



2020

INTEGRATED
REPORT

QUANTUM FOODS Integrated report 2020





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OUR BRANDS

INVESTMENT CASE

Balanced and optimised portfolio

- Quantum Foods reduced its exposure to the cyclical nature of the poultry industry by exiting the broiler meat market in 2016
- The Group is the largest contract producer of live broilers, supplying its own day-old chicks and feed to the South African market
- Continued focus on growing revenue from external feed sales, livestock and investments made in recent years to expand the Group's other African operations
- The leading egg business in South Africa, with *Nulaid* achieving the status of the best egg brand in the country for the eighth consecutive year
- A strong market position with growth potential in animal feeds, livestock and eggs

Africa growth traction and prospects

- Proven track record of success in Africa – operating in Zambia and Uganda for over 21 years
- Further expansion of the existing table egg businesses in Uganda and Mozambique
- Strategic opportunities in other African countries will be considered

Efficient cost base

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

Solid cash-generating ability

- Quantum Foods has no material debt on its balance sheet 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 without significant further investment
- Proven record of converting profits to cash

The right people

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

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



Group revenue increased by 15% to

R5 095 million

Increased revenue, mostly from feeds and eggs but also from other African operations, with farming revenue marginally higher.



Headline earnings decreased from R189 million to

R156 million

Decreased earnings from eggs and other African operations during 2020, partially offset by improved earnings from feeds and farming.



Earnings per share decreased from 92.6 cents to

80.1 cents

The weighted average number of shares in issue reduced in 2020 due to share repurchases in the second half of 2019 and first half of 2020.



Headline earnings per share ("HEPS") decreased from 92.3 cents to

80.5 cents

Decreased earnings from eggs and other African operations during 2020, partially offset by improved earnings from feeds and farming.

The Group continued to provide essential goods throughout the

COVID-19

lockdown period, without any significant disruption to operations

The total dividend per share decreased to

16 cents

from 33 cents in 2019

Nulaid received the

2020/2021

Ask Africa Icon Brand Surveyor egg category award

Total number of employees decreased from 2 457 in 2019 to

2 425

in 2020

1 296 647 shares

were purchased as treasury shares during 2020

8 083 426 shares

were purchased as treasury shares during 2019 and 10 505 000 shares were repurchased and cancelled during 2019



More information is provided in the business overview section on page 26.

ABOUT THIS REPORT

Scope and boundary

Quantum Foods is a public company, duly incorporated in South Africa under the provisions of the Companies Act, No. 71 of 2008, as amended, and its regulations ("the Companies Act"). It is listed on the main board of the JSE Limited ("JSE") in the "Farming and Fishing" sector under the share code QFH.

This report was compiled using the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV")¹ and the International Integrated Reporting Council's ("IIRC's") Integrated Reporting Framework. It provides financial and non-financial performance data on the Group's business activities in all its operating geographies. This includes South Africa, Mozambique, Uganda and Zambia as well as all of the Group's subsidiaries.

 More information is provided in the business overview section on page 26.

The scope of non-financial information provided in this report is similar to that provided in the previous year, with a primary focus on the Group's South African business activities. Quantum Foods is committed to improving the level of integration of its reporting over time.

Report principles and comparability

The Group adjusted its broiler farming business model in May 2019. The change impacts the Group's operations in Gauteng and the North West, where grown broilers were previously reared and supplied to Sovereign Foods in terms of a long-term supply agreement. The Group now supplies day-old chicks and broiler feed to Sovereign Foods, which is responsible for the rearing process. The change to the business model reduces the Group's farming risk and creates improved supply chain optimisation opportunities for Sovereign Foods. It increases revenue and earnings for the feeds business and reduces revenue and earnings for the farming business.

The summary consolidated financial statements provided in this integrated report are extracted from the full statutory financial statements available on the Group's website: <https://quantumfoods.co.za/financial-reports/>. 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. ("PwC").

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' broad-based black economic empowerment ("B-BBEE") score was externally assured by AQRate. 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.

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.

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.
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 one dozen table eggs, or required by birds of the meat type to produce one kilogram 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
Higher-value eggs	Extra-large, jumbo, free range, canola and pasteurised eggs
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

¹ Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

WELCOME TO OUR 2020 INTEGRATED REPORT

This is the integrated report for Quantum Foods Holdings Ltd and its subsidiaries (“Quantum Foods”, “the Group” or “the Company”). It covers the financial period from 1 October 2019 to 30 September 2020.

This report is aimed primarily at the Group’s shareholders and other interested stakeholders. It provides a holistic overview of Quantum Foods’ strategy, performance and business activities, as well as a measure of the Group’s ability to ensure a sustainable business future.

