QUANTUM FOODS

Integrated report 2016

OUR
BRANDS

CONTENTS

INVESTMENT **CASE**

1 Balanced and optimised domestic portfolio

- With the completion of the Group's exit from the broiler meat market, Quantum Foods now has reduced exposure to the cyclical nature of the poultry industry.
- Increased focus on growing 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.
- A strong market 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 17 years.
- Expansion of the existing table egg business in Zambia was completed during 2016, with the full volume benefit to be realised in 2017.
- Construction of a commercial egg farm in Uganda was completed in 2016, with anticipated benefits to flow in the future.
- A commercial egg business was acquired in Mozambique during September 2016. Limited benefits should be experienced during 2017.
- Further strategic opportunities in other African countries remain under investigation.

3 Efficient cost base

- The Group has an efficient cost base, and cost management remains a critical initiative. The current cost base provides an ideal position from which "bolt-on" acquisitions can be made. Targeted cost-saving initiatives are identified annually.

4 Solid cash-generating ability

- Quantum Foods was unbundled from the Pioneer Food Group with fully funded working capital and no long-term debt. The investment in working capital increased substantially in 2016 due to the increased cost of raw materials and new business acquisitions. However, the Group retains its ability to generate cash and has sufficient debt capacity to enable organic growth, as well as growth through acquisitions.
- The Group has a healthy asset base from which to grow production of feed, layer and broiler livestock, and drive egg and broiler sales without significant further investment.

5 The right people

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

Mega Eggs
Copperbelt, Zambia

About this report

OVERVIEW

This is the third 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 2015 to 30 September 2016.

This report provides information about Quantum Foods’ second year as an independent business, following its unbundling from the Pioneer Food Group on 6 October 2014. Aimed primarily at the Group’s shareholders and other interested stakeholders, this report aims to provide a holistic overview of Quantum Foods’ strategy, performance and business activities, and provides a measure of the Group’s ability to ensure a sustainable business future.

The King Code of Governance for South Africa, 2009 (“King III”) and the International Integrated Reporting Council’s (“IIRC’s”) Integrated Reporting <IR> Framework were considered in the compilation of this report. In accordance with the <IR> Framework, the Group has considered the six capitals, namely financial, manufactured, intellectual, human, social and relationship and natural capital, 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 financial and non-financial performance data on the Group’s business activities in all its operating geographies, including South Africa, Uganda, Zambia and, most recently, Mozambique, and for all subsidiaries of the Group.

More information is provided in the business overview section on page 18.

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

REPORTING PRINCIPLES AND COMPARABILITY

The summary consolidated 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 audited by PricewaterhouseCoopers Inc. Year-on-year comparability is affected by the further change in business model for the Group's broiler operations, implemented from October 2015. The Group exited the Gauteng/North West broiler meat market following the sale of its Hartbeespoort abattoir on 19 October 2015. Quantum Foods now supplies its total live broiler production capacity, in both the Western Cape and Gauteng/North West, to other abattoirs.

Readers of this report are referred to the summary consolidated segment report in the summary consolidated financial statements on page 64, where reasons for and the effect of the change in operating segments are disclosed and reported on.

ASSURANCE

The Group did not seek external assurance for the integrated report as a whole. However, assurance for certain elements of this report was provided by a combination of internal and external sources. This integrated report is the product of comprehensive and detailed 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 an increased level of external assurance in its reporting of non-financial elements in particular, and will continue to pursue improvement in this area.

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.

FEEDBACK

We are committed to communicating meaningfully with our stakeholders, and would therefore appreciate feedback on the effectiveness of this report. Any feedback can be emailed to our company secretary, Ntokozo Ndlovu, at Ntokozo.ndlovu@quantumfoods.co.za.

This report is also available on the Company website: www.quantumfoods.co.za

FORWARD-LOOKING STATEMENTS

Certain statements in this integrated report may constitute "forward-looking statements". Actual results and performance of the Group may differ materially from those implied by such statements due to many factors. Readers are therefore cautioned not to place undue reliance on such statements. The Group does not undertake any obligation to update any revisions to these statements publicly after the date of this report.

NAVIGATIONAL ICONS

The following navigational icons are featured throughout this report to increase usability and demonstrate supporting information:

This icon refers to where additional information can be found in this report.

This icon refers to where additional information can be found online.

COMMONLY USED TERMS

The following industry terms are commonly used throughout this report:

Birds	All varieties of live chicken, i.e. meat-type chicken, egg-type chicken, day-old chicken, layer chicken, etc.
Brining	Also “brine-based injection”: the practice of injecting broilers with brine in order to tenderise and moisten tissue muscle and increase weight
Broilers	Also “broiler chickens”: a young, tender chicken of a meat-type strain suitable for roasting or grilling
Day-old chicks	Chicks that are one day old, usually from the same stock as broilers
Day-old pullets	Female layer chicks that are one day old
Feed conversion rate	The quantity of feed, in kilograms, required by birds of the egg type to produce 1 doz table eggs, or required by birds of the meat type to produce 1 kg of broiler meat
Free-range eggs	Eggs produced from poultry kept in natural conditions that include freedom of movement
Hatching eggs	Fertile eggs produced on a breeding farm
Layers	Mature female chickens (at least 19 weeks old) used to produce marketable egg products
Liquid eggs	A product especially for the catering industry, where eggs are sold in liquid form
Livestock	Farmed animals kept for commercial use
Parent stock	Chickens bred specifically for further reproduction. There is different parent stock for broiler and egg-type chickens
Point of lay	The age at which a pullet lays its first eggs
Poultry	All forms of domestic fowl, e.g. chickens, turkeys, ducks, geese, etc.
Rearing	The process of growing a day-old chick or pullet into a mature bird
Table eggs	Eggs intended for consumption. Table eggs are normally graded according to a number of criteria, including weight and quality

MATERIAL MATTERS

The content of this report was developed by applying the concept of materiality as defined in the <IR> Framework. Materiality assists the Group in identifying those matters that have a significant impact on Quantum Foods' ability to create value in the short, medium and long term. A diverse group of managers, representing different areas of the business, were invited to participate in an externally facilitated discussion of Quantum Foods' value-creation abilities, strengths, risks and opportunities. Based on this discussion, the Group identified matters that are most likely to affect the value-creation process. These matters were presented to, and approved by, the Board, and reflect those matters that could have the most significant impact on the business if not carefully managed.

The following economic, environmental and social matters were identified. More information is available in the sections as referenced:

Economic

Material matter	Context and business response	More information
Market understanding of Quantum Foods' changed broiler business model	The Group has significantly hedged its exposure to the broiler meat market in South Africa by strategically repositioning itself as a contract producer that sells live broilers to other abattoirs.	Risks and opportunities – pages 26 – 27 Joint report of the chairman and CEO – pages 28 – 31
	Quantum Foods has to ensure that the effect of this change to the Group's broiler business model is understood by the market.	Business overview – pages 18 – 21
Growth opportunities	During the year, Quantum Foods acquired a feed mill in Paterson in the Eastern Cape, increasing its external sales footprint, particularly in the dairy market.	Business overview – pages 18 – 21
	The Group's experience, expertise and footprint in Africa enables it to identify and further realise growth opportunities on the continent, specifically in the table eggs and livestock feed value chains.	Joint report of the chairman and CEO – pages 28 – 31
	The Group increased its African footprint by acquiring an egg business outside Maputo, Mozambique, in September 2016.	Business overview – pages 18 – 21
Ability to recover rising input costs	The Group's ability to recover rising input costs, particularly of raw materials that are affected by the weakening rand and local and international grain crops, is vital to Quantum Foods' profitability. This is achieved through a relentless focus on procurement, currency movement, efficiencies, cost management and meticulous margin management. The further change in the Group's broiler business model is also a contributing factor.	Joint report of the chairman and CEO – pages 28 – 31

Economic		
Material matter	**Context and business response**	**More information**
Power supply challenges	During the year, power supply remained stable. While Quantum Foods' farming operations and egg packing stations are equipped with standby generators, interruptions in power supply due to load-shedding can impact business operations at the Group's feed mills, which are not yet equipped with standby generators.	Risks and opportunities – pages 26 – 27
Innovation	Developing products that cater to customers and markets is important in enabling the Group to diversify, grow and sustain its margins. Feed formulation for optimal animal nutrition, in particular, is a highly technical field with many opportunities to innovate. In the Group's broiler and egg businesses, innovation is focused on the continuous enhancement of farming practices to optimise livestock health and production efficiencies.	Business overview – pages 18 – 21 Risks and opportunities – pages 26 – 27
Environmental		
Poultry disease	Outbreaks of poultry disease have the potential to significantly impact productivity, efficiencies and financial performance in the Group's farming operations. Bio-security, vaccination and monitoring programmes are continually reviewed with the assistance of veterinary companies to improve the protection of the birds.	Ensuring responsible business – pages 37 – 41 Risks and opportunities – pages 26 – 27 Joint report of the chairman and CEO – pages 28 – 31
Optimised procurement and the availability of key raw materials	The rising cost and reduced availability of key raw materials required for animal feed production is an ongoing concern. This threat was compounded during the year by the effects of the severe, ongoing drought in South Africa's grain-producing areas, among others. This was effectively mitigated by the Group's capable, centralised, internal procurement team, who sourced and secured raw materials through agreements with dependable local and international suppliers.	Risks and opportunities – pages 26 – 27
Protecting the environment	As an agricultural business, the long-term sustainability of Quantum Foods depends on its ability to access a range of natural resources. It is therefore in the interest of the Group to contribute towards the protection of the environment by promoting sustainable agricultural and production practices, particularly with regard to water usage.	Ensuring responsible business – pages 37 – 41 Risks and opportunities – page 26 – 27
Water availability and quality	The Group is dependent on continuous access to high-quality water across its operations, particularly in its poultry operations, as this is critical in sustaining a healthy agricultural business. While the Group successfully manages this need, climate change has the potential to significantly impact the business in the long term.	Ensuring responsible business – pages 37 – 41 Risks and opportunities – pages 26 – 27

Social		
Material matter	**Context and business response**	**More information**
Ensuring the necessary skills to drive a high-performance culture	Attracting and retaining talented employees who can drive a high-performance culture is a priority for the Group. The business requires rare skill sets, particularly in the farming operations and egg business, where succession is a challenge. To strengthen its layer-egg farming operations, in particular, the Group expanded its recruitment strategy during the year, considering candidates from India.	Remuneration report – pages 50 – 51 Risks and opportunities – pages 26 – 27 Ensuring responsible business – page 37 – 41
Product safety and quality	The Group produces products for human and animal consumption. Quantum Foods must therefore adhere to strict food safety protocols in order to retain its licence to operate. In response, the Group has stringent quality-control processes in place, as well as a dedicated consumer-feedback channel that is actively monitored to ensure that any issues that arise are attended to swiftly and professionally.	Ensuring responsible business – pages 37 – 41 Risks and opportunities – pages 26 – 27
Broad-based black economic empowerment ("BBBEE") and transformation	Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of historically disadvantaged South Africans ("HDSA"). While 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 remains on transformation with priority pillars that include Employment Equity, Skills Development, Socio-economic Development, Enterprise Development and Preferential Procurement.	Ensuring responsible business – pages 37 – 41
Animal welfare	Livestock husbandry is critical to the success of the business. Quantum Foods therefore has an obligation to treat animals in accordance with required protocols, not only from an ethical and legal perspective, but also due to the concomitant impact on mortality and livestock production. In response, the Group frequently engages with external parties on matters related to animal welfare in a transparent and open manner.	Ensuring responsible business – page 37 – 41 Risks and opportunities – page 26 – 27
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. Similarly, the Group is committed to ensuring that all products are safe for consumption. Internal audits of premises are conducted regularly, on a rotational basis, to evaluate and improve health and safety compliance. Training of employees to ensure the necessary health and safety awareness and competency remains a priority.	Risks and opportunities – pages 26 – 27 Ensuring responsible business – pages 37 – 41

Quantum Foods

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

Quantum Foods at a glance

PROFILE

Quantum Foods is a fully integrated, diversified feed and poultry business with four focus areas:

- Animal feed
- Layer and broiler farming
- Eggs
- Related business on the African continent

The Group is listed on the JSE main board in the "Farming and Fishing" sector under the share code QFH, and provides quality animal protein to selected South African and African markets.

South Africa

Animal feed is manufactured and sold under the *Nova Feeds* brand. External sales amounted to 301 562 tons for the year (2015: 262 409 tons), representing 51% of total feed volumes produced (2015: 47%). The balance is consumed internally by the Group's integrated layer and broiler poultry operations. Following the acquisition of Olifantskop Feeds in Paterson, Eastern Cape, in February 2016, external sales volumes have exceeded internal consumption on a monthly basis.

Eggs are sold under the *Nulaid*, *Safe Eggs*, *Quantum*, and retailers' own brands, while layer livestock (day-old chicks and point-of-lay hens of the Lohmann breed) are sold under the *Bergvlei Chicks* brand. Quantum Foods is the largest producer of eggs in South Africa. During the year, Nulaid produced approximately 873 million eggs of which the Group supplied 54% to the retail sector.

Day-old broiler chicks of the Cobb breed are sold under the *Bellevue Chicks* brand. An average of 841 000 live broilers were sold per week to third-party abattoirs (2015: 579 000). In the previous year, the Group operated an abattoir in Gauteng that supplied the market with 16.6 million kg of broiler meat. This abattoir was sold to Crown Chickens (Pty) Ltd (trading as Sovereign Foods) in October 2015.

Other African countries

In Zambia, Quantum Foods operates a broiler and layer breeder business (selling day-old chicks), a feed business and a table egg business. The table egg business sold 81 million eggs for the year (2015: 69 million). A project to increase production capacity was completed during the last quarter of the year. Due to the time lag between the placement of an increased number of layer hens, and actual egg production, the benefit of increased production capacity will only be realised in the next financial year.

In Uganda, the business comprises a broiler and layer breeder business and a feed business. The construction of a table egg production facility near Masindi was completed during the second half of the year. Similarly to the Zambian expansion, the benefit of this project will only be realised in the next financial year.

In Mozambique, the business comprises a table egg business located near Maputo, which supplies both the retail and informal markets. The business was acquired in September 2016.

Geographic footprint

4.1%

of Group revenue from other African operations

2015: 5.2%

597 000 tons

feed produced in South Africa

2015: 558 000 tons

938 million

table eggs sold in South Africa

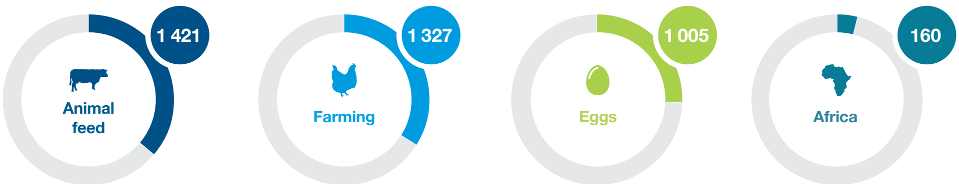
2015: 976 million

43.7 million

live broilers produced per annum

2015: 41.2 million

External revenue contribution (R'm)



2015: 1 100 | 2015: 1 227 | 2015: 963 | 2015: 179

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
- Quantum Foods Mozambique, S.A.
- Bergsig Breeders (Pty) Ltd (28%)

VALUE CHAIN AND **BUSINESS MODEL**

Quantum Foods generates value by providing affordable access to animal protein for the full spectrum of LSM consumers in selected South African and African markets. This takes the form of eggs and broilers as a core source of human nutrition, especially in Africa, where there is an increasing need to mitigate the increasing risk of food and resource scarcity.

The Group creates value for customers by ensuring consistent and fresh supply, ease of access and competitive pricing through trusted and market-leading brands. The Group's business activities enable an integrated and diversified value chain that supports Quantum Foods' own poultry operations, while servicing the external market locally and in selected African countries. A strong focus on responsive and customised service and technical solutions (particularly in feed), is supported by leading expertise and dedicated points of contact.

Intellectual property ("IP") and licensing rights ensure continued value creation and provide shareholders with the certainty that the Group's competitive position remains viable and sustainable, with growth opportunities in market expansion and product innovation.

The Group's value creation is supported by its stock of the six capitals:

- Financial – The combination of a largely ungeared statement of financial position, sufficient debt capacity to enable growth, revenue-generated, investment by shareholders and financial institutions provides Quantum Foods with the financial capital it needs to grow.
- Manufactured – Strategically located packing stations, feed mills, commercial hatcheries and rearing farms support Quantum Foods' business activities and enable extensive distribution coverage, locally and into Africa.
- Intellectual – Leading brands, IP licences, in-house expertise and feed and farming capabilities (particularly with regard to layers and feed formulation) provide Quantum Foods with intangible assets that support value creation.
- Human – The rare skills, expertise and experience of Quantum Foods' employees are critical in creating value.
- Social and relationship – A wide range of activities and interactions support Quantum Foods' relationship with its customers, suppliers and communities. The Group's working relationship with the National Society for the Prevention of Cruelty to Animals ("NSPCA") supports animal welfare, which is critical to the success of the business.
- Natural – The Group relies on a range of natural resources to enable its business activities. This includes, most importantly, grain, water and gas.

The following diagram illustrates Quantum Foods' business activities and value chain:

Procurement of raw materials - - **Feed**

Feed mills

Feed mills service the Group's internal livestock requirements, as well as the external livestock market.

Animal Feed

Grandparent stock - - **Farming**

See opposite diagram for detailed value chain.

Poultry farming

Integrated poultry farming for layer livestock, eggs and broiler livestock.

Commercial egg farming - - **Eggs**

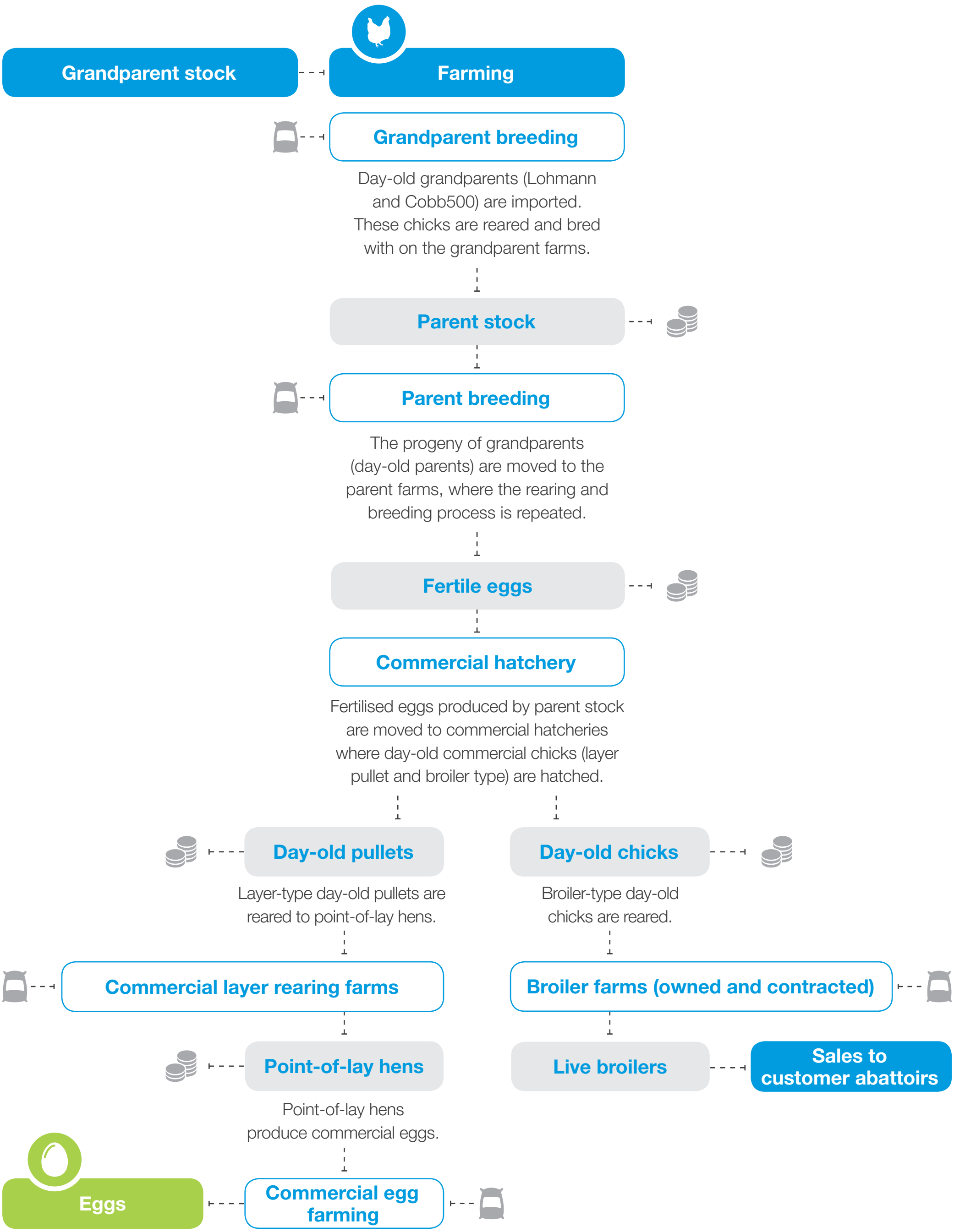
Egg packing stations and depots

Eggs are sold in ungraded form from depots, or moved to egg packing stations, where they are graded as table eggs or converted to liquid.

Eggs and liquid

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

Sales to market


Grandparent stock
Farming
Grandparent breeding
Day-old grandparents (Lohmann and Cobb500) are imported. These chicks are reared and bred with on the grandparent farms.
Parent stock
Parent breeding
The progeny of grandparents (day-old parents) are moved to the parent farms, where the rearing and breeding process is repeated.
Fertile eggs
Commercial hatchery
Fertilised eggs produced by parent stock are moved to commercial hatcheries where day-old commercial chicks (layer pullet and broiler type) are hatched.
Day-old pullets
Layer-type day-old pullets are reared to point-of-lay hens.
Day-old chicks
Broiler-type day-old chicks are reared.
Commercial layer rearing farms
Broiler farms (owned and contracted)
Point-of-lay hens
Point-of-lay hens produce commercial eggs.
Live broilers
Sales to customer abattoirs
Eggs
Commercial egg farming

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Through the Group's business activities, Quantum Foods generates financial and non-financial value for its stakeholders:

Group revenue increased by 12.8% to	Headline earnings decreased from R125.9m to	Earnings per share of	Headline earnings per share decreased from 54 cents to
R3.9bn	R65.8m	39 cents	28 cents
Mostly due to an increased contribution from the feed business, where the Olifantskop feed mill in Paterson was acquired effective 1 February 2016.	Mostly due to weaker performance from eggs and other African countries.	2015: 54 cents	

- **Dividend per share of 6 cents compared to 10 cents in 2015**
- **Number of employees increased from 1 979 in 2015 to 2 130 in 2016**
- **Nulaid was awarded Egg Category winner in the 2016/2017 Icon Brand Survey**
- **Table egg expansion projects completed in Zambia and Uganda**
- **Acquired Olifantskop Feeds in Paterson, Eastern Cape**
- **Acquired a table egg business in Mozambique**

More information about how the Group is creating social value and managing its environmental impact is available in the ensuring responsible business section on pages 37 – 41.


THE FRESHER
THE BETTER
VOTED AS WINNER IN THE EGG CATEGORY
IN THE 2016/2017 KASI STAR BRANDS SURVEY.
WE THANK YOU SOUTH AFRICAN CONSUMERS
FOR YOUR LOYAL SUPPORT.
Fresh eggs are better for baking, fresh eggs nourish the mind and body.
Always choose NULAID EGGS, because...
A fresh egg is...
Nulaid
WWW.NULAID.CO.ZA

BUSINESS **OVERVIEW**

Revenue contribution by business

Animal feed	Farming	Eggs	Africa
36%	34%	26%	4%
2015: 32%	2015: 35%	2015: 28%	2015: 5%

Industry features

Current conditions are extremely challenging for companies operating in the feed and poultry industries in South Africa, Mozambique, Zambia and Uganda. Issues faced by the industry include the rising cost of raw materials for feed production due to poor grain crops and volatile currencies; consumer demand that remains muted due to low economic growth levels; the continued pressure on the South African broiler industry due to dumping by international broiler exporters; and, in particular, the South African layer flock diseases that negatively impact poultry productivity.

The South African government entered into an agreement with the USA that allows for chicken meat to be imported at lower duties in order for South Africa to remain a beneficiary of the African Growth and Opportunity Act ("AGOA"). This, together with the continued imports of vast quantities of broiler meat from Brazil and some Western European countries, as well as the expected impact of the implementation of reduced allowable brining levels will increase pressure on broiler producers in South Africa.

Quantum Foods is not a direct participant in South Africa's broiler meat market, and is therefore not directly exposed to these effects. However, the increased financial pressure experienced by abattoirs that are supplied by the Group could impact Quantum Foods. The Mozambican, Ugandan and Zambian egg markets are less developed in terms of production volumes and per capita consumption than the South African egg market. However, these markets are currently impacted by the slowdown in economic growth, mostly related to the international commodity cycle and increased raw material cost due to drought. In addition to this, the broiler market in Zambia remains highly competitive following the expansion of mostly South African broiler producers into the country.

Looking forward, layer hens and broilers remain highly 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.

SOUTH AFRICA

Animal feed manufacturing

Quantum Foods owns feed mills located in George, Malmesbury and Pretoria, where feed is sold under the *Nova Feeds* brand. On 1 February 2016, Quantum Foods acquired Olifantskop Feeds situated in Paterson, Eastern Cape.

The Malmesbury site consists of two factories, bringing the total number of feed mills to five, with a total production capacity of approximately 60 000 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 and now the Eastern 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.

Farming

Layer farming

Lohmann Breeding SA (Pty) Ltd owns the rights to import pedigree grandparent layer stock of the Lohmann breed, as well as 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 obtained 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 Botswana, Mozambique, Namibia and Swaziland.

The Group owns 14 and rents two commercial layer farms on which an average of 72.8 million eggs are produced per month (2015: 75.3 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 7.4 million eggs per month from five contract farmers (2015: 7.2 million). This equates to a total of about 962 million eggs per year.

Broiler farming

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, on the five parent layer farms. Three are owned by the Group, while 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. The day-old chicks are transferred to commercial broiler farms, both Company-owned and contract-grower farms.

The Group supplied abattoirs in the Western Cape and Gauteng with approximately 841 000 live broilers per week, with the majority supplied to Astral and Sovereign Foods in terms of long-term supply agreements.

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 of broiler livestock in South Africa.

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

Eggs

Eggs are processed at seven grading and packing facilities located in the Western Cape, Eastern Cape, Free State, KwaZulu-Natal and Gauteng.

The eggs are distributed nationally as graded, ungraded or in liquid form. Graded eggs are sorted in the packing facilities according to weight (for example, medium, large, extra-large and jumbo). Fresh and pasteurised 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* plant in Gauteng produces pasteurised eggs, which have a reduced risk of bacteria. These eggs are distributed via four of the Group's packing facilities.

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 1.5 million Lohmann (2015: 1.6 million) and 1.8 million Cobb500 day-old chicks (2015: 2.3 million) per annum for its own use and for external sales. The feed facility produced 3 816 tons of feed (2015: 3 985 tons) and the farm produced 5.4 million eggs during 2016 (2015: 6.8 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, 64 million eggs are produced per annum (2015: 61 million) and more than 10 500 tons (2015: 9 800 tons) of feed is produced for consumption on the farm. During the year, a new rearing farm was completed, and the old rearing facility was converted into additional laying facilities. This new laying facility will be at full production by December 2016, and will increase egg production in Chingola by 23 million eggs per year.

During the year, Quantum Foods Zambia also produced 11.7 million eggs (2015: 1.2 million) at a rental facility in Chipata in eastern Zambia.

Uganda

Quantum Foods Uganda commenced operations in 2000. The business operates three farms located near Kampala, and a commercial rearing and laying farm in the Masindi area, north west of Kampala.

The Kampala sites comprise a parent breeding facility, a hatchery and a feed mill. They produce 1.5 million Lohmann (2015: 1.5 million) and 1.9 million Cobb500 (2015: 1.7 million) day-old-chicks per annum.

The Masindi farm expansion project, which includes a feed mill, layer rearing and egg laying facilities was completed in April 2016, and the first eggs were produced in June 2016. The farm will reach full production during 2017, producing an estimated 11 million eggs (2016: 1.1 million), and 3 000 tons of feed (2016: 740 tons).

During the year, Quantum Foods participated in the Investor of the Year Awards in Uganda and achieved second place in the medium-sized enterprise category for starting the commercial layer farm near Masindi.

Mozambique

During September 2016, Quantum Foods Mozambique completed the acquisition of a layer farm in the Maputo province. The farm has a capacity for 180 000 layer hens, and the eggs are sold to the formal and informal markets in and around Maputo.

2017 MANAGEMENT FOCUS AREAS

Business area	Icon	Management focus areas
Animal feed		Embed Olifantskop acquisition and increase external sales volumes
Farming		Improve layer farm productivity and reduce non-feed cost per unit Ensure world-class broiler farm results
Eggs		Achieve packing station efficiency targets and increase volumes
Africa		Extract value from expansions in Mozambique, Uganda and Zambia Consider further opportunities in Africa, focusing on feed and eggs

Olifantskop feed mill
Eastern Cape, South Africa

STRATEGIC **FOCUS**

VISION

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

PURPOSE

To build a leading feed and animal protein business through:

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

VALUES

The Group's commitment to its values supports its vision and purpose:

- We value teamwork.
- We are resilient and adapt to new situations.
- We take accountability: we own up and we learn from our mistakes.
- We are truthful in everything we do.
- We aim to exceed our customers' and consumers' expectations.

Following the Group's unbundling, Quantum Foods' focus has been on stabilising the business, reducing costs, driving efficiency and improving margins by reducing the Group's exposure to the cyclical nature of the poultry industry. This has largely been achieved by the change in the Group's broiler business model. Quantum Foods exited its abattoirs and ceased direct participation in the broiler meat market. The broiler business model now focuses on producing live broilers, using the Group's chicks and feed, which are in turn supplied to third-party abattoirs.

In the two years since the Group's unbundling, a number of projects have been completed that will ensure future growth. These include:

- the acquisition of Olifantskop Feeds in Paterson, Eastern Cape, which supplies mainly dairy farmers. The volumes added by this acquisition increased external feed sales by 17% on a monthly basis;
- the rental of a point-of-lay rearing farm in the North West province, increasing production capacity by 13%;
- the rental of an egg layer farm and egg packing station near Stutterheim, Eastern Cape, increasing production capacity in the region by 47%;
- the acquisition of *Safe Eggs*, the only commercial producer of pasteurised eggs in South Africa;
- the implementation of a project to increase the production capacity of the table egg farm in Chingola, Zambia, by 35%;
- the establishment of a new table egg farm in Masindi, Uganda; and
- the acquisition of a table egg business in Mozambique.

Extracting maximum value from these investments is a key, short-term priority.

QUANTUM FOODS STRATEGIC FRAMEWORK

Performance initiative	Action taken	Going forward
Strategic theme: Business/product composition		
Increase the footprint of the Group's feed business	Olifantskop Feeds acquired in Paterson, Eastern Cape, during the year.	Increase the production capacity of the Paterson feed mill. Consider further acquisition opportunities in the feed business, should they arise.
Disposal of the Hartbeespoort abattoir to reduce the Group's exposure to the cyclical nature of the poultry industry	Disposal completed and broiler business model now aligned.	Quantum Foods is the largest contract grower of live broilers, supplying own chicks and feed for sale to third-party abattoirs. The Group will seek opportunities to leverage this position and extract maximum value going forward.
Increase sales of higher-value eggs	Improved sales mix resulted in the achievement of higher than average selling price increases.	Continuous improvement remains a priority.
Increase egg sales outside South Africa	Table egg expansion projects in Zambia and Uganda completed during the year.	Extract maximum value from the increased capacity.
Further the Group's footprint outside South Africa	Table egg business in Mozambique was acquired during the year.	Extract maximum value from the acquisition.

Performance initiative	Action taken	Going forward
Strategic theme: Unlock supply chain value		
Implement projects to reduce distribution costs	Implemented new outsourced distribution agreements in the feed, farming and egg business to improve efficiencies and customer experience.	Target continuous improvement in efficiency and customer experience.
Consolidate the Group's inbound farm logistics	Implemented new outsourced distribution agreements to improve efficiencies and bird health.	Target continuous improvement in efficiencies and bird health.
Implement energy-saving projects and initiatives	A solar power system was implemented at the Sova packing station in January 2016.	Consider further energy-saving projects.
Further centralisation of procurement	Group purchasing power utilised effectively during the year.	Centralise the procurement of further expense categories.
Strategic theme: World-class efficiency		
Reach stated farm efficiency targets	The broiler value chain achieved efficiency targets in the breeding operation and Western Cape commercial broiler operation. Gauteng/North West commercial broiler efficiencies improved resulting in lower conversion costs, however, not yet on target. In the layer value chain, efficiency targets were achieved in the breeding operation. However, efficiencies in the commercial rearing and egg laying operations were well below target due to disease and below par husbandry practices, resulting in higher conversion cost.	Target further improvement to reduce conversion costs. Consider the conversion of gas heating systems on farms to coal heating systems. Convert open layer house systems to environmentally controlled systems.
Non-feed cost per unit increase below inflation	Reduced production on especially egg layer farms resulted in cost increases per unit above inflation.	Achieve cost per unit target.

Performance initiative	Action taken	Going forward
Strategic theme: World-class efficiency		
Decrease waste at egg packing stations	Waste reduction achieved but not yet on standard.	Target further improvement to improve efficiency and reduce costs.
Ensure a safe environment and safe products	Achieved.	Continue to maintain the highest safety standards.
Strategic theme: Organic growth		
Grow external feed volumes	Achieved due to the additional volumes from Paterson feed mill.	Grow further, organically and by considering acquisition opportunities.
Grow layer livestock	Achieved due to the additional volumes from the Sterkstroom rented farm.	Extract maximum value from the additional capacity.
Grow broiler livestock	Achieved due to the implementation of the live broiler supply agreement with Sovereign Foods.	Further growth is dependent on the dynamics of the broiler industry – monitor this moving forward.
Grow table eggs	Not achieved as a result of egg farm production, and therefore associated sales, that reduced due to disease challenges.	Improving farm production efficiencies will result in more eggs available for sale. The Group will consider renting additional egg farms to increase production capacity.
Strategic theme: High-performance human capacity		
Strengthen the egg business team by strategic appointments	26 middle to senior management members successfully recruited during the year.	Retain and further develop talent.
Grow talent via farm internships	Internships awarded to 19 students during the year.	Continue with initiative to improve talent pool.
Improve BBBEE profile	The Group retained level 6 status on the current codes.	Target improvement across most pillars.
Build a sustainable performance culture	An employee engagement model was developed during the year.	Roll out and monitor the success of the Group's employee engagement model.

RISKS AND **OPPORTUNITIES**

The Group determines its material risks through a risk management process that 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. The top 10 residual risks are provided in summary below:

1. Volatility due to exchange rate instability
2. Inability to cope commercially with raw material price increases – maize and soya meal
3. Declining consumer spend impacting sales
4. Poultry diseases impacting the productivity of poultry
5. Inadequate talent pipeline
6. Exposure to internal labour action
7. Inability to recruit suitably skilled candidates for specialised positions
8. Supply and demand imbalances – oversupply resulting in pricing challenges (chickens and eggs)
9. New market entrants increasing market competition
10. Statutory compliance of all sites (specifically focusing on occupational certificates)

Risk description	Mitigation to create opportunities
Volatility due to exchange rate instability	• Foreign currency positions (mostly USD) affecting imported soya meal and maize are managed by the corporate office according to a Board-approved hedging strategy and policy. No speculative positions are taken.
Inability to cope commercially with raw material price increases as a result of unfavourable weather conditions and the weakening rand – maize and soya meal in particular	• Raw materials are procured and monitored according to a Board-approved hedging strategy and policy for the Group's 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.

Risk description	Mitigation to create opportunities
Declining consumer spend impacting sales	• The Group supplies animal feed and produces eggs and broilers that fulfil basic nutritional requirements. Poultry (eggs and broiler meat) are excellent, cost-effective converters of animal feed to protein. • The continuous focus on efficiencies and cost management.
Poultry diseases impacting the productivity of poultry	• The Group runs a comprehensive vaccination and flock health monitoring programme. The Group also enforces strict bio-security management.
Inadequate talent pipeline	• A formal succession plan is being developed, and talent planning reviews are conducted biannually.
Exposure to internal labour action	• The Group conducts decentralised negotiations at its various operations. The negotiations are further staggered throughout the year, and temporary labour is appointed where necessary.
Inability to recruit suitably skilled candidates for specialised positions	• The Group builds relationships with universities and offers bursary programmes. • There are formalised development plans for internally identified talent. • There is an annual intake of interns for animal production training. • There are partnerships with recruitment agencies.
Supply and demand imbalances – oversupply resulting in pricing challenges (chicken and eggs)	• The Group no longer sells broiler meat to the market but rather sells live broilers to abattoirs. Pricing models reflect production and not market risk. • The production plan is adjusted based on the monitoring of industry trends and available statistics to forecast potential egg supply and demand imbalances.
New market entrants increasing market competition	• The Group maintains an awareness of new competitors entering the market through its market research initiatives. • Quantum Foods also participates in the committees of the South African Poultry Association ("SAPA"), the Animal Feed Manufacturers Association ("AFMA"), and the Poultry Association of Zambia ("PAZ") that play a role in maintaining industry standards. • A relentless focus on production efficiencies and cost management enables the Group to remain competitive.
Statutory compliance of all sites (specifically focused on occupational certificates)	• The Group monitors its progress according to a priority scorecard for future compliance across all sites. • A fire risk management framework is in place and certification audits are conducted annually.

JOINT REPORT OF THE **CHAIRMAN AND CEO**

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

INTRODUCTION

The past financial year was very challenging for the poultry industry. The change in the Group's business model, implemented over the past two years, protected Quantum Foods from market risk in the South African broiler industry. However, the egg business in South Africa and the businesses in the other African countries were severely affected by higher raw material prices and less favourable market conditions. Combined, these negative factors resulted in a weaker financial performance. The feed business performed well, and the acquisition of Olifantskop Feeds in the Eastern Cape was a highlight.

OPERATIONAL OVERVIEW

Maize and soy bean meal remain the primary input costs of the Group. The cost of these raw materials increased dramatically during the year. The average price of yellow maize on the South African Future Exchange ("SAFEX") increased by 41.6% compared to the previous year. Maize reached its highest trading point in January 2016 at R4 130 per ton. The landed cost of soybean meal was negatively impacted by a 23% weakening of the rand against the US dollar compared to the previous year. These increases affected the cost of other raw materials, such as wheat and maize bran, which increased on a similar scale as maize and soy bean meal.

These increases resulted from the ongoing drought in South Africa, as well as the devaluation of the domestic currency. However, it is not only the continuous weakening trend, but also the volatility of the exchange rate that negatively impacted Quantum Foods' financial performance. The rand fluctuated between R13.03 and R16.87 against the US dollar for the period under review.

During the year, the Group finalised the sale of the Hartbeespoort abattoir to Sovereign Foods and implemented a supply agreement for live broilers. Quantum Foods is now positioned as a livestock farming business within the broiler supply chain. This adjustment to the business model protected Quantum Foods against the market risk of lower chicken meat prices. This price drop was caused by an increase in dumped chicken, as well as domestic supply and demand imbalances. However, due to the broiler adjusted business model, Quantum Foods only assumed production risk at a limited margin, rather than facing market risk on top of production risk.

The production performances of the broiler breeder and commercial broiler farms remained world class. This can be attributed to a combination of favourable farming conditions, excellent genetics, solid farming practices and well-formulated feed.

In the layer farming operations, disease had a negative effect on production volumes and production efficiencies, resulting in certain flocks being culled earlier than planned. This negatively impacted the Group's financial performance due to lower egg production per hen, as well as poultry houses not being placed for extended periods. Although layer livestock volumes increased, it was not possible to recover the increased production costs caused by higher raw material costs from the market. This resulted in margin compression.

Segmental overview

The animal feeds business performed well. Volumes from the historical footprint (excluding Olifantskop) were maintained in tough industry conditions. The financial performance and volumes produced by the Olifantskop feed mill were in line with expectations.

The performance of the egg business was unsatisfactory for the first six months. However, the operational performance improved significantly during the second half of the year. This improvement can be attributed to two main factors. Firstly, management and leadership capacity was strengthened by new appointments. Secondly, the responsibility for broiler and layer farming was restructured into one division, which increased the focus on farming efficiencies. Egg sales volumes declined due to lower production volumes caused by diseases on some of the commercial egg farms. However, average selling prices increased by 8.1% due to an improved sales mix and lower supply of eggs to the market.

The performance of the other African businesses was disappointing. While operational performance was generally satisfactory, financial results were poor.

In Zambia, the combination of drought, exchange rate fluctuation, commodity price slump, energy supply challenges, and oversupply of day-old broiler chicks created a difficult environment. On the positive side, Quantum Foods completed the expansion of the Mega Eggs operation in Zambia during the year. Looking ahead, this will result in increased volumes of eggs available for sale.

Uganda experienced high raw material prices that could not be transferred to the customer base, resulting in margin pressure. The new commercial egg farm in Masindi was completed and will be in full production by December 2016. This farm will enable the Group to participate in the table egg market in Uganda for the first time.

During September 2016, Quantum Foods acquired Galovos Eggs, the largest commercial egg producer in Mozambique. This acquisition provides the Group with an entry point into the Mozambique table egg market, and establishes a base for further expansion.

FINANCIAL OVERVIEW AND DIVIDEND

Group revenue increased by 12.8% to R3.9 billion with an increase of R463.7 million (14.1%) in South African operations and a decrease of R18.9 million (10.5%) in other African operations. Revenue from other African operations contributed 4.1% of Group revenue for 2016 (2015: 5.2%) and the decrease in rand terms is due to translation at weaker foreign currency exchange rates.

Revenue from South African operations:

- Increased by R320.9 million for the feed segment, mostly due to increased selling prices in response to higher raw material costs and the acquisition of the Olifantskop feed mill in February 2016.
- Increased by R100.2 million for the farming segment, mostly due to increased volumes and prices of live broilers and point of lay hens sold.
- Increased by R42.6 million for the eggs segment where an average price increase of 8.1% was achieved.

Cost of sales increased by 12.6% to R3.2 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 30 September 2016 amounted to R145.1 million (2015: R238.0 million). Gross profit, excluding these fair value adjustments, decreased by R8.3 million, resulting in a gross profit margin of 21.3% compared to 24.3% in 2015.

Cash operating expenses increased by 6.8% in 2016. The decrease in operating expenses due to the sale of the Hartbeespoort abattoir was, however, offset by additional expenditure at the Sterkstroom layer rearing facility rented from October 2015, the Olifantskop feed mill, the pasteurised eggs *(Safe Eggs)* business acquired in April 2015 and the Stutterheim egg layer farm and pack station rented from May 2015.

Included in other gains/(losses) is a foreign exchange loss of R15.9 million compared to a profit of R3.9 million in the previous year, mostly due to rand vs US dollar currency fluctuations.

Operating profit, before items of a capital nature, decreased by R73.2 million from the profit of R162.5 million in 2015. The South African operations recorded a decrease of R37.5 million to a profit of R106.7 million at a margin of 2.8% (2015: 4.4%). Feeds and Farming improved by R7.0 million and R14.0 million respectively while Eggs reported a loss of R26.9 million compared to a profit of R31.7 million in 2015. The other African operations recorded a decline of R25.5 million to report a loss of R0.2 million.

Headline earnings per share ("HEPS") decreased to 28 cents from the 54 cents per share of 2015.

Cash generated from operating activities amounted to an outflow of R42.1 million in 2016. This includes an additional investment in working capital of R173.6 million. Capital expenditure for the year amounted to R167.0 million, R58.2 million of which was incurred on the table egg expansion projects in Zambia and Uganda, R43.6 million on the acquisition of the Olifantskop feed mill and R24.6 million on the acquisition of the Galovos table egg business in Mozambique.

The Group had minimal borrowings at 30 September 2016 comprising an arrangement to purchase electricity from solar panels capitalised as a finance lease in terms of IFRS.

Cash and cash equivalents decreased from R187.5 million to R79.5 million and the Group has declared a dividend of 6 cents per share, at a HEPS cover of 4.7.

The Group's net asset value ("NAV") of R1 596 million at 30 September 2016 translates to a NAV per share of R6.89 based on the number of shares in issue at that date.

During the year, Quantum Foods repurchased and cancelled 1 445 274 shares.

Group revenue increased by 12.8% to R3.9 billion with an increase of R463.7 million (14.1%) in South African operations

PROSPECTS

Protein consumption is largely driven by an increase in per capita income, as well as higher levels of urbanisation. Although the latter continues to occur in South Africa, per capita income has declined in recent years. This is reflected in weakened consumer demand, and will continue to put pressure on the Group's profitability, particularly if the cost of raw materials does not decrease. To mitigate this risk, Quantum Foods will continue to focus on efficiencies on farms and in factories. Optimal procurement of raw materials will remain a key focus area.

The focus created by combining broiler and layer farming at executive level has proved successful, and has enabled the egg business to concentrate on processing and commercial performance.

The feed business remains the backbone of Quantum Foods, and we will continue to invest in organic and acquisitive growth opportunities as they arise. Africa faces a negative medium-term outlook due to the slowdown in global commodity prices as well as the drought in southern Africa. Despite this, we believe that this current situation will turn around and that the Group is well positioned to benefit from the recent investments in Zambia, Uganda and Mozambique. The Group will continue to consider opportunities on the African continent, focusing on the feed and eggs value chains.

APPRECIATION

A special word of thanks to Louis Bester, who retired in March 2016, as Zambia Country Manager. Louis played an important role in expanding the operations of the Group.

Quantum Foods' performance would not have been possible without the contribution of our employees, suppliers, customers and the board of directors. We sincerely thank them for their contributions.

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

BOARD OF DIRECTORS

Wouter André Hanekom (57)

Chairman

André was nominated and elected as chairman of the Board on 28 April 2015.

Qualifications:
CA(SA)

Quantum Foods Board and Committee Membership:
Chairman, Remuneration and human capital

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.

Patrick Ernest Burton (63)

Independent non-executive director

Patrick was appointed to the Board on 29 July 2014.

Qualifications:
BCom (Hons) Financial Management, HDip in Tax Law

Quantum Foods Board and Committee Membership:
Non-executive director, Audit and risk (chairman), Remuneration and human capital (chairman)

Patrick is an experienced businessman with experience as a director which includes non-executive positions in fishing, food, insurance, financial services and investment holdings companies. Patrick sits on the board of directors of various listed and unlisted companies.

Geoffrey George Fortuin (49)

Independent non-executive director

Geoff was appointed to the Board on 28 April 2015.

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

Quantum Foods Board and Committee Membership:
Non-executive director, Audit and risk

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 Financial Director of Brimstone Investment Corporation Ltd.

Prof. Abdus Salam Mohammad Karaan (48)

Independent non-executive director

Mohammad was appointed to the Board on 10 June 2014.

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

Quantum Foods Board and Committee Membership:
Non-executive director, Audit and risk, Social and ethics (chairman)

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.

COMPANY SECRETARY

Norman Celliers (43)

Non-executive director

Norman was appointed to the Board on 10 June 2014.

Qualifications:
BEng (Civil), MBA

Quantum Foods Board and Committee Membership:
Non-executive director, Remuneration and human capital

Norman's 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.

Hendrik Albertus Lourens (53)

Chief Executive Officer

Hennie was appointed as executive of Quantum Foods in 2007, while it was a division of Pioneer Foods.

Qualifications:
BCom (Hons), MCom, BProc

Quantum Foods Board and Committee Membership:
Executive director

Hennie 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 20 years and was appointed to the Board on 27 January 2014.

André Hugo Muller (46)

Chief Financial Officer

André was appointed to the Board on 27 January 2014.

Qualifications:
CA(SA)

Quantum Foods Board and Committee Membership:
Executive director

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.

Ignatia Ntokozo Tamarie Ndlovu (30)

Company secretary and legal advisor

Ntokozo has been with Quantum Foods since 2014.

Qualifications:
LLB

Ntokozo joined Quantum Foods as company secretary and legal advisor 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 six years' experience in the legal and compliance environment.

EXECUTIVE MANAGEMENT

EXECUTIVE COMMITTEE

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

Hendrik Albertus Lourens (53)
Chief Executive Officer

Hennie has been with Quantum Foods since 2007.

Qualifications:
BCom (Hons), MCom, BProc

Hennie was appointed as executive of Quantum Foods 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 20 years.

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Roelof Viljoen (50)
Executive: Supply chain

Roelof has been with Quantum Foods since 2008.

Qualifications:
CA(SA)

Roelof was a financial manager and a sales manager at Sasko Grain, before joining Quantum Foods while it was still a division of Pioneer Foods. He has 16 years' experience in the food industry, of which nine years have been spent in the poultry industry.

Marthinus Petrus van Lill (46)
Executive: Feed business

Thinus has been with Quantum Foods since 1997.

Qualifications:
BCom (Acc), BCompt (Hons), SAIPA (PA)

Thinus has been with the Nova Feeds business since 1997, when it was still a division of Pioneer Foods. He has progressed from a financial manager to the executive responsible for the feed business. He has 19 years' experience in the animal feed and poultry industry.

Adel Deidré van der Merwe (45)

Executive: Egg business

Adel has been with Quantum Foods since 2008.

Qualifications:
BCom Management Accounting

Adel started out in the corporate finance department of Pioneer Foods in 1995 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 joined the egg business during 2016. She has more than eight years' experience in the feed and food industry and more than 16 years' experience in procurement.

James Joseph Murray (59)

Executive: Farming operations

Jimmy has been with Quantum Foods since 2013.

Qualifications:
National Diploma in Agricultural Extension and Soil Conservation

Jimmy has 35 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).

Heather Elizabeth Pether (48)

Executive: Human resources

Heather has been with Quantum Foods since 2005.

Qualifications:
National Diploma in Human Resources

Heather has 21 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.

Jan Hendrik van Rhyn (51)

Executive: Africa

Jannie has been with Quantum Foods since 2014.

Qualifications:
BEng, MSc, BCom (Hons)

Jannie 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 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 13 years. He joined Quantum Foods in November 2014, and is responsible for the business in the rest of Africa.

Quantum Foods

aims to be a leading feed and animal protein business in Africa, delivering sustainable financial and non-financial value.

Ensuring responsible business

The Group is committed to creating value for its stakeholders by ensuring the sustainability of its 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 like-minded 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 success of Quantum Foods, it is important to ensure that the Group maintains open channels of communication and engagement.

The Group takes stakeholder concerns seriously, and strives to improve continuously its governance, transformation and sustainability initiatives.

PRODUCT SAFETY AND CUSTOMER COMPLAINTS

Feeds business

Quantum Foods aims to provide safe feed as a foundation for safe food. Therefore, quality assurance is crucial. All feed mills have integrated quality systems in place that 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 that enables 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 that Quantum Foods provides safe, reliable products to its customers and consumers. The Group's grading facilities are subjected to external audits that are 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 annually at all layer farms, cull depots and grading facilities.

The Group uses an external company to monitor customer complaints. A toll-free number is available to both customers and consumers, and all calls are logged and managed. A weekly report is generated and monitored by executive management to identify trends and assist the Group in developing a customer-centric culture.

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. A substantial effort is made to minimise Quantum Foods' environmental impact and to support the effective consumption of resources, with a 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.

The table below outlines the Group's overall performance for 2016 against the 2015 benchmark year. This enables stakeholders to monitor performance, and helps the Group to identify improvement opportunities:

Environmental performance indicators

Consumption	Units	September 2016	(Decrease)/ Increase from 2015
Water	Kilolitres	**1 042 082**[1]	(14%)
– Boreholes/river extraction/dams		**787 622**	(4%)
– Municipal sources		**254 460**[1]	(36%)
Electricity	kWh'000	**46 614**	(10%)
Coal	Tons	**1 091**	(54%)
Gas	Kg	**1 111 643**[2]	27%
Diesel/petrol/paraffin	Litres	**1 111 873**[1]	(26%)
Heavy fuel oil (HFO)	Litres	**983 906**	3%
Packaging	Tons	**16 105**	(33%)
Litter/manure produced	Tons	**145 542**	(2%)
Mortalities to landfill/waste pit	Tons	**995**	(10%)
Effluent water	Kilolitres	**63 543**[3]	(1%)

1 *Mainly due to the sale of Hartbeespoort abattoir*
2 *Changed broiler production from a farm using coal heaters to a farm using gas heaters*
3 *Correction made to the 2015 number reported*

Conservation

During the previous year, 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 conservation area is known as the Quantum Foods' Atlantis Sand Fynbos Conservation Area, and critically endangered Atlantis Sand Fynbos is conserved on the property.

Energy efficiency

With the assistance of an external service provider, energy-saving opportunities have been identified at certain sites across the Group's integrated value chain. Quantum Foods' main energy-intensive activities relate to the boilers used in the preparation of animal feed, the temperature control of hatching eggs, the rearing of layer and broiler chicks and the overall production of egg packing stations. During the year, the Group implemented a solar power unit at the Sova packing station. Opportunities for energy efficiency and energy saving include process optimisation and introducing advanced technologies in the Group's energy-intensive activities. Approved projects are being implemented and tracked to ensure that the full benefit from lower energy consumption is realised. Going forward, these programmes will be expanded to identify further opportunities to reduce energy consumption within the Group.

DIVERSITY AND EMPLOYMENT EQUITY

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability. The Group believes that a diverse and transformed workplace adds value in the form of improved employee capabilities and shared values that strengthen, motivate and enhance employee productivity to the ultimate benefit of society.

The employment equity statistics for the Group's South African operations are provided in the table below:

Employment Equity Statistics as at 30 September 2016

	African		Coloured		Indian		White		Foreigners		
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	1	1	0	17	2	0	0	23
Professionally qualified, experienced specialists and mid-management	8	1	9	8	5	1	44	10	0	0	86
Skilled technical and qualified workers, junior management, supervisors, foremen, superintendents	89	23	46	39	4	5	42	37	0	0	285
Semi-skilled and discretional decision-making	202	144	94	64	0	0	2	7	0	0	513
Unskilled and defined decision-making	330	337	42	52	0	0	0	0	0	0	761
Total permanent	630	506	191	165	10	6	111	57	0	0	1 676
Non-permanent employees	18	5	3	3	1	1	11	5	2	0	49
Total	**648**	**511**	**194**	**168**	**11**	**7**	**122**	**62**	**2**	**0**	**1 725**

The Group also employs 243 employees in Zambia (144 at Mega Eggs, 75 at Lusaka Farm, 22 in Chipata, and two regional managers), 97 employees in Uganda (61 in Kampala and 36 in Masindi) and 65 employees in Mozambique.

Training

The Group remains committed to investing in the development of the skills, knowledge and capabilities of its employees. Legislative training was completed, and a number of workshops and seminars were attended by employees during the year.

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

Skills pipeline	2016	2015
Internships	**19**	10
Apprenticeships	**3**	8
Learnerships	**16**	18
Bursaries	**16**	12

In addition to the above, four formal workshops to upskill farmworkers were held during the year, with a total of 40 farmworkers attending.

Occupational health and safety

In order to provide a safe work environment for its employees, Quantum Foods strives to adhere to and comply with all relevant health and safety legislation across its operations.

The number of work-related injuries reported in 2016 was 71, compared to 42 in 2015.

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 Group's feed factories are on the National Occupational Safety Association ("NOSA") system, which formalises the management of occupational health and safety systems. ISO 14001 is an internationally accepted environmental management certification system used to manage environmental risks at the Group's feed factories.

Employee turnover

Quantum Foods' employee turnover figures for its South African operations were as follows:

- Management – 1.39% compared with 0.61% in 2015
- Not in management – 20.69% compared with 38.84% in 2015

The turnover percentages for 2016 include closure of the Hartbeespoort abattoir in October 2015. The turnover percentages for 2015 include closure of the Durbanville abattoir at the start of the previous financial year. Turnover percentages reported also include the termination of fixed-term contracts.

BBBEE

The Group retained its level 6 BBBEE status. The audit was carried out by Empowerdex, an accredited verification agency, using the Agricultural Sector Code scorecard. This is the second BBBEE rating for Quantum Foods, and it is valid from November 2016 to November 2017.

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of HDSA. To achieve transformation in the Group, and to improve the level of transformation in the agricultural industry, Quantum Foods has developed a three-year strategy to assist the Group in reaching its target level 4 BBBEE status, based on the current Agricultural sector Code scorecard, by 2019.

Empowerment indicator	AGRI BEE indicative scorecard	Quantum Foods score
Ownership (Land and Equity)	20	9.64
Management Control	10	3.11
Employment Equity	10	3.98
Skills Development	20	2.62
Preferential Procurement	20	11.99
Enterprise Development	10	10.00
Rural Development, Poverty Alleviation and SED	10	7.65
Level 6 Contributor	100	48.99

The Group continues to contribute to Enterprise Development. Current initiatives include the rental of a farm in Bronkhorstspruit from a HDSA with the benefit of R4.1 million accruing for the year.

Other projects to assist suppliers, specifically small enterprise farms, will be implemented to assist these farmers to obtain BBBEE ratings which will, in turn, improve the Group's Preferential Procurement score.

The Group identified a number of senior appointments that it will make over the next three years to increase the Management Control, and Employment Equity score.

COMMUNITY PROJECTS

The Group's involvement in its "adopted" primary school, which is situated close to its head office in Wellington, has grown. Quantum Foods was initially committed to funding the salary of an additional teacher, as well as additional teaching equipment. However, due to the marked improvement in foundation phase results, the Group now funds the salaries of two additional teachers, both of whom focus on literacy and numeracy in the foundation phase. Through its Social Club, Quantum Foods' employees have also involved the school in a number of its social activities.

The Group will continue with its scholarship programme aimed at HDSA who are studying towards an agricultural qualification by offering bursaries.

HUMAN RIGHTS

Quantum Foods is committed to, and strives to protect, basic human rights as defined in the Constitution of the Republic of South Africa, Act 108 of 1996, and according to internationally proclaimed human rights' standards. No incidents of human rights violations were reported during the year.

ETHICS

Quantum Foods believes in doing what is right. This includes considering the impact of the Group's products and operations in relation to its stakeholders. The Group's code of ethics ensures that employees are aware of, and know how to avoid and manage, any situations that require an ethical response. To assist the Group in monitoring and managing its ethical performance, a Tip-offs Anonymous line is available. During the year, four tip-offs were investigated. Of the tip-offs investigated, three were founded and were resolved appropriately.

CONFLICT OF INTEREST

All Group employees are required to declare any gifts received from stakeholders in a register that is 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 properly authorised individuals.

BRIBERY, CORRUPTION, THEFT AND FRAUD

No form of bribery, corruption, theft or fraud by the Group's employees is tolerated. Quantum Foods is guided by the Prevention and Combating of Corrupt Practices Act, Act 12 of 2004, which clearly defines the offense of corruption. The social and ethics committee, as well as the audit and risk committee, monitors these matters.

ANIMAL WELFARE

Animal welfare remains a major focus area. Regular internal audits are conducted on all the Group's farms to ensure adherence to set internal standards. Employee training on the handling of chickens was conducted during the year, with additional training available and provided as and when needed. Quantum Foods regularly engages with the NSPCA and conducts audits with inspectors from the NSPCA to ensure compliance. During the year, 24 internal self-audits were conducted. In addition, strict bio-security measures are in place at all farms to protect chickens against disease and illness.

Quantum Foods

believes that good corporate governance principles must be incorporated into all aspects of the business.

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 good 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 on the website.

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 as 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 improving 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. The chairman, Mr André Hanekom, an independent non-executive director, presides over meetings of the Board. The duties and functions performed by Mr André Hanekom as chairman are separate from those performed by the chief executive officer ("CEO"), Mr Hennie Lourens, who is an executive director.

The Board appoints the CEO and the company secretary. 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 that includes proposal submissions from all incumbent directors, followed by interviews with nominated directors.

There were no changes to the Board during the reporting period. At each annual general meeting ("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 internal appraisal of the Board and committees was done during the reporting period 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.

During the year, the Board:

- reviewed its charter and approved the work plan for the financial year;
- reviewed and amended the decision-making framework;
- approved the interim financial results;
- approved the Group budget;
- reviewed and approved the Group strategy as presented by management;
- oversaw the acquisition of the Paterson feed mill;
- oversaw the completion of the expansion projects in Zambia and Uganda; and
- oversaw the acquisition of Quantum Foods Mozambique.

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 by the Board. Progress against this is 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 during the reporting period. The Board members also attended a full-day session during which the 2017 strategy and budget were approved. The committees each had two scheduled meetings during the year, with the exception of the audit and risk committee, which had three scheduled meetings, and the remuneration and Human Capital committee held an additional *ad hoc* meeting.

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

	Status	AGM	Board	Remuneration and human capital committee	Audit and risk committee	Social and ethics committee	Strategy session
WA Hanekom	Chairman Independent non-executive director	1/1	5/5	3/3*	2/3^	n/a	1/1
PE Burton	Independent non-executive director	0/1	5/5	3/3*	3/3	n/a	1/1
N Celliers	Non-executive director	1/1	4/5	3/3*	n/a	n/a	1/1
Prof. ASM Karaan	Independent non-executive director	0/1	5/5	n/a	3/3	2/2	1/1
GG Fortuin	Independent non-executive director	0/1	4/5	n/a	3/3	n/a	1/1
HA Lourens	Chief executive officer	1/1	5/5	3/3*	3/3	2/2	1/1
AH Muller	Chief financial officer	1/1	5/5	3/3*	3/3	2/2	1/1

^ *WA Hanekom attended the meetings as an invitee*
* *The committee held an additional ad hoc meeting*

Audit and risk committee ("ARC")

Members

- Mr PE Burton (chairman)
- Prof. ASM Karaan
- Mr GG Fortuin

The ARC comprises three independent non-executive directors. Mr HA Lourens and Mr AH Muller, in their respective capacities as CEO and CFO, are permanent invitees to the meeting. The internal and external auditors also attend the meetings of the committee. The ARC holds a minimum of three meetings per annum. One of the meetings focuses on risk in order to ensure that risk management is adequately addressed. During the reporting period, there were no changes to the composition of the committee. The committee oversees the following functions:

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

More information about the functions and responsibilities of the ARC during the year is provided in the ARC report on page 57.

Group internal audit

The internal audit services for 2016 were provided by Deloitte & Touche. The internal audit service contract was renewed during the year for a further period of two years. 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 2016, the internal auditors assisted in monitoring the effectiveness and adequacy of the Group's risk framework and 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 ARC is provided on page 57.

Social and ethics committee ("SEC")

The SEC consists of three members. Mr JJ Murray and Ms HE Pether are prescribed officers as described in the Companies Act and is chaired by Prof. ASM Karaan. It holds a minimum of two meetings per annum. The committee 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.

The report of the SEC is provided on page 49.

Remuneration and human capital committee (“RHCC”)

The RHCC members are Mr WA Hanekom and 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.

The report of the RHCC is provided on pages 50 – 51.

Masindi Farm
Western Region, Uganda

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. Mr HA Lourens and Mr AH Muller 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, as 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 monitors the following matters:

- BBBEE and targets – The committee monitors the strategy and targets approved by the Board during the financial year.
- Sponsorships and charitable donations – The committee monitors the various product donations, and continues to monitor the social responsibility project, which is detailed under the Ensuring responsible business section on pages 37 to 41.
- Water, energy and waste disposal management – A report containing usage details is monitored biannually. It was noted during the year that the short-term aim will be to reduce wastage of these elements across the Group's operations.
- Occupational compliance – During the year, the committee noted progress in obtaining occupational certificates for various business premises. This is an ongoing process. Capital is allocated each year to ensure progress on compliance.
- Customer complaints and food safety – The committee monitors customer complaints and food safety, and is satisfied that such matters were adequately monitored and dealt with during the year.
- Employment equity and training – The committee monitors employment equity and training as set out in the Ensuring responsible business section on pages 37 to 41.
- Animal welfare – The committee monitors engagement with the NSPCA and other stakeholders to ensure that animal welfare remains a priority.
- Ethics management – The committee monitors adherence to the code of conduct.

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

Prof. ASM Karaan
Chairman

Wellington
22 November 2016

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. The fees payable to non-executive directors are recommended for approval by the Board to the 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 the 2016 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 2016 for recommendation to the Board.

PHILOSOPHY

Quantum Foods' remuneration framework supports the delivery of the strategy. 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 of inflation. Profitability and efficiency of business processes are the key Group performance indicators for reward. Individual performance indicators are determined according to the key measurable 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 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 is based on an audited and agreed comparative base for the previous financial year, with 40% of any bonus payable dependent on this element.

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

- The calculation is based on the weighted average cost of capital over a rolling three-year period 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 and farming production efficiency targets are determined annually by the Board to establish minimum and maximum potential bonus payouts. The percentage of growth in EP included in the bonus pool is determined annually by the Board.

A maximum bonus pool is 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.

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 second 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 are 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 scheme, the Board can increase the baseline HEPS for an allocation to ensure that the target for the vesting of this component is fair and reasonable to both shareholders and participants. No such adjustment was made to the baseline HEPS of 54.1 cents per share recorded in 2015. The total 100% vesting, for the performance component of the 2016 allocation, will therefore be realisable at CAGR in HEPS of CPI plus 5% from the baseline of 54.1 cents per share. The vesting of the remaining 50% is time dependent.

One-third of the SARs 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 one 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, 3 952 174 SARs were granted at a strike price of R2.66 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 as 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 ARC assists the Board in carrying out these responsibilities.

An IT governance framework and reporting system provides the Board with assurance that the IT strategy, procedures and controls within the business reduce IT risk, including information security, to an acceptable level. PricewaterhouseCoopers Inc. ("PwC"), as external advisors, assist with ensuring that measures are put in place to ensure the security of IT. The IT steering committee reported its progress to the ARC.

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

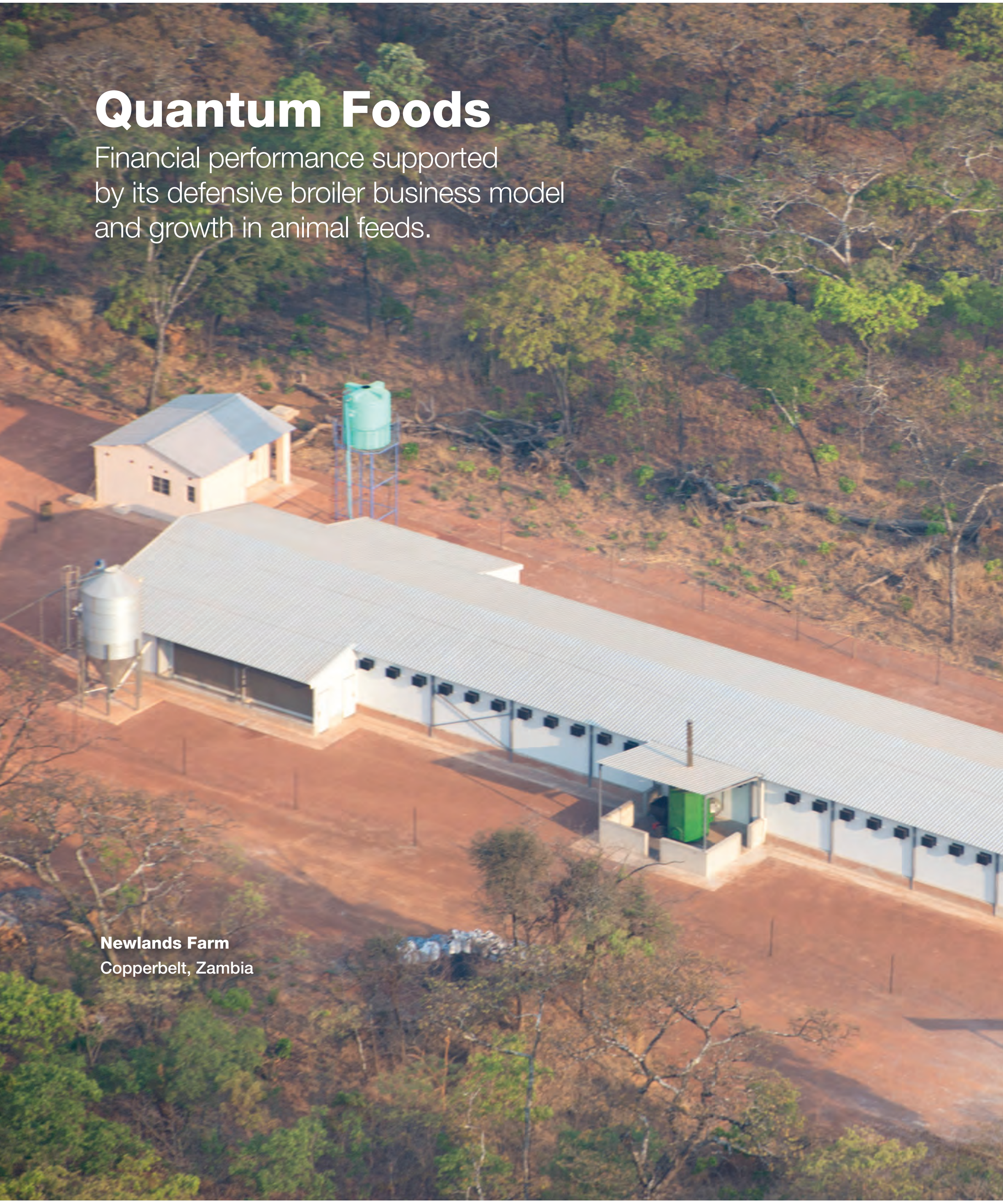
VALUE-ADDED **STATEMENT**

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

	2016 R'000	2016 %	2015 R'000	2015 %
Revenue	**3 913 078**		3 468 312	
Less: Cost of production and services	**(3 420 978)**		(2 928 503)	
Value added from operating activities	**492 100**		539 809	
Profit on disposal of assets	**34 947**		1 580	
Interest received – net	**6 814**		7 999	
Total value added	**533 861**		549 388	
Value distributed as follows:				
To employees				
Salaries, wages and employee benefits	**322 078**	**60**	318 491	58
To the government				
Income tax	**39 991**	**7**	45 764	8
Skills development levies	**2 160**	**0**	1 945	0
To providers of capital				
Interest paid	**–**	**0**	–	0
Dividends to shareholders	**23 325**	**4**	–	0
Total distributions	**387 554**		366 200	
Income retained in the business				
Depreciation and amortisation	**54 953**	**10**	56 272	10
Retained profit for the year	**91 354**	**17**	126 916	23
Total value distributed and reinvested	**533 861**		549 388	

Quantum Foods

Financial performance supported by its defensive broiler business model and growth in animal feeds.



Newlands Farm
Copperbelt, Zambia

Summary consolidated financial statements

Director's responsibility

In accordance with the requirements of the Companies Act, the Board is responsible for the preparation of the summary consolidated financial statements of Quantum Foods. The audited annual financial statements of the Group for the year ended 30 September 2016, from which these summary consolidated financial statements have been derived, were prepared in accordance with the requirements of the Companies Act.

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

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

Based on the information and reasons given by management and the internal auditors, the Board is of the opinion that the accounting controls are sufficient and the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities.

Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

The summary consolidated financial statements of the Group were approved by the Board on 22 November 2016 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 2016. The annual financial statements have been audited in compliance with the Companies Act. The annual financial statements have been prepared under the supervision of AH Muller CA(SA), chief financial officer. A copy of the full audited annual financial statements of the Group is available on www.quantumfoods.co.za.

Company secretary certificate

In accordance with section 88 of the Companies Act, for the year ended 30 September 2016, 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 serves as a guideline for the committee in the execution of its mandate.

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 2016 the committee comprised of three independent non-executive directors namely, Prof. ASM Karaan, Mr GG Fortuin and is chaired by Mr PE Burton.

These members will retire and avail themselves for re-election at the third 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 are 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 attends all meetings of the committee in his capacity as assurance provider.

MEETINGS

The committee held three meetings during the year. Attendance of the meetings is shown on page 46 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; and
  - 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 consolidated 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 fourth 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 the 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 55.

PE Burton
Chairman: Audit and risk committee

Wellington
22 November 2016

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 60 to 71 of the Integrated Report, which comprise the summary consolidated statement of financial position as at 30 September 2016, 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 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 22 November 2016. 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 Limited'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 2016 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 22 November 2016 states that as part of our audit of the consolidated financial statements for the year ended 30 September 2016, we have read the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: DG Malan
Registered Auditor

Paarl
22 November 2016

Summary consolidated statement of financial position

as at 30 September 2016

	2016 R'000	2015 R'000
ASSETS		
Non-current assets	**1 071 729**	945 625
Property, plant and equipment	**1 048 280**	923 322
Intangible assets	**15 559**	12 784
Investment in associate	**6 988**	6 731
Deferred income tax	**902**	2 788
Current assets	**1 194 300**	1 053 062
Inventories	**307 424**	234 566
Biological assets	**323 950**	288 775
Trade and other receivables	**481 480**	334 794
Derivative financial instruments	**–**	7 424
Current income tax	**1 935**	–
Cash and cash equivalents	**79 511**	187 503
Assets held for sale	**–**	83 399
Total assets	**2 266 029**	2 082 086
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent	**1 596 148**	1 514 567
Share capital	**1 581 402**	1 585 386
Other reserves	**(211 432)**	(228 968)
Retained earnings	**226 178**	158 149
Total equity	**1 596 148**	1 514 567
Non-current liabilities	**242 372**	220 747
Interest-bearing liability	**6 318**	–
Deferred income tax	**228 878**	214 258
Provisions for other liabilities and charges	**7 176**	6 489
Current liabilities	**427 509**	346 772
Trade and other payables	**417 172**	343 890
Derivative financial instruments	**4 224**	–
Current income tax	**6 029**	2 882
Interest-bearing liability	**84**	–
Total liabilities	**669 881**	567 519
Total equity and liabilities	**2 266 029**	2 082 086

Summary consolidated statement of comprehensive income

for the year ended 30 September 2016

	Notes	2016 R'000	2015 R'000
Revenue		**3 913 078**	3 468 312
Cost of sales		**(3 224 202)**	(2 864 073)
Gross profit		**688 876**	604 239
Other income		**16 603**	11 639
Other gains/(losses) – net	3	**155 800**	238 482
Sales and distribution costs		**(194 904)**	(193 631)
Marketing costs		**(12 087)**	(11 287)
Administrative expenses		**(98 972)**	(96 168)
Other operating expenses		**(431 042)**	(389 212)
Operating profit		**124 274**	164 062
Investment income		**7 736**	9 886
Finance costs		**(922)**	(1 887)
Share of profit of associate company		**257**	619
Profit before income tax		**131 345**	172 680
Income tax expense		**(39 991)**	(45 764)
Profit for the year		**91 354**	126 916
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		**(2 283)**	796
For the year		**4 737**	16 851
Deferred income tax effect		**47**	–
Current income tax effect		**(1 374)**	(4 718)
Realised to profit or loss		**(7 907)**	(15 747)
Deferred income tax effect		**–**	93
Current income tax effect		**2 214**	4 317
Movement on foreign currency translation reserve			
Currency translation differences		**25 026**	(75 513)
Total comprehensive income for the year		**114 097**	52 199
Profit for the year attributable to owners of the parent		**91 354**	126 916
Total comprehensive income for the year attributable to owners of the parent		**114 097**	52 199
Earnings per ordinary share (cents)	4	**39**	54
Diluted earnings per ordinary share (cents)	4	**39**	54

Summary consolidated statement of changes in equity

for the year ended 30 September 2016

	2016 R'000	2015 R'000
Share capital	**1 581 402**	1 585 386
Opening balance	**1 585 386**	1 585 386
Shares repurchased and cancelled	**(3 984)**	–
Other reserves	**(211 432)**	(228 968)
Opening balance	**(228 968)**	(155 395)
Other comprehensive income for the year	**22 743**	(74 717)
Recognition of share-based payments	**2 492**	1 144
Adjustment to common control reserve *	**(7 699)**	–
Retained earnings	**226 178**	158 149
Opening balance	**158 149**	31 233
Profit for the year	**91 354**	126 916
Dividends paid – net	**(23 325)**	–
Total equity	**1 596 148**	1 514 567

* *Deferred tax on business combinations prior to unbundling from the previous holding company not previously recognised, adjusted against common control reserve.*

Summary consolidated statement of cash flows

for the year ended 30 September 2016

	Note	2016 R'000	2015 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		**(42 061)**	163 819
Net cash profit from operating activities		**164 250**	232 127
Working capital changes		**(173 622)**	(53 630)
Cash effect of hedging activities		**(3 002)**	1 104
Net cash (utilised in)/generated from operations		**(12 374)**	179 601
Income tax paid		**(29 687)**	(15 782)
NET CASH FLOW FROM INVESTING ACTIVITIES		**(48 762)**	(62 031)
Additions to property, plant and equipment		**(98 759)**	(58 323)
Additions to intangible assets		**–**	(5 389)
Proceeds on disposal of property, plant and equipment		**122 080**	9 295
Business combinations	7	**(79 819)**	(17 500)
Interest received		**7 736**	9 886
Net cash (deficit)/surplus		**(90 823)**	101 788
NET CASH FLOW FROM FINANCING ACTIVITIES		**(27 668)**	(1 370)
Repayment of interest-bearing liability		**(46)**	–
Shares repurchased		**(3 984)**	–
Interest paid		**(371)**	(1 370)
Dividends paid to ordinary shareholders		**(23 267)**	–
Net (decrease)/increase in cash and cash equivalents		**(118 491)**	100 418
Effects of exchange rate changes		**10 499**	(18 436)
Net cash and cash equivalents at beginning of year		**187 503**	105 521
Net cash and cash equivalents at end of year		**79 511**	187 503

Summary consolidated segment report

for the year ended 30 September 2016

	2016 R'000	Restated* 2015 R'000
Segment revenue	**3 913 078**	3 468 312
Eggs	**1 005 221**	962 645
Farming	**1 326 746**	1 226 504
Animal feeds	**1 420 758**	1 099 905
Other African countries	**160 353**	179 258
Segment results	**124 274**	164 062
Eggs	**(26 590)**	32 406
Farming	**96 319**	47 871
Animal feeds	**71 891**	65 493
Other African countries	**(234)**	25 286
Head office costs	**(17 112)**	(6 994)
A reconciliation of the segment results to operating profit before income tax is provided below:		
Segment results	**124 274**	164 062
Adjusted for:		
Investment income	**7 736**	9 886
Finance costs	**(922)**	(1 887)
Share of profit of associate company	**257**	619
Profit before income tax per statement of comprehensive income	**131 345**	172 680
Items of a capital nature per segment included in other gains/(losses) – net		
Profit/(loss) on disposal of property, plant and equipment before income tax	**34 947**	1 580
Eggs	**291**	725
Farming	**35 297**	887
Animal feeds	**(641)**	(35)
Other African countries	**–**	3

The farming segment's profit on disposal of property, plant and equipment includes the profit on the sale of the Hartbeespoort abattoir, which was disclosed as an asset held for sale at 30 September 2015.

* *The comparative information has been restated to reflect the new reporting structure*

	2016 R'000	Restated* 2015 R'000
Segment assets	**2 176 693**	1 885 064
Eggs	**229 799**	218 054
Farming	**1 068 460**	1 087 162
Animal feeds	**538 981**	390 376
Other African countries	**304 894**	168 645
Head office costs	**34 559**	20 827
A reconciliation of the segments' assets to the Group's assets is provided below:		
Segment assets per segment report	**2 176 693**	1 885 064
Adjusted for:		
Investment in associate	**6 988**	6 731
Current and deferred income tax assets	**2 837**	2 788
Cash and cash equivalents	**79 511**	187 503
Total assets per statement of financial position	**2 266 029**	2 082 086
Total segment liabilities	**434 974**	350 379
Eggs	**50 991**	41 158
Farming	**94 827**	96 556
Animal feeds	**238 477**	150 890
Other African countries	**19 464**	18 686
Head office costs	**31 215**	43 089
A reconciliation of the segments' liabilities to the Group's liabilities is provided below:		
Segment liabilities per segment report	**434 974**	350 379
Adjusted for:		
Current and deferred income tax liabilities	**234 907**	217 140
Total liabilities per statement of financial position	**669 881**	567 519

* *The comparative information has been restated to reflect the new reporting structure*

Summary consolidated segment report (continued)

for the year ended 30 September 2016

As a result of the Group exiting the broiler meat market at the start of the reporting period and the change in the responsibilities of key management, the Group has updated the disclosure of the previously disclosed segments to align with information reviewed by the Group's Chief operating decision maker for the purposes of allocating resources.

Previously reported segments of Eggs and layer livestock and Broilers have been restated based on the revised operating segments of Eggs, Layer farming and Broiler farming. Animal feeds and Other African countries continue to be standalone segments as previously reported.

The Eggs business is the commercial egg business, which consist of the sale of ungraded eggs and the processing of eggs in the pack stations and distribution thereof, to the market. The Layer farming business includes the layer livestock and commercial layer farms.

The broiler farming and layer farming operating segments are aggregated for segment reporting. Both operations have similar risk profiles, being the production risk inherent to live bird farming. The exposure of these operations to market risk is very low.

Notes to the summary consolidated financial statements

for the year ended 30 September 2016

1. BASIS OF PREPARATION

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

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 2016 and with those of previous financial years. The Group has not adopted any revised accounting standards for the first time for the financial year beginning on 1 October 2015.

	2016 R'000	2015 R'000
3. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	**50 293**	111 882
Unrealised – reflected in carrying amount of biological assets	**(7 303)**	(4 489)
Realised – reflected in cost of goods sold	**57 596**	116 371
Agricultural produce fair value adjustment	**86 475**	121 128
Unrealised – reflected in carrying amount of biological assets	**(1 012)**	(524)
Realised – reflected in cost of goods sold	**87 487**	121 652
Foreign exchange differences	**(6 212)**	4 000
Foreign exchange contract fair value adjustments	**(9 291)**	(108)
Foreign exchange contract cash flow hedging ineffective losses	**(412)**	–
Profit on disposal of property, plant and equipment	**34 947**	1 580
	155 800	238 482

	2016 R'000	2015 R'000
4. EARNINGS PER ORDINARY SHARE		
Basic and diluted		
The calculation of basic and diluted earnings per share is based on profit for the period attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year:		
Profit for the year	**91 354**	126 916
Headline earnings is calculated in accordance with Circular 2/2015 issued by the South African Institute of Chartered Accountants.		
The Group has no dilutive potential ordinary shares.		
Reconciliation between profit for the period attributable to owners of the parent and headline earnings		
Profit for the year	**91 354**	126 916
Remeasurement of items of a capital nature		
Profit on disposal of property, plant and equipment	**(25 516)**	(1 000)
Gross	**(34 947)**	(1 580)
Tax effect	**9 431**	580
Headline earnings for the year	**65 838**	125 916
Weighted average number of ordinary shares in issue ('000)	**233 128**	233 249
Earnings per share (cents)		
Basic and diluted	**39**	54
Headline earnings per share (cents)		
Basic and diluted	**28**	54

	2016 R'000	2015 R'000
5. CONTINGENT LIABILITIES		
Guarantees in terms of loans by third parties to contracted service providers	**28 872**	42 300

Litigation

Dispute with egg contract producers

The remaining claim, as previously reported, has been settled. The settlement had no adverse financial impact on the Group.

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.

Customer claim

The Group received a summons in respect of a claim for performance of day-old pullets delivered to the customer. 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.

Allegations of anti-competitive trade practices – Zambia

The Group received a notice of investigation from the Zambian Competition and Consumer Protection Commission regarding alleged breach of the Competition and Consumer Protection Act. The investigation is currently still underway and no formal feedback has been received.

Management is of the view that the Group will not incur any material liability in this regard.

6. FUTURE CAPITAL COMMITMENTS

Capital expenditure approved by the Board and contracted for amounts to R12.4 million (2015: R49.0 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R156.6 million (2015: R113.0 million).

7. BUSINESS COMBINATIONS

During the year under review the following businesses were acquired and all assets and liabilities relating to these acquisitions have been accounted for on an acquisition basis:

	2016 R'000
Olifantskop Feed Mill (on 1 February 2016)	
Fair value	
Property, plant and equipment	37 857
Intangible assets	5 758
Inventory	6 844
Trade and other payables	(258)
Purchase consideration – settled in cash	**50 201**
Reason for business combination:	
To grow the external feeds sales volumes by entering into the Eastern Cape animal feed market.	
Contribution since acquisition:	
Revenue	157 738
Operating profit before finance cost and income tax	6 215
Pro forma contribution assuming the acquisition was at the beginning of the year:	
Revenue	236 607
Operating profit before finance cost and income tax	9 323
Galovos Egg business – Mozambique (on 19 September 2016)	
Fair value	
Plant and equipment	24 600
Current biological assets	4 185
Inventory	913
Trade and other payables	(80)
Purchase consideration – settled in cash	**29 618**

Reason for business combination:

The acquisition supports the strategic objective of Quantum Foods to expand into selected new markets in Africa. The business in Mozambique relates to the producing and selling of commercial eggs in the Mozambican market.

The operating results from this business combination has not been accounted for due to the effective date and the contribution of the transactions being minimal.

8. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final dividend of 6 cents per ordinary share has been declared for the year ended 30 September 2016, on 22 November 2016. 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 5.1 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 6.0 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 231 803 316 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.

9. PREPARATION OF FINANCIAL STATEMENTS

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

10. 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)
PE Burton
GG Fortuin
Prof. ASM Karaan
N Celliers
HA Lourens (CEO)*
AH Muller (CFO)*

* Executive

COMPANY SECRETARY

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

COMPANY DETAILS

11 Main Road
Wellington
7655
PO Box 1183
Wellington
7654
South Africa
Tel: 021 864 8600
Fax: 021 873 5619
Email: info@quantumfoods.co.za

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
PO Box 61051
Marshalltown
2107
South Africa
Tel: 011 370 5000
Fax: 011 688 5209

SPONSOR

PSG Capital (Pty) Ltd
(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 2017
Annual general meeting:	24 February 2017

Reports

Interim report for the half-year ending 31 March 2017	May 2017
Announcement of results for the year ending 30 September 2017	November 2017
Integrated report for the year ending 30 September 2017	December 2017

Dividends

Interim	Announcement	May 2017
	Payment	July 2017
Final	Announcement	November 2017
	Payment	February 2018


QUANTUM FOODS

Annual financial statements

for the year ended 30 September 2016

CONTENTS

Consolidated financial statements

for the year ended 30 September 2016

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 6 to 88 were approved by the Board on 22 November 2016 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 certificate

In accordance with section 88 of the Companies Act, for the year ended 30 September 2016, 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 serves as a guideline for the committee in the execution of its mandate.

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 2016, the committee comprised three independent non-executive directors, namely Prof. ASM Karaan, Mr GG Fortuin and is chaired by Mr PE Burton.

These members will retire and avail themselves for re-election at the third annual general meeting ("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 are 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 attends all meetings of the committee in his capacity as assurance provider.

MEETINGS

The committee held three meetings during the year. Attendance of the meetings is shown on page 46 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 consolidated 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 fourth 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 the 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 1.

PE Burton
Chairman: Audit and risk committee

Wellington
22 November 2016

Independent auditor's report

to the shareholders of Quantum Foods Holdings Ltd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Quantum Foods Holdings Ltd set out on pages 8 to 88 which comprise the statements of financial position as at 30 September 2016, 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 2016, 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 2016, we have read the directors' report, the audit and risk committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Quantum Foods Holdings Ltd for three years. The business of Quantum Foods Holdings Ltd was previously transacted through Pioneer Food Group Ltd after the merger of Sasko (Pty) Ltd and Bokomo (Pty) Ltd in 1997, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 53 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: DG Malan
Registered Auditor

Paarl
22 November 2016

Directors' report

for the year ended 30 September 2016

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 RESULTS

The annual financial statements on pages 8 to 88 set out fully the financial position, financial performance and the cash flows for the year ended 30 September 2016.

3. SHARE CAPITAL

The authorised share capital consists of 400 000 000 (2015: 400 000 000) ordinary no par value shares. At year-end 231 803 316 (2015: 233 248 590) ordinary shares were in issue.

During the reporting period 1 445 274 ordinary shares were repurchased by the Company and cancelled.

4. DIVIDENDS

A final gross dividend of 6 cents (2015: 10 cents) per ordinary share was declared.

5. SUBSIDIARIES

The detail on interest in and loans to subsidiaries are presented in note 5 to the annual 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 – chairman
- Patrick Ernest Burton
- Geoffrey George Fortuin
- Prof. Abdus Salam Mohammad Karaan
- Norman Celliers
- Hendrik Albertus Lourens
- André Hugo Muller

7. SPECIAL RESOLUTIONS PASSED

Annual general meeting of shareholders ("AGM")
At the AGM held at Nantes Estate, Paarl on Friday 19 February 2016 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 2016 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.

Special resolution five, for the approval of the amendments to the memorandum of incorporation relating to the nomination procedures for appointment of directors of the Company, was passed.

8. LITIGATION STATEMENT

Refer to note 31 (contingent liabilities) of the annual financial statements for detail on the status of the dispute with an egg contract producer, a claim for early termination of a distribution agreement, a customer claim and an allegation of anti-competitive trade practices in Zambia. 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 40 to the annual 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 2016

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, 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 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.

The Group has not adopted any revised accounting standards for the first time for the financial year beginning on 1 October 2015.

1.1 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 for classification and measurement. 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 9 has been amended to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

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

The new standard is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. 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.

IFRS 16 – Leases (effective 1 January 2019)

The standard replaces IAS 17 – Leases and has a significant impact on the accounting treatment of leases for lessees.

The standard specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value.

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

IFRS 16's approach to lessor accounting remains substantially unchanged from IAS 17 – Leases.

Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associates and joint ventures on applying the consolidation exemption (effective 1 January 2016)

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Amendments to IAS 1 – Presentation of financial statements disclosure initiative

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendment to IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets, on depreciation and amortisation.

This amendment has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This amendment has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Amendment to IAS 12 – Income taxes

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

Amendment to IAS 7 – Cash flow statements

The amendment to the standard introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Accounting policies

for the year ended 30 September 2016 (continued)

1. BASIS OF PREPARATION (CONTINUED)

1.1 New and amended accounting standards and interpretations that are not yet effective and have not been early adopted by the Group (continued)

Improvements to IFRSs 2014 (effective 1 January 2016)

This is a collection of amendments to IFRSs. 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 IFRSs. Certain amendments resulted in consequential amendments to IFRSs.

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

The Group has considered all standards, interpretations and amendments that are in issue but not yet effective. Management has considered that these standards do not, with the exception of amendments to IFRS 16 – Leases, have a significant impact on the Group's financial statements. The Group is still determining the impact of the amendments to IFRS 16 – Leases.

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.

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.

Accounting policies

for the year ended 30 September 2016 (continued)

2. BASIS OF CONSOLIDATION (CONTINUED)

Common control reserve (continued)

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

Trademarks are shown at historical cost. Subsequently these intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Trademarks have finite useful lives.

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 programs 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.

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.

6. FINANCIAL ASSETS (CONTINUED)

6.1 Classification (continued)

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 10 of the accounting policy.

7. 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.

8. 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 and meat from broiler chickens.

9. 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 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.

Accounting policies

for the year ended 30 September 2016 (continued)

10. 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.

11. 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.

12. 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.

13. 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.

14. 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. 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.

15. 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.

16. 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.

Accounting policies

for the year ended 30 September 2016 (continued)

17. 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

Sales of goods comprise the sale of animal feed, livestock and agricultural produce.

Sale of goods is recognised when a Group entity has delivered products to the customer, the customer has accepted the products and the collectibility 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 include 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.

18. 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.
- 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.

19. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE

Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges.

The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the lease term or the useful life of the assets.

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.

19. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE (CONTINUED)

Operating leases (continued)

The Group ensures that the following two requirements are met in order for an arrangement transacted by the Group to be classified as a lease:

- Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract but rather implied.
- The arrangement in substance conveys a right to use the asset.

The Group's assessment of whether an arrangement contains a lease is made at the inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances.

Where the Group concludes that it is impracticable to separate payments for the lease from other payments required by the arrangement:

- In the case of a finance lease, the Group recognises an asset and a liability at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate of interest.
- In the case of an operating lease, all payments under the arrangement are treated as lease payments.

20. 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.

21. 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, as well as other non-financial performance measures, 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.

22. 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.

23. 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.

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.

23. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (CONTINUED)

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.

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".

24. 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.

25. 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 chief financial officer 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.

26. 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 2016

	Notes	2016 R'000	2015 R'000
ASSETS			
Non-current assets		1 071 729	945 625
Property, plant and equipment	3	1 048 280	923 322
Intangible assets	4	15 559	12 784
Investment in associate	6	6 988	6 731
Deferred income tax	16	902	2 788
Current assets		1 194 300	1 053 062
Inventories	7	307 424	234 566
Biological assets	8	323 950	288 775
Trade and other receivables	9	481 480	334 794
Derivative financial instruments	10	–	7 424
Current income tax	29	1 935	–
Cash and cash equivalents	11	79 511	187 503
Assets held for sale	39	–	83 399
Total assets		2 266 029	2 082 086
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		1 596 148	1 514 567
Share capital	12	1 581 402	1 585 386
Other reserves	14	(211 432)	(228 968)
Retained earnings		226 178	158 149
Total equity		1 596 148	1 514 567
Non-current liabilities		242 372	220 747
Interest-bearing liability	15	6 318	–
Deferred income tax	16	228 878	214 258
Provisions for other liabilities and charges	17	7 176	6 489
Current liabilities		427 509	346 772
Trade and other payables	18	417 172	343 890
Derivative financial instruments	10	4 224	–
Current income tax	29	6 029	2 882
Interest-bearing liability	15	84	–
Total liabilities		669 881	567 519
Total equity and liabilities		2 266 029	2 082 086

Statement of comprehensive income

for the year ended 30 September 2016

	Notes	2016 R'000	2015 R'000
Revenue		3 913 078	3 468 312
Cost of sales		(3 224 202)	(2 864 073)
Gross profit		688 876	604 239
Other income	19	16 603	11 639
Other gains/(losses) – net	20	155 800	238 482
Sales and distribution costs		(194 904)	(193 631)
Marketing costs		(12 087)	(11 287)
Administrative expenses		(98 972)	(96 168)
Other operating expenses		(431 042)	(389 212)
Operating profit	21	124 274	164 062
Investment income	22	7 736	9 886
Finance costs	23	(922)	(1 887)
Share of profit of associate company	6	257	619
Profit before income tax		131 345	172 680
Income tax expense	24	(39 991)	(45 764)
Profit for the year		91 354	126 916
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		(2 283)	796
For the year		4 737	16 851
Deferred income tax effect		47	–
Current income tax effect		(1 374)	(4 718)
Realised to profit or loss		(7 907)	(15 747)
Deferred income tax effect		–	93
Current income tax effect		2 214	4 317
Movement on foreign currency translation reserve			
Currency translation differences		25 026	(75 513)
Total comprehensive income for the year		114 097	52 199
Profit for the year attributable to owners of the parent		91 354	126 916
Total comprehensive income for the year attributable to owners of the parent		114 097	52 199
Earnings per ordinary share (cents)	25	39	54
Diluted earnings per ordinary share (cents)	25	39	54

Statement of changes in equity

for the year ended 30 September 2016

	Share capital 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 2015	1 585 386	(160 178)	1 034	(70 968)	1 144	(228 968)	158 149	1 514 567
Shares repurchased and cancelled	(3 984)	–	–	–	–	–	–	(3 984)
Comprehensive income:								
Profit for the year	–	–	–	–	–	–	91 354	91 354
Other comprehensive income for the year	–	–	(2 283)	25 026	–	22 743	–	22 743
Movement on foreign currency translation reserve	–	–	–	25 026	–	25 026	–	25 026
Cash flow hedging								
Fair value adjustments to cash flow hedging reserve								
For the year	–	–	4 737	–	–	4 737	–	4 737
Deferred income tax effect	–	–	47	–	–	47	–	47
Current income tax effect	–	–	(1 374)	–	–	(1 374)	–	(1 374)
Realised to profit or loss	–	–	(7 907)	–	–	(7 907)	–	(7 907)
Current income tax effect	–	–	2 214	–	–	2 214	–	2 214
Recognition of share-based payments	–	–	–	–	1 947	1 947	–	1 947
Deferred income tax on share-based payments	–	–	–	–	545	545	–	545
Dividends paid – net	–	–	–	–	–	–	(23 325)	(23 325)
Adjustment to common control reserve	–	(7 699)	–	–	–	(7 699)	–	(7 699)
Balance as at 30 September 2016	1 581 402	(167 877)	(1 249)	(45 942)	3 636	(211 432)	226 178	1 596 148
Notes	12					14		

Statement of changes in equity

for the year ended 30 September 2016

	Share capital 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
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
Notes	12					14		

Statement of cash flows

for the year ended 30 September 2016

	Notes	2016 R'000	2015 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		**(42 061)**	163 819
Net cash profit from operating activities	26	**164 250**	232 127
Working capital changes	27	**(173 622)**	(53 630)
Cash effect of hedging activities		**(3 002)**	1 104
Net cash (utilised in)/generated from operations		**(12 374)**	179 601
Income tax paid	29	**(29 687)**	(15 782)
NET CASH FLOW FROM INVESTING ACTIVITIES		**(48 762)**	(62 031)
Additions to property, plant and equipment	3	**(98 759)**	(58 323)
Additions to intangible assets	4	**–**	(5 389)
Proceeds on disposal of property, plant and equipment	30	**122 080**	9 295
Business combinations	38	**(79 819)**	(17 500)
Interest received	22	**7 736**	9 886
Net cash (deficit)/surplus		**(90 823)**	101 788
NET CASH FLOW FROM FINANCING ACTIVITIES		**(27 668)**	(1 370)
Repayment of interest-bearing liability		**(46)**	–
Shares repurchased	12	**(3 984)**	–
Interest paid		**(371)**	(1 370)
Dividends paid to ordinary shareholders	28	**(23 267)**	–
Net (decrease)/increase in cash and cash equivalents		**(118 491)**	100 418
Effects of exchange rate changes		**10 499**	(18 436)
Net cash and cash equivalents at beginning of year		**187 503**	105 521
Net cash and cash equivalents at end of year	11	**79 511**	187 503

Notes to the consolidated financial statements

for the year ended 30 September 2016

1. ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these historical financial information are set out on pages 8 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 35 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.

Adjustment to common control reserve

Deferred tax on business combinations prior to unbundling not previously recognised, has been adjusted against common control reserve in the current reporting period. Upon the acquisition of the Eggland and Opdiefontein businesses during the 2010 financial year no allowance was made for deferred taxation in the consolidated accounts of the previous holding company, and subsequently in Quantum Foods as part of the unbundling in 2014. These businesses included items in property, plant and equipment which are not deductible for income tax, which should have resulted in a deferred tax liability on acquisition date.

Notes to the consolidated financial statements

for the year ended 30 September 2016 (continued)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Adjustment to common control reserve (continued)

The deferred tax liability is recognised in the current reporting period against the common control reserve as it has no relation to the profit or loss in the current financial year, but rather relate to the previous reporting periods. Due to the immaterial nature of the liability the previous periods were not restated.

	2016 R'000	2015 R'000
3. PROPERTY, PLANT AND EQUIPMENT		
Land and buildings	309 588	287 055
Plant, machinery and equipment	715 943	616 110
Vehicles	22 749	20 157
Net book value	1 048 280	923 322

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
30 September 2016				
Cost				
At 1 October 2015	398 055	1 032 664	38 238	1 468 957
Additions	12 437	89 210	3 560	105 207
Transfers	(6 554)	6 554	–	–
Business combinations	15 380	42 305	4 772	62 457
Foreign exchange adjustment	7 671	7 738	683	16 092
Disposals	(4)	(5 147)	(3 591)	(8 742)
At 30 September 2016	426 985	1 173 324	43 662	1 643 971
Accumulated depreciation and impairment				
At 1 October 2015	(111 000)	(416 554)	(18 081)	(545 635)
Depreciation charge	(9 172)	(39 436)	(3 362)	(51 970)
Transfers	3 308	(3 010)	(298)	–
Foreign exchange adjustment	(627)	(2 039)	(428)	(3 094)
Depreciation on disposals	94	3 658	1 256	5 008
At 30 September 2016	(117 397)	(457 381)	(20 913)	(595 691)
Net book value at 30 September 2016	309 588	715 943	22 749	1 048 280

	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)
Depreciation charge	(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

	2016 R'000	2015 R'000
3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
The property, plant and equipment balance includes assets in the course of construction amounting to:	7 326	26 490

The land and buildings with a cost price of R94 million (2015: R215 million) are in the process of being transferred from Pioneer Foods as part of the restructuring, and are not yet registered in the name of the Group.

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

Plant, machinery and equipment includes the following amounts where the Group is a lessee under a finance lease (refer to note 15 for further details):

	2016 R'000	2015 R'000
Leased equipment		
Cost	6 448	–
Accumulated depreciation	(150)	–
Net book value at 30 September 2016	6 298	–

	2016 R'000	2015 R'000
4. INTANGIBLE ASSETS		
Computer software	9 024	11 369
Goodwill	5 428	–
Trademarks	1 107	1 415
Net book value	15 559	12 784

	Computer software R'000	Goodwill R'000	Trademarks R'000	Total R'000
30 September 2016				
Cost				
At 1 October 2015	13 830	–	24 544	38 374
Business combinations	330	5 428	–	5 758
At 30 September 2016	14 160	5 428	24 544	44 132
Accumulated amortisation and impairment				
At 1 October 2015	(2 461)	–	(23 129)	(25 590)
Amortisation for the year	(2 675)	–	(308)	(2 983)
At 30 September 2016	(5 136)	–	(23 437)	(28 573)
Net book value at 30 September 2016	9 024	5 428	1 107	15 559

	Computer software R'000	Goodwill R'000	Trademarks R'000	Total R'000
30 September 2015				
Cost				
At 1 October 2014	8 441	–	23 000	31 441
Additions	5 389	–	–	5 389
Business combinations	–	–	1 544	1 544
At 30 September 2015	13 830	–	24 544	38 374
Accumulated amortisation and impairment				
At 1 October 2014	(1 325)	–	(23 000)	(24 325)
Amortisation for the year	(1 136)	–	(129)	(1 265)
At 30 September 2015	(2 461)	–	(23 129)	(25 590)
Net book value at 30 September 2015	11 369	–	1 415	12 784

	2016 R'000	2015 R'000
The carrying value of the trademark above is included in the following CGUs:		
Eggs		
Safe Eggs	1 107	1 415

The trademark has a remaining useful life of 3 years and 7 months.

Impairment test for goodwill

Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.

	2016 R'000	2015 R'000
Animal feeds		
– Olifantskop feed mill	5 428	

Notes to the consolidated financial statements

for the year ended 30 September 2016 (continued)

4. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill (continued)

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the agricultural industry in which the CGU operates.

	2016
Key assumptions used for value-in-use calculation:	
Growth rate	5.5%
Discount rate	27.2%

These assumptions have been used for the analysis of this CGU. Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The pre-tax discount rates as disclosed above reflect specific risk relating to the relevant CGU.

No impairment was recognised at the end of the reporting period presented.

5. INTEREST IN SUBSIDIARIES

	2016 R'000	2015 R'000
Cost of shares		
Quantum Foods (Pty) Ltd	1 585 386	1 585 386
Lohmann Breeding SA (Pty) Ltd	4 227	4 227
Philidelphia Chick Breeders (Pty) Ltd	10 000	10 000
Quantum Foods Uganda Ltd (incorporated in Uganda)	51 081	51 081
Quantum Foods Zambia Ltd (incorporated in Zambia)	117 220	117 220
Quantum Foods Mozambique, S.A. (incorporated in Mozambique)	34 000	–

The Group holds a 100% (2015: 100%) interest in Quantum Foods (Pty) Ltd, and this entity holds a 100% (2015: 100%) interest in all the other subsidiaries listed above.

The subsidiaries are incorporated in South Africa unless indicated otherwise.

6. INVESTMENT IN ASSOCIATE

	2016 R'000	2015 R'000
Unlisted shares at cost	1 700	1 700
Interest in retained earnings and reserves	5 288	5 031
Balance beginning of year	5 031	4 412
Share of profit of associated company	257	619
Dividends paid	–	–
	6 988	6 731
Cost of shares		
Bergsig Breeders (Pty) Ltd	1 700	1 700
Effective interest 28% (2015: 28%)		
	1 700	1 700
The following is the summarised statement of financial position of the above-mentioned associated company:		
Non-current assets	18 296	18 148
Current assets	21 734	20 925
Total assets	40 030	39 073
Non-current liabilities	9 753	11 607
Current liabilities	7 150	5 258
Total liabilities	16 903	16 865
Capital and reserves	23 127	22 208
Total equity and liabilities	40 030	39 073
The following is the summarised statement of comprehensive income of the associated company for the year:		
Revenue	58 810	52 885
Operating profit	1 860	3 560
Net profit after income tax	919	2 211

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.

	2016 R'000	2015 R'000
7. INVENTORIES		
Raw material	217 718	159 269
Manufactured products	52 998	43 446
Packing materials and consumables	36 708	31 851
	307 424	234 566
Inventory carried at net realisable value	2 507	3 443
Cost of inventories included in "cost of sales"	3 053 836	2 597 019
The cost of inventories above excludes inventory written off and biological assets fair value adjustments.		
8. BIOLOGICAL ASSETS		
Livestock – poultry	323 950	288 775

Poultry includes breeding stock, 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 2015	86 036	202 739	288 775
Increase due to established cost	929 768	957 509	1 887 277
Decrease due to harvest/sales	(918 865)	(932 213)	(1 851 078)
Business combination	–	4 139	4 139
Fair value adjustment recorded in profit and loss	1 119	(8 422)	(7 303)
Foreign exchange adjustment	242	1 898	2 140
Fair value at 30 September 2016	98 300	225 650	323 950
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

	2016 R'000	2015 R'000
Biological assets at fair value less cost to sell consist of the following:		
Chickens – grandparents and other breeding stock	40 135	39 168
Chickens – laying	213 467	186 837
Chickens – broilers	48 695	41 502
Hatching eggs	20 129	19 718
Other	1 524	1 550
	323 950	288 775

	Quantity	Quantity
At 30 September, the Group held the following biological assets:		
Chickens – grandparents	29 197	35 359
Hatching eggs	7 012 291	7 378 540
Chickens – broilers	4 273 679	4 013 838
Chickens – layers 39 weeks and younger	3 901 962	3 871 167
Chickens – layers older than 39 weeks	2 102 721	2 151 456
Other	533	555

	2016 R'000	2015 R'000
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	467 228	337 136
Allowance for outstanding credit notes	(3 434)	(2 589)
Trade receivables	463 794	334 547
Provision for impairment	(22 576)	(18 642)
Trade receivables – net	441 218	315 905
Prepayments	14 897	7 755
Receivables from related parties (refer to note 33)	2 930	2 732
Other debtors	4 857	190
Receiver of revenue – VAT	17 578	8 212
	481 480	334 794

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

An allowance for outstanding credit notes is accounted for based on past experience.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

	2016 R'000	2015 R'000
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	170 067	112 464
Other customers	253 507	183 360
	423 574	295 824

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:

	2016 R'000	2015 R'000
National customers		
Within 30 days*	1 036	571
Between 30 and 60 days*	1 217	1 520
Between 60 and 90 days*	317	563
Between 90 and 120 days*	258	458
More than 120 days*	972	3 330
	3 800	6 442
Other customers		
Within 30 days*	7 717	9 168
Between 30 and 60 days*	6 210	3 643
Between 60 and 90 days*	3 217	891
Between 90 and 120 days*	1 331	2 041
More than 120 days*	3 156	818
	21 631	16 561
Total	25 431	23 003

* *Represents the days exceeding credit terms*

	2016 R'000	2015 R'000
Individually impaired receivables, where indicators of impairment are present, comprise a number of customers. The following trade receivables were impaired at year-end:		
National customers	–	–
Other customers	22 576	18 642
Total customers	22 576	18 642
Interest charged on impaired trade receivables	–	592
Movements on the Group's provision for impairment of trade receivables are as follows:		
At 1 October	18 642	7 971
Provision for receivables impaired	5 973	12 719
Receivables written off during the year as uncollectible	(645)	(1 732)
Unused amounts reversed	(1 464)	(126)
Foreign exchange translation adjustment	70	(190)
At 30 September	22 576	18 642
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:	16 055	13 131
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	11 628	6 747
Ugandan shilling	427	–
SA rand	455 173	330 389
Total	467 228	337 136

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 2016 (continued)

	2016 R'000	2015 R'000
10. DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign exchange contracts – not earmarked for hedging	(2 440)	4
Foreign exchange contracts – cash flow hedges	(1 784)	–
Futures – fair value hedges	–	7 420
	(4 224)	7 424

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, or capital expenses.

10.1 Derivative instruments earmarked for hedging (fair value hedges)

	2016 R'000	2015 R'000
Commodity instruments		
Futures	–	7 420

10.2 Derivative instruments earmarked for hedging (cash flow hedges)

Currency forward contracts	Foreign amount '000	Rand amount R'000	Fair value R'000
30 September 2016			
Purchases of foreign exchange contracts			
US dollar	3 997	55 085	(1 784)

Cash flow hedges are expected to realise in profit or loss in the next financial year.

10.3 Other derivative instruments

Currency forward contracts	Foreign amount '000	Rand amount R'000	Fair value R'000
30 September 2016			
Purchases of foreign exchange contracts			(2 440)
US dollar	5 047	69 544	(2 437)
Euro	67	1 034	(3)
30 September 2015			
Purchases of foreign exchange contracts			4
US dollar	459	6 361	25
Euro	170	2 649	(21)

	2016 R'000	2015 R'000
11. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	79 511	187 503

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:

	2016 R'000	2015 R'000
SA rand	63 605	142 509
US dollar	10 072	18
Zambian kwacha (functional currency of a subsidiary)	3 296	40 893
Ugandan shilling (functional currency of a subsidiary)	2 312	4 083
Mozambican metical (functional currency of a subsidiary)	226	–
Total	79 511	187 503

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 R3.6 million (2015: R2.1 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.

	2016 R'000	2015 R'000
12. SHARE CAPITAL		
Authorised – ordinary shares		
400 000 000 (2015: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares		
231 803 316 (2015: 233 248 590) ordinary no par value shares	1 581 402	1 585 386
Reconciliation of movement in issued shares		
Opening balance	1 585 386	1 585 386
Shares repurchased	(3 984)	–
	1 581 402	1 585 386

During the reporting period 1 445 274 ordinary shares were repurchased by the Company and cancelled. The shares were repurchased at an average price of R2.76 per share.

13. SHARE-BASED PAYMENTS

Management share appreciation rights scheme (equity-settled)

The Group operate a share appreciation rights scheme for qualifying management.

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.

	2016 Number '000	2015 Number '000
Number of share appreciation rights made available		
Number at beginning of year	6 210	–
New allocation at R2.66 per share	3 952	–
New allocation at R3.15 per share	–	6 210
Expired/forfeited	(349)	–
Number at end of year	9 813	6 210
Number of share appreciation rights		
At R3.15 per share, exercisable up to 27 August 2020	5 906	6 210
At R2.66 per share, exercisable up to 18 August 2021	3 907	–
	9 813	6 210

Share appreciation rights were granted on 18 February 2016 at a strike price of R2.66. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 18 February 2019 subject to certain time and performance-based criteria.

In 2015, 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 2016 is R0.87. 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 R1 947 200 (2015: 893 800).

	2016	2015
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)	336	375
Expected volatility	20.9% to 29.5%	20.9% to 23.8%
Expected dividend yield	3.0%	3.0%
Risk-free rate	6.5% to 8.6%	6.5% to 6.8%
Expected life (years)	3 to 5	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 2016, 14 500 000 ordinary shares were still available for issue.

14. OTHER RESERVES

	2016 R'000	2015 R'000
Common control reserve	(167 877)	(160 178)
Share-based payment reserve	3 636	1 144
Foreign currency translation reserve	(45 942)	(70 968)
Hedging reserve	(1 249)	1 034
	(211 432)	(228 968)

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.

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 hedging reserve relates to the change in fair value of derivative financial instruments. These derivative financial instruments include futures as well as foreign exchange contracts – cash flow hedges.

	2016 R'000	2015 R'000
15. INTEREST-BEARING LIABILITY		
Non-current		
Finance lease liability	6 318	–
	6 318	–
Current		
Finance lease liability	84	–
	84	–
	6 402	–

The finance lease liability bear interest at a rate of prime less 2.1%. The finance lease liability is effectively secured as the rights to the leased assets revert to the lessor in the event of default. The carrying amount of the finance lease liability approximates its fair value.

The Group entered an arrangement to purchase electricity generated by solar panels at one of its units. The 25-year agreement constitutes a finance lease for accounting purposes.

	2016 R'000	2015 R'000
16. DEFERRED INCOME TAX		
Balance at beginning of year	211 470	186 526
Charge in profit or loss	8 252	28 966
Foreign exchange translation adjustment	1 147	(3 679)
Deferred income tax on hedging reserve charged to equity	(47)	(93)
Deferred income tax on share-based payments	(545)	(250)
Deferred tax on business combinations not previously recognised	7 699	–
	227 976	211 470
Due to the following temporary differences:		
Capital allowances, including trademarks	171 933	157 654
Inventories	10 940	9 931
Biological assets	68 460	64 789
Assessed loss utilised	(8 840)	(4 413)
Prepaid expenses	1 927	1 904
Provision for long-service awards	(2 009)	(1 817)
Leave accrual	(4 408)	(4 104)
Bonus accrual	(200)	(5 888)
Provision for impairment of trade receivables	(4 070)	(3 726)
Rebates, growth incentives and settlement discount accruals	(1 812)	(1 595)
Allowance for credit notes	(961)	(725)
Deferred income	(1 295)	(1 446)
Derivative financial instruments	(47)	246
Share-based payments	(345)	(237)
Accruals personnel costs	(832)	(570)
Other	(465)	1 467
	227 976	211 470
For the purposes of the statement of financial position deferred income tax is presented as follows:		
Non-current assets	(902)	(2 788)
Non-current liabilities	228 878	214 258
	227 976	211 470

During the year, deferred income tax assets of R901 510 (2015: R2 787 577) 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.

	2016 R'000	2015 R'000
17. PROVISIONS FOR OTHER LIABILITIES AND CHARGES		
Long-service awards	**7 176**	6 489
17.1 Long-service awards		
Balance at beginning of year	**6 489**	6 345
Interest	**551**	517
Actuarial loss	**419**	31
Current service costs	**818**	797
Payments	**(1 101)**	(1 201)
	7 176	6 489
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	**7 176**	6 489
Unrecognised actuarial loss	**–**	–
	7 176	6 489
Existing provisions are based on the following important assumptions:		
Discount rate	**8.3% p.a.**	8.5% p.a.
Salary increases	**6.5% p.a.**	7.0% p.a.
Normal retirement age	**60 years**	60 years
The date of the most recent actuarial valuation is:	**30 September 2016**	30 September 2015

	2016 R'000	2015 R'000
18. TRADE AND OTHER PAYABLES		
Trade payables	**361 961**	271 714
Accrued expenses	**15 284**	20 524
Related parties (refer to note 33)	**6 293**	5 292
Provision for leave	**15 491**	14 703
Provision for 13th cheque	**8 469**	7 715
Provision for short-term incentive bonus	**500**	13 494
Value-added tax	**91**	785
Dividends payable	**58**	–
Other payables	**9 025**	9 663
	417 172	343 890
The carrying amount of the Group's trade payables are denominated in the following currencies:		
Covered by means of foreign exchange contracts:	**24 726**	2 681
Euro	**1 034**	2 681
US dollar	**23 692**	–
Uncovered:	**337 235**	269 033
Euro	**28**	1 199
US dollar	**532**	15 710
Zambian kwacha (functional currency of a subsidiary)	**8 486**	5 369
Ugandan shilling (functional currency of a subsidiary)	**763**	316
SA rand	**327 426**	246 439
Total	**361 961**	271 714

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

	2016 R'000	2015 R'000
19. OTHER INCOME		
Rental income	**9 167**	2 728
Sundry income and commissions	**7 436**	8 911
	16 603	11 639

	2016 R'000	2015 R'000
20. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	50 293	111 882
Unrealised – reflected in carrying amount of biological assets	(7 303)	(4 489)
Realised – reflected in cost of goods sold	57 596	116 371
Agricultural produce fair value adjustment	86 475	121 128
Unrealised – reflected in carrying amount of biological assets	(1 012)	(524)
Realised – reflected in cost of goods sold	87 487	121 652
Foreign exchange differences	(6 212)	4 000
Foreign exchange contract fair value adjustments	(9 291)	(108)
Foreign exchange contract cash flow hedging ineffective loss	(412)	–
Profit on disposal of property, plant and equipment	34 947	1 580
	155 800	238 482

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.

	2016 R'000	2015 R'000
21. EXPENSE BY NATURE		
Cost of raw materials	2 866 294	2 366 378
Fair value adjustment on biological assets and agricultural produce	145 083	238 023
Inventory written off	25 283	29 031
Research and development costs	13 296	12 236
Employee costs	319 281	312 577
Wages and salaries	278 783	277 286
Other personnel costs	19 881	16 782
Pension costs	18 670	17 615
Share-based payments expense (refer to note 13)	1 947	894
Directors' remuneration	6 254	9 120
Technical services from non-employees	6 391	8 198
Auditors' remuneration	3 319	3 207
Audit – current year	3 070	2 934
Audit underprovision previous year	60	4
Tax related services	59	154
Other consultation services	130	115
Internal audit fees	1 134	950
Rental of premises, machinery and vehicles	33 251	30 887
Travel and entertainment	8 621	6 558
Energy costs	88 625	92 763
Maintenance	74 672	74 226
Depreciation and amortisation	54 953	56 272
Insurance	10 249	8 315
Cleaning	22 162	20 962
Office expenses	46 099	47 667
Marketing costs	10 714	9 342
Security	19 332	17 734
Change in provision for trade receivables	3 864	10 704
Change in allowance for credit notes	845	(589)
Bad debts – net	305	1 911
Transport and distribution costs	201 080	197 899
Other expenses	100	–
Total cost of sales, sales and distribution costs, marketing, administrative and other operating expenses	3 961 207	3 554 371

	2016 R'000	2015 R'000
22. INVESTMENT INCOME		
Interest income on financial assets: loans and receivables		
– Call accounts and other	**7 736**	9 886
	7 736	9 886
23. FINANCE COSTS		
Interest expense on financial liabilities measured at amortised cost		
– Call loans	**58**	1 370
– Finance lease	**313**	–
– Provision for unwinding of discount	**551**	517
	922	1 887
24. INCOME TAX EXPENSE		
Current income tax	**31 739**	16 798
Current year	**31 725**	16 798
Underprovision previous years	**14**	–
Deferred taxation	**8 252**	28 966
Current year	**5 107**	28 966
Underprovision previous years	**3 145**	–
	39 991	45 764
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	**(0.4)**	(0.1)
Non-deductible expenditure	**2.7**	2.6
Underprovision previous years	**2.5**	–
Effect of capital gains tax	**(0.5)**	(0.4)
Effect of different tax rates	**(1.1)**	(2.9)
Other differences	**(0.7)**	(0.7)
Effective rate	**30.5**	26.5

* *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%.*

	R'000	R'000
Gross calculated tax losses of certain subsidiaries at the end of the reporting period available for utilisation against future taxable income of those companies	**28 830**	15 762
Less: Utilised in reduction of deferred tax	**(25 825)**	(5 806)
	3 005	9 956

A current and deferred income tax charge of R887 476 (2015: R308 336) is credited (2015: debited) directly through other comprehensive income/(loss).

	2016 R'000	2015 R'000
25. 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 for the year	**91 354**	126 916
Headline earnings is calculated based on Circular 2/2015 issued by the South African Institute of Chartered Accountants.		
The Group has no dilutive potential ordinary shares.		
Reconciliation between profit attributable to owners of the parent and headline earnings		
Profit for the year	**91 354**	126 916
Remeasurement of items of a capital nature		
Profit on disposal of property, plant and equipment	**(25 516)**	(1 000)
Gross	**(34 947)**	(1 580)
Tax effect	**9 431**	580
Headline earnings for the year	**65 838**	125 916
Weighted average number of ordinary shares in issue ('000)	**233 128**	233 249
Earnings per share (cents)		
Basic and diluted	**39**	54
Headline earnings per share (cents)		
Basic and diluted	**28**	54

26. CASH PROFIT FROM OPERATING ACTIVITIES

	2016 R'000	2015 R'000
Reconciliation of profit before tax and cash profit from operating activities:		
Profit before income tax	131 345	172 680
Adjustment for:		
Depreciation and amortisation	54 953	56 272
Biological assets fair value adjustment	7 303	4 489
Agricultural produce fair value adjustment	1 012	524
Net profit on sale of property, plant and equipment	(34 947)	(1 580)
Adjustment on fixed-rate leases	270	200
Unrealised losses on FEC contracts and foreign exchange	3 187	1 832
Fair value of commodity futures	–	(7 420)
Change in provision for impairment of trade receivables	3 864	10 704
Change in provision for credit notes based on history	845	(589)
Bad debts	305	1 911
Share-based payments	1 947	894
Changes in provisions for long-service awards	1 237	828
Interest received	(7 736)	(9 886)
Interest paid	922	1 887
Share of profit of associate company	(257)	(619)
	164 250	232 127

27. WORKING CAPITAL CHANGES

	2016 R'000	2015 R'000
Increase in inventory	(65 101)	(1 512)
(Increase)/decrease in trade and other receivables	(151 700)	7 043
Increase/(decrease) in trade and other payables	75 292	(55 699)
Increase in current biological assets	(39 305)	(1 416)
Changes to derivative financial instruments	8 293	(845)
Decrease in provisions	(1 101)	(1 201)
	(173 622)	(53 630)

28. DIVIDENDS PAID

	2016 R'000	2015 R'000
Amounts unpaid at beginning of year	–	–
Dividends declared during year	(23 325)	–
Amounts unpaid at end of year	58	–
	(23 267)	–

29. INCOME TAX PAID

	2016 R'000	2015 R'000
Amounts unpaid at beginning of year	(2 882)	(1 465)
Current tax charge in profit and loss	(31 739)	(16 798)
Hedging reserve – income tax current year	840	(401)
Amounts unpaid at end of year	4 094	2 882
	(29 687)	(15 782)
For the purposes of the statement of financial position, current income tax (receivable)/payable are presented as follows:		
Current assets	(1 935)	–
Current liabilities	6 029	2 882
	4 094	2 882

30. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2016 R'000	2015 R'000
Book value of property, plant and equipment	3 734	7 715
Book value of asset held for sale previous reporting period	83 399	–
Profit on disposal of property, plant and equipment	34 947	1 580
	122 080	9 295

31. CONTINGENT LIABILITIES

	2016 R'000	2015 R'000
Guarantees in terms of loans by third parties to contracted service providers	28 872	42 300

Litigation

Dispute with egg contract producer

The remaining claim, as previously reported, has been settled. The settlement had no adverse financial impact on the Group.

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.

Customer claim

The Group received a summons in respect of a claim for performance of day-old pullets delivered to the customer. 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.

31. CONTINGENT LIABILITIES (CONTINUED)

Allegations of anti-competitive trade practices – Zambia

The Group received a notice of investigation from the Zambian Competition and Consumer Protection Commission regarding alleged breach of the Competition and Consumer Protection Act. The investigation is currently still underway and no formal feedback has been received.

Management is of the view that the Group will not incur any material liability in this regard.

32. COMMITMENTS

	2016 R'000	2015 R'000
32.1 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	**14 389**	9 989
Later than one year, and no later than five years	**25 484**	34 080
Later than five years	**–**	–
	39 873	44 069
32.2 Operating lease receivables		
The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:		
No later than one year	**7 326**	1 494
Later than one year, and no later than five years	**3 936**	1 614
Later than five years	**–**	–
	11 262	3 108
32.3 Capital commitments		
Contractually committed	**12 801**	49 037
Approved by the Board, but not yet contractually committed	**156 576**	113 000
Available for the next financial year	**156 576**	113 000
Available for the year following the next financial year	**–**	–
	169 377	162 037

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

33. RELATED-PARTY TRANSACTIONS

Quantum Foods Holdings Ltd is the ultimate holding company of the Quantum Foods group of companies. During the reporting period the Company and its subsidiaries conducted the following transactions with its associate company and key management personnel:

	2016 R'000	2015 R'000
33.1 Sale of goods and services		
Bergsig Breeders (Pty) Ltd	**44 901**	41 077
	44 901	41 077
33.2 Purchase of goods and services		
Bergsig Breeders (Pty) Ltd	**57 831**	31 444
	57 831	31 444
33.3 Key management personnel compensation		
Salaries and other short-term employee benefits	**13 609**	13 297
Post-employment benefits	**1 369**	1 247
Bonuses and incentives	**306**	11 523
Other long-term benefits	**243**	197
Share-based payments	**1 288**	586
	16 815	26 850

Key management personnel include the members of the Board and members of the Group's executive committee.

	2016 R'000	2015 R'000
33.4 Year-end balances arising from sales/purchases of goods/services		
Receivables from related parties		
Bergsig Breeders (Pty) Ltd	**2 930**	2 732
	2 930	2 732
Payables to related parties		
Bergsig Breeders (Pty) Ltd	**(6 293)**	(5 292)
	(6 293)	(5 292)

Receivables from related parties are unsecured and bear no interest.

34. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables R'000	Assets at fair value through profit and loss R'000	Total R'000
30 September 2016			
Assets as per statement of financial position			
Trade and other receivables*	**449 005**	**–**	**449 005**
Cash and cash equivalents	**79 511**	**–**	**79 511**
Total	**528 516**	**–**	**528 516**
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 2016			
Liabilities as per statement of financial position			
Interest-bearing liability	**–**	**6 402**	**6 402**
Derivative financial instruments	**4 224**	**–**	**4 224**
Trade and other payables^	**–**	**392 621**	**392 621**
Total	**4 224**	**399 023**	**403 247**
30 September 2015			
Liabilities as per statement of financial position			
Trade and other payables^	–	307 193	307 193
Total	–	307 193	307 193

Notes:
** 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.

35. FINANCIAL RISK MANAGEMENT

35.1 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 programme 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. At year-end the Group had minimal borrowings.

Financial assets exposed to cash flow interest rate risk include cash and short-term bank deposits.

Changes in the prime interest rate will result in a minimal impact on profit after tax.

(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, US dollar, Zambia kwacha, Uganda shilling and Mozambique metical. 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 raw material imports (primarily US dollar based), in terms of formal hedging policies. Foreign exchange risk arising from capital imports is hedged in total.

Refer to note 10 for material forward foreign exchange contracts.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)
35.1 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 bean meal.

The Group uses exchange-for-physical contracts to hedge itself against the price risk of the maize commodity acquired in South Africa. These contracts hedge the future purchase price of raw materials. Settlement of the physical contracts and local futures are effected by physical delivery. The commodity price risk arising from maize imports is hedged by contracting at a fixed delivered price.

(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% (2015: 3%), British pound of 3% (2015: 3%), euro of 3% (2015: 3%), Zambian kwacha of 3% (2015: 3%), Uganda shilling of 3% (2015: 3%) and Mozambique metical 3%, with all other variables held constant.

	2016 R'000	2015 R'000
Rand depreciates against foreign currencies		
– Increase/(decrease) in profit after income tax		
Trade receivables	**201**	149
Cash and cash equivalents	**378**	970
Trade payables	**(804)**	(450)
Derivative financial instruments not earmarked for hedging	**1 607**	22
– Increase/(decrease) in equity after income tax		
Derivative financial instruments earmarked for hedging	**742**	–
	2 124	691

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% (2015: 2%), with all other variables held constant.

	2016 R'000	2015 R'000
Commodity price increase		
– Increase in equity after income tax		
Derivative financial instruments earmarked for hedging	**565**	714
	565	714

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 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.

The Group started to insure its South African debtors with Credit Guarantee insurance during the current reporting period. In the current year, 53% of the Groups total unimpaired trade debtors have been covered by credit insurance. National customers has a limited risk profile and has a national geographical representation. The credit quality of the National customers are considered to be good based on historical default rates. These customers include large national customers in the formal retail sector. The large retail customers as well as other listed companies are assessed as being a low risk of default, and are thus not insured. These customers amounted to approximately 39% of Trade receivables – net in the reporting period. Of the remaining other customers, 88% of the Group's trade receivables – net were insured.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 Financial risk factors (continued)

(b) Credit risk (continued)

Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for credit worthiness before delivery and payment terms are offered. The Group's risk is limited to 10% of the net invoiced sales to insured debtors. The Group's review includes external ratings where available and in some cases bank references. Limits are established for each customer which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

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.

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.

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.

	2016 R'000	2015 R'000
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.		
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	**143 957**	146 329

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 2016			
Not later than 1 year			
Borrowings excluding bank overdrafts and call loans	(84)	(531)	(615)
Trade and other payables	(390 214)	–	(390 214)
Other derivative financial instruments	(4 224)	–	(4 224)
	(394 522)	(531)	(395 053)
Between 1 and 2 years			
Borrowings excluding bank overdrafts and call loans	(91)	(524)	(615)
	(91)	(524)	(615)
More than 2 years			
Borrowings excluding bank overdrafts and call loans	(6 227)	(7 565)	(13 792)
	(6 227)	(7 565)	(13 792)
Total			
Borrowings excluding bank overdrafts and call loans	(6 402)	(8 620)	(15 022)
Trade and other payables	(390 214)	–	(390 214)
Other derivative financial instruments	(4 224)	–	(4 224)
	(400 840)	(8 620)	(409 460)

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Capital R'000	Interest R'000	Total R'000
Maturity analysis of financial liabilities (continued)			
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)

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

35.2 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. The Group had minimal borrowings at the end of the reporting period.

35.3 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).

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 September 2016				
Assets measured at fair value				
Biological assets				
– Livestock	**–**	**–**	**323 950**	**323 950**
Total	**–**	**–**	**323 950**	**323 950**
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	**–**	**4 224**	**–**	**4 224**
Total	**–**	**4 224**	**–**	**4 224**
30 September 2015				
Assets measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	4	–	4
– Fair value hedges	–	7 420	–	7 420
Biological assets				
– Livestock	–	–	288 775	288 775
Total	–	7 424	288 775	296 199

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.

Fair value instrument 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.

Notes to the consolidated financial statements

for the year ended 30 September 2016 (continued)

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.3 Fair value measurement (continued)

Financial instruments in level 3: Biological assets (continued)

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 R7 303 427 (2015: loss of R4 489 312) 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.

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

Unobservable input	Range of unobservable inputs	
	2016	2015
Layer livestock		
Market price of day-old chicks	**R7.62 to R7.87**	R7.55 to R7.79
Market price of point-of-lay hens	**R55.42 to R58.40**	R49.93 to R52.36
Market price of culls	**R22.89 to R40.59**	R19.56 to R32.41
Broiler livestock		
Market price of day-old chicks	**R4.55 to R4.75**	R3.90 to R4.15
Market price of live birds	**R24.02 to R24.67**	R19.49 to R21.94

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 the market price would result in a R0.6 million (2015: R0.7 million) change in the fair value of poultry livestock.
Point-of-lay hens market prices	A change in the market price would result in a R2.6 million (2015: R2.3 million) change in the fair value of laying hens.
Cull market prices	A change in the market price would result in a R0.6 million (2015: R0.8 million) change in the fair value of laying hens.
Live bird market prices	A change in the market price would result in a R0.9 million (2015: R0.8 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.

36. 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.

Reportable segments are divided into the following:

- Eggs
- Farming
- Animal feeds
- Other African countries
- Head office costs

Quantum Foods comprises eggs, broiler and layer farming and animal feeds in South Africa and the businesses of Quantum Foods Zambia Ltd, Quantum Foods Uganda Ltd and Quantum Foods Mozambique, S.A.

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

As a result of the Group exiting the broiler meat market at the start of the reporting period and the change in the responsibilities of key management, the Group has updated the disclosure of the previously disclosed segments to align with information reviewed by the Group's CODM for the purposes of allocating resources.

Previously reported segments of Eggs and layer livestock farming and Broilers have been restated based on the revised operating segments of Eggs, Layer farming and Broiler farming. Animal feeds and Other African countries continue to be stand-alone segments as previously reported.

The Eggs business is the commercial egg business, which consist of the sale of ungraded eggs and the processing of eggs in the pack stations and distribution thereof, to the market. The Layer farming business includes the layer livestock and commercial layer farms.

The broiler farming and layer farming operating segments are aggregated for segment reporting. Both operations have similar risk profiles, being the production risk inherent to live bird farming. The exposure of these operations to market risk is very low.

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.

Notes to the consolidated financial statements

for the year ended 30 September 2016 (continued)

36. SEGMENT INFORMATION (CONTINUED)

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.

	2016 R'000	Restated* 2015 R'000
Segment revenue	3 913 078	3 468 312
Eggs	1 005 221	962 645
Farming	1 326 746	1 226 504
Animal feeds	1 420 758	1 099 905
Other African countries	160 353	179 258
Segment results	124 274	164 062
Eggs	(26 590)	32 406
Farming	96 319	47 871
Animal feeds	71 891	65 493
Other African countries	(234)	25 286
Head office costs	(17 112)	(6 994)
A reconciliation of the segment results to operating profit before income tax is provided below:		
Segment results	124 274	164 062
Adjusted for:		
Investment income	7 736	9 886
Finance costs	(922)	(1 887)
Share of profit of associate company	257	619
Profit before income tax per statement of comprehensive income	131 345	172 680
Segment assets	2 176 693	1 885 064
Eggs	229 799	218 054
Farming	1 068 460	1 087 162
Animal feeds	538 981	390 376
Other African countries	304 894	168 645
Head office costs	34 559	20 827

** The comparative information has been restated to reflect the new reporting structure.*

	2016 R'000	Restated* 2015 R'000
A reconciliation of the segments' assets to the Group's assets is provided below:		
Segment assets per segment report	2 176 693	1 885 064
Adjusted for:		
Investment in associate	6 988	6 731
Current and deferred income tax assets	2 837	2 788
Cash and cash equivalents	79 511	187 503
Total assets per statement of financial position	2 266 029	2 082 086
Total segment liabilities	434 974	350 379
Eggs	50 991	41 158
Farming	94 827	96 556
Animal feeds	238 477	150 890
Other African countries	19 464	18 686
Head office costs	31 215	43 089
A reconciliation of the segments' liabilities to the Group's liabilities is provided below:		
Segment liabilities per segment report	434 974	350 379
Adjusted for:		
Current and deferred income tax liabilities	234 907	217 140
Total liabilities per statement of financial position	669 881	567 519
Total segment capital expenditure (excluding business combinations)	105 207	63 712
Eggs	20 709	10 020
Farming	7 472	7 890
Animal feeds	8 520	6 617
Other African countries	68 489	33 811
Head office costs	17	5 374
Total segment capital expenditure (business combinations)	68 215	17 044
Eggs	–	17 044
Animal feeds	43 615	–
Other African countries	24 600	–
Total assets held for sale	–	83 399
Farming	–	83 399
Total segment depreciation and amortisation	54 953	56 272
Eggs	7 834	6 274
Farming	28 648	34 914
Animal feeds	10 981	7 682
Other African countries	7 490	7 402

** The comparative information has been restated to reflect the new reporting structure.*

	2016 R'000	Restated* 2015 R'000
36. SEGMENT INFORMATION (CONTINUED)		
Items of a capital nature per segment included in other gains/(losses) – net		
Profit/(loss) on disposal of property, plant and equipment before income tax	**34 947**	1 580
Eggs	**291**	725
Farming	**35 297**	887
Animal feeds	**(641)**	(35)
Other African countries	**–**	3

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 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.

	2016 R'000	Restated* 2015 R'000
Segment revenue	**(3 913 078)**	(3 468 312)
South Africa	**(3 752 725)**	(3 289 054)
Other African countries	**(160 353)**	(179 258)
Total segment non-current assets	**1 071 729**	945 625
South Africa	**867 065**	816 130
Other African countries	**204 664**	129 495
Total segment capital expenditure (excluding business combinations)	**105 207**	63 712
South Africa	**36 718**	29 901
Other African countries	**68 489**	33 811
Total segment capital expenditure (business combinations)	**68 215**	17 044
South Africa	**43 615**	17 044
Other African countries	**24 600**	–

** The comparative information has been restated to reflect the new reporting structure.*

	2016 R'000	2015 R'000
Information regarding major customers		
During the period under review, revenue from certain customers exceeded 10% of Group revenue:		
Customer A	**381 353**	406 666
Customer B	**671 774**	622 899

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

37. 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.

38. BUSINESS COMBINATIONS

	2016 R'000	2015 R'000
Effect on movement of:		
Property, plant and equipment	**62 457**	15 500
Intangible assets	**5 758**	1 544
Inventory	**7 757**	510
Current biological assets	**4 185**	–
Trade and other payables	**(338)**	(54)
Purchase consideration – settled in cash	**79 819**	17 500

38.1 Olifantskop feed mill

The assets of this business were acquired on 1 February 2016 and can be summarised as follows:

	2016 R'000
Fair value	
Property, plant and equipment	**37 857**
Intangible assets	**5 758**
Inventory	**6 844**
Trade and other payables	**(258)**
Purchase consideration – settled in cash	**50 201**

Reason for business combination:

To grow the external feeds sales volumes by entering into the Eastern Cape animal feed market.

	2016 R'000
Contribution since acquisition:	
Revenue	**157 738**
Operating profit before finance cost and income tax	**6 215**
Pro forma contribution assuming the acquisition was at the beginning of the year:	
Revenue	**236 607**
Operating profit before finance cost and income tax	**9 323**

38. BUSINESS COMBINATIONS (CONTINUED)

38.2 Galovos egg business – Mozambique

The assets of this business were acquired on 19 September 2016 and can be summarised as follows:

	2016 R'000	2015 R'000
Fair value		
Plant and equipment	**24 600**	
Current biological assets	**4 185**	
Inventory	**913**	
Trade and other payables	**(80)**	
Purchase consideration – settled in cash	**29 618**	

Reason for business combination:

The acquisition supports the strategic objective of Quantum Foods to expand into selected new markets in Africa. The business in Mozambique relates to the producing and selling of commercial eggs in the Mozambican market.

The operating results from this business combination has not been accounted for due to the effective date and the contribution of the transactions being minimal.

39. 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 was treated as an "asset held for sale" in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations in the previous reporting period.

The disposal resulted in the Group exiting the broiler meat market served from the Hartbeespoort abattoir in Gauteng. It furthermore resulted 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 sale was concluded 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

40. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final dividend of 6 cents per ordinary share has been declared for the year ended 30 September 2016, on 22 November 2016. 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 5.1 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 6.0 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 231 803 316 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.

41. 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 2016 (continued)

42. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS

	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Retirement fund contri-butions R'000	Directors' fees R'000	Total R'000
30 September 2016						
Executive directors						
HA Lourens	2 481	62	320*	275	–	3 138
AH Muller	1 524	88	36	171	–	1 819
Total executive directors	4 005	150	356	446	–	4 957
Non-executive directors						
WA Hanekom	–	–	–	–	301	301
N Celliers	–	–	–	–	228	228
Prof. ASM Karaan	–	–	–	–	270	270
PE Burton	–	–	–	–	270	270
GG Fortuin	–	–	–	–	228	228
Total non-executive directors	–	–	–	–	1 297	1 297
Total directors	4 005	150	356	446	1 297	6 254
Prescribed officers						
HE Pether	900	77	23	158	–	1 158
JJ Murray	1 510	250	38	120	–	1 918
	2 410	327	61	278	–	3 076

Note:
* *Includes long-service award of R242 584*

	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Retirement fund contri-butions R'000	Directors' fees R'000	Total R'000
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 2016 (continued)

42. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS (CONTINUED)

	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
Directors' share appreciation rights ("SARs")							
30 September 2016							
Executive directors							
HA Lourens	774 376	2015/02/27	2020/08/27	315	–	–	774 376
	317 120	2016/02/18	2021/08/18	266	67	212	317 120
AH Muller	477 854	2015/02/27	2020/08/27	315	–	–	477 854
	187 901	2016/02/18	2021/08/18	266	67	126	187 901
Prescribed officers							
HE Pether	224 410	2015/02/27	2020/08/27	315	–	–	224 410
	122 190	2016/02/18	2021/08/18	266	67	82	122 190
JJ Murray	246 652	2015/02/27	2020/08/27	315	–	–	246 652
	255 448	2016/02/18	2021/08/18	266	67	171	255 448
30 September 2015							
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

43. 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 #			% of issued ordinary share capital
	Direct	Indirect	Total	
30 September 2016				
HA Lourens	**530 005**	**–**	**530 005**	**0.229**
AH Muller	**171 079**	**–**	**171 079**	**0.074**
WA Hanekom	**–**	**6 915 086**	**6 915 086**	**2.983**
N Celliers	**–**	**–**	**–**	**–**
Prof. ASM Karaan	**–**	**86 147**	**86 147**	**0.037**
PE Burton	**–**	**3 000**	**3 000**	**0.001**
GG Fortuin	**–**	**–**	**–**	**–**
	701 084	**7 004 233**	**7 705 317**	**3.324**
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

Notes:

* *Appointed during the year.*

** *Resigned as director during the year.*

\# *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.*

44. SHAREHOLDER INFORMATION

Shareholder spread

	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Category				
Ordinary shares				
Individuals	**3 871**	**81.3**	**34 363 695**	**14.8**
Nominees and trusts	**455**	**9.6**	**13 750 418**	**5.9**
Investment companies and corporate bodies	**432**	**9.1**	**183 689 203**	**79.3**
	4 758	**100.0**	**231 803 316**	**100.0**

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 2016, is as follows:

Analysis of shareholding – ordinary shares

	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Public shareholding				
Major shareholding				
Allan Gray (on behalf of clients)	**1**	**0.0**	**33 716 846**	**14.5**
Coronation (on behalf of clients)	**1**	**0.0**	**15 783 153**	**6.8**
Other shareholders	**4 750**	**99.9**	**112 977 916**	**48.8**
Non-public shareholding				
Major shareholding				
Zeder Investments Ltd	**1**	**0.0**	**61 620 084**	**26.6**
Other shareholders				
Directors	**5**	**0.1**	**7 705 317**	**3.3**
	4 758	**100.0**	**231 803 316**	**100**

44. SHAREHOLDER INFORMATION (CONTINUED)

Distribution of ordinary shareholders

	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Number of shares				
1 – 1 000 shares	2 249	47.3	661 028	0.3
1 001 – 10 000 shares	1 530	32.1	6 133 930	2.7
10 001 – 100 000 shares	784	16.5	25 611 193	11.0
100 001 – 1 000 000 shares	158	3.3	41 947 566	18.1
1 000 001 shares and over	37	0.8	157 449 599	67.9
	4 758	100.0	231 803 316	100.0

CONTENTS

Company financial statements

for the year ended 30 September 2016

Company statement of financial position

as at 30 September 2016

	Notes	2016 R'000	2015 R'000
ASSETS			
Non-current assets		1 585 386	1 585 386
Investment in subsidiary	3	1 585 386	1 585 386
Current assets		77	–
Cash and cash equivalents		77	–
Total assets		1 585 463	1 585 386
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		1 582 848	1 584 280
Share capital	4	1 581 402	1 585 386
Retained earnings		1 446	(1 106)
Total equity		1 582 848	1 584 280
Current liabilities		2 615	1 106
Dividends payable		58	–
Borrowings	5	2 557	1 106
Total liabilities		2 615	1 106
Total equity and liabilities		1 585 463	1 585 386

Company statement of comprehensive income

for the year ended 30 September 2016

	Notes	2016 R'000	2015 R'000
Other income	6	1 036	1 008
Administrative expenses		(1 184)	(848)
Other operating expenses		(1 302)	(1 266)
Operating loss	7	(1 450)	(1 106)
Investment income	8	27 327	–
Profit/(loss) before income tax		25 877	(1 106)
Income tax expense	9	–	–
Profit/(loss) for the year		25 877	(1 106)
Other comprehensive income for the year		–	–
Total comprehensive income/(loss) for the year		25 877	(1 106)
Profit/(loss) for the year attributable to owners of the parent		25 877	(1 106)
Total comprehensive income/(loss) for the year attributable to owners of the parent		25 877	(1 106)

Company statement of changes in equity

for the year ended 30 September 2016

	Share capital R'000	Retained earnings R'000	Total R'000
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
Balance as at 1 October 2015	1 585 386	(1 106)	1 584 280
Shares repurchased and cancelled	(3 984)	–	(3 984)
Comprehensive income:			
Profit for the year	–	25 877	25 877
Dividends paid – net	–	(23 325)	(23 325)
Balance as at 30 September 2016	1 581 402	1 446	1 582 848
Note	4		

Company statement of cash flows

for the year ended 30 September 2016

	Notes	2016 R'000	2015 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		(1 450)	(1 106)
Net cash loss from operating activities	11	(1 450)	(1 106)
NET CASH FLOW FROM INVESTING ACTIVITIES		27 327	–
Interest received	8	2	–
Dividends received	8	27 325	–
Net cash surplus/(deficit)		25 877	(1 106)
NET CASH FLOW FROM FINANCING ACTIVITIES		(25 800)	1 106
Loan received from related party	5	1 451	1 106
Shares repurchased	4	(3 984)	–
Dividends paid to ordinary shareholders	12	(23 267)	–
Net increase in cash and cash equivalents		77	–
Net cash and cash equivalents at beginning of year		–	–
Net cash and cash equivalents at end of year		77	–

	2016 R'000	2015 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. INTEREST 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 (2015: 400 000 000) ordinary no par value shares	400 000 000	400 000 000
Issued and fully paid – ordinary shares		
231 803 316 (2015: 233 248 590) ordinary no par value shares	1 581 402	1 585 386
During the reporting period, 1 445 274 ordinary shares were repurchased by the Company and cancelled. The shares were repurchased at an average price of R2.76 per share.		
5. BORROWINGS		
Loan from Quantum Foods (Pty) Ltd		
Beginning of year	1 106	–
Loans advanced during the year	2 487	2 114
Loans repaid during the year	(1 036)	(1 008)
End of year	2 557	1 106
Unsecured interest-free loan with no fixed terms of repayment.		
6. OTHER INCOME		
Administration fees received	1 036	1 008

	2016 R'000	2015 R'000
7. OPERATING PROFIT/(LOSS)		
The operating loss is calculated after taking into account other income (refer to note 6), as well as the following:		
Auditors' remuneration	10	10
Listing fees and shareholder communication	1 173	838
Directors' remuneration	1 297	1 266
8. INVESTMENT INCOME		
Interest income on call accounts and other	2	–
Dividends received from Quantum Foods (Pty) Ltd	27 325	–
	27 327	–
9. INCOME TAX EXPENSE		
Current income tax		
Current year	–	–
	%	%
Standard rate for companies	28.0	28.0
Exempt income	(29.6)	–
Non-deductible expenditure	1.6	(28.0)
	–	–
	R'000	R'000
10. DIVIDEND PER ORDINARY SHARE		
Final 6.0 cents (2015: 10.0 cents) per ordinary share	13 908	23 325

Dividends payable are not accounted for until they have been declared by the Board of directors. The statement of changes in equity does not reflect the final dividend payable. The final dividend will be accounted for as an appropriation of retained earnings in the following year. Withholding Tax on Dividends (DWT) became effective from 1 April 2012 at a rate of 15%.

The total rand value of the final dividend for the year is an approximate amount. The exact amount is dependent on the number of shares in issue at the record date.

	2016 R'000	2015 R'000
11. CASH PROFIT FROM OPERATING ACTIVITIES		
Reconciliation of profit/(loss) before tax and cash loss from operating activities:		
Profit/(loss) before income tax	**25 877**	(1 106)
Adjusted for:		
Dividends received	**(27 325)**	–
Interest received	**(2)**	–
	(1 450)	(1 106)
12. DIVIDENDS PAID		
Amounts unpaid at beginning of year	**–**	–
As disclosed in statement of changes in equity	**(23 325)**	–
Amounts unpaid at end of year	**58**	–
	(23 267)	–