284 332) ordinary no par value shares	1 585 386	1 585 386
During the reporting period, 35 742 shares held by Pioneer Foods were cancelled before the listing of the Company on 6 October 2014. These shares were cancelled to ensure a equal 1:1 unbundling of shares at the listing.		
5. BORROWINGS		
Loan from Quantum Foods (Pty) Ltd		
Beginning of year	–	–
Loans advanced during the year	2 114	–
Loans repaid during the year	(1 008)	–
End of year	1 106	–
Unsecured interest-free loan with no fixed terms of repayment.		

	2015 R'000	2014 R'000
6. OTHER INCOME		
Administration fees received	1 008	–
7. OPERATING LOSS		
The operating loss is calculated after taking into account other income (refer to note 6), as well as the following:		
Auditors' remuneration	10	–
Listing fees and shareholder communication	838	–
Directors' remuneration	1 266	–
8. INCOME TAX EXPENSE		
Current income tax		
Current year	–	–
	%	%
Standard rate for companies	28.0	
Non-deductible expenditure	(28.0)	
	–	
	R'000	R'000
9. CASH PROFIT FROM OPERATING ACTIVITIES		
Reconciliation of loss before tax and cash loss from operating activities:		
Loss before income tax	(1 106)	