 For more information about the scope and boundary of this report, go to page 6. For more information on the terms commonly used in this report, go to page 7.

Feedback

Quantum Foods is committed to communicating meaningfully with its stakeholders. The Group would therefore appreciate feedback on the effectiveness of this report. Any feedback can be emailed to Quantum Foods’ company secretary, Marisha Gibbons, at Marisha.Gibbons@quantumfoods.co.za.

 This report is available on the Company’s website: www.quantumfoods.co.za/annual-reports/.

Board approval

Quantum Foods’ board of directors (“the Board”), 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.



WA Hanekom
Chairman



HA Lourens
Chief Executive Officer

Navigational icons

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

 This icon refers to where additional information can be found on the Company’s website: www.quantumfoods.co.za.

Material matters

Quantum Foods has identified the matters that could significantly impact its value-creation abilities. Mitigating the risks and capitalising on the opportunities identified per material matter are integral to the execution of the Group’s strategy.

Senior decision-makers of the Group were involved in a structured process to identify and prioritise the following economic, environmental and social matters for inclusion in this report. These matters were presented to and approved by the Board and are linked to our strategic themes and the risks faced by the Group.

We specifically considered the impact of COVID-19 and, where material, included its possible effects. As we operate in the agri-food value chain, operations continued throughout lockdown. This reduced the potential effect of the pandemic on our business.

 <h3>Economic</h3> <ul style="list-style-type: none"> • Lack of economic growth in South Africa • Growth opportunities • Ability to recover rising input costs • Manage industry profitability cycles • Innovation 	 <h3>Environmental</h3> <ul style="list-style-type: none"> • Poultry disease • Human disease, such as COVID-19 • Optimised procurement and the availability of key raw materials • Protecting the environment • Electrical supply • Water availability and quality 	 <h3>Social</h3> <ul style="list-style-type: none"> • Ensuring the necessary skills to drive a high-performance culture • Product safety and quality • Transformation • Animal welfare • Health and safety • Stakeholder engagement
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More information is available throughout this report, as referenced. We have linked our material matters to our four strategic themes:

-  Profitable growth through industry cycles
-  Customer and product focus
-  Operational excellence
-  Optimal people capacity and culture

 Insight into our strategic themes and risks is available from page 32.

Economic

LACK OF ECONOMIC GROWTH IN SOUTH AFRICA	Timeframe of impact	Strategic link
	Medium to long term	

Why material
 Poor economic growth in South Africa negatively impacts consumer demand, limiting the Group's ability to grow. Limited growth was exacerbated by the worldwide outbreak of COVID-19, and it may take several years for South Africa's economy to recover.

Business response and opportunities
 Eggs and chicken remain the most affordable animal protein products for human consumption. While this presents growth opportunities for the Group, expansion of its South African production capacity must be balanced against the economic growth projections for the country.
 As part of the food industry, the Group was regarded as an essential service and able to operate during all levels of the National State of Disaster under the Disaster Management Act, No. 57 of 2002 ("Disaster Management Act"). Similar to the trend experienced by other countries, demand for the products supplied by the Group, especially eggs, remained strong throughout the lockdown period. The product portfolio offered by the Group targets demand for affordable animal protein. This mitigates the risk of significant changes in demand for its products arising from poor economic growth.

GROWTH OPPORTUNITIES	Timeframe of impact	Strategic link
	Medium to long term	

Why material
 The Group's experience, expertise and footprint in South Africa and the rest of Africa enable it to identify and realise growth opportunities in the table eggs, livestock and feed value chains across the continent.

Business response and opportunities
 Higher raw material prices can impact overall profitability. However, profitability is less cyclical in the Group's feed and livestock businesses as selling prices are more easily adjusted in line with changes in production costs.
 Egg markets in other African countries are less concentrated and further investments were made in Uganda during 2020 to expand the production capacity supplying these markets.
 In 2020, feeds experienced significant volume growth following the expansion of two feed mills in 2019. Volume growth of eggs increased due to enhanced efficiency and higher capacity utilisation of farming assets.

ABILITY TO RECOVER RISING INPUT COSTS	Timeframe of impact	Strategic link
	Short to medium term	

Why material
 A volatile Rand and fluctuations in the cost of local and international grain crops threaten the Group's profitability. The Group's main exposure to this matter is in the egg business, where the selling price of eggs is determined by supply and demand and, to a lesser extent, the cost of production (of which feed is the main contributor). These dynamics result in cyclical profitability due to varying margins and the risk of being unable to recover fluctuating raw material costs in final product prices.

Business response and opportunities
 Quantum Foods recovers increases in input costs through a relentless focus on procurement, currency movement, efficiencies, and cost and margin management. For example, the Group continued its programme to upgrade older poultry houses to more modern, environmentally controlled facilities to improve efficiency.

MANAGE INDUSTRY PROFITABILITY CYCLES	Timeframe of impact	Strategic link
	Medium to long term	

Why material
 Poultry companies are significantly exposed to changes in the cost of feed raw materials, which are impacted by:

- Crop growing conditions
- The value of the currency
- Product pricing in a market where supply and demand dynamics rather than production costs impact the prices that can be achieved

The Group's main exposure is in the egg business.

Business response and opportunities
 The Group has limited ability to mitigate this risk by monitoring industry trends for the production of day-old layer chicks and adjusting production planning accordingly. During the year, 76% of Group revenue (2019: 75%) was generated by the feeds, farming and other African operations. Historically, these businesses have been more resilient to industry cycles than the egg business.
 Due to high levels of operational efficiency achieved in the egg value chain (including improved egg packing station efficiencies, good cost management and high levels of distribution efficiency), the Group implemented a strategy to grow volumes despite the anticipated challenging industry conditions. This strategy will result in increased volatility in earnings from this business – offset by the solid earnings base provided by the feeds and farming business.

INNOVATION	Timeframe of impact	Strategic link
	Medium to long term	

Why material
 For the Group to diversify, grow and sustain its margins, it should develop products that cater for customers and markets.

Business response and opportunities
 Feed formulation for optimal animal nutrition is a particularly technical field with many opportunities to innovate. Innovation and providing optimal feed solutions to customers are key focus areas for the feeds management team to ensure sustainable animal protein production and to mitigate the risk of increased competition. The Group partnered with Nutreco, which provides access to world-class research and assistance to ensure optimal feed formulation.
 In the Group's broiler and egg businesses, innovation is focused on enhancing farming practices to optimise livestock health and production efficiencies.

Environmental

POULTRY DISEASE	Timeframe of impact	Strategic link
	Short to medium term	

Why material

Outbreaks of poultry disease can significantly impact the productivity, efficiency and financial performance of the Group's farming operations. The outbreak of highly pathogenic AI in South Africa in 2017 significantly increased this risk and has the potential to greatly reduce the national flock. While no incidences of AI occurred in the national poultry flock during 2019 or 2020, the risk remains high.

Read more on page 26.

Business response and opportunities

Biosecurity, vaccination and monitoring programmes are continually reviewed with the assistance of veterinary companies to improve the protection of the birds and ultimately improve farm production efficiencies.

HUMAN DISEASE, SUCH AS COVID-19	Timeframe of impact	Strategic link
	Short to medium term	

Why material

This can cause significant business disruption either due to higher numbers of employees being unable to work, or business operations being closed for a period of time.

Business response and opportunities

The Group implemented COVID-19 measures in line with the Disaster Management Act to reduce the risk of infection. Where possible, employees work/worked from home. Stringent protocols were followed where employees tested positive for COVID-19 and the Group managed to continue its operations and support functions without any significant disruption throughout the year.

During the period, 30 employees tested positive for COVID-19 and have now all recovered and returned to work.

The measures implemented to mitigate the COVID-19 risk prepared the Group for the potential impact of other human diseases that could disrupt operations.

OPTIMISED PROCUREMENT AND THE AVAILABILITY OF KEY RAW MATERIALS	Timeframe of impact	Strategic link
	Short to medium term	

Why material

The cost and availability of key raw materials required for animal feeds production are an ongoing concern. In particular, feed raw material costs are the largest contributor to overall poultry production costs for both broiler meat and eggs. Incorrect procurement decisions can therefore significantly impact business profitability.

Read more on page 26.

Business response and opportunities

The Group's centralised procurement team, which sources and secures feed raw materials through agreements with dependable local and international suppliers, mitigates this risk.

PROTECTING THE ENVIRONMENT	Timeframe of impact	Strategic link
	Long term	

Why material

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.

Read more on page 48.

Business response and opportunities

The Group has implemented various initiatives to reduce wastage of water and reduce electricity consumption generated from non-renewable sources. These initiatives assist in reducing the environmental impact of the Group's operations.

Read more on page 49.

ELECTRICITY SUPPLY	Timeframe of impact	Strategic link
	Short, medium and long term	

Why material

The Group depends on an adequate and stable supply of electricity throughout its operations. An interrupted electricity supply mostly impacts the Group's feed mills, which are not all equipped with standby generators, which allow for uninterrupted manufacture of feed during periods of electricity interruption. It further affects the efficiency and operating costs of facilities equipped with standby generators during periods of load shedding.

Business response and opportunities

To supplement electricity supplied by Eskom, the Group continues to invest in solar electricity projects, thereby reducing its demand on the national grid. The Group considered equipping feed mills with backup generators in the 2020 financial year. A standby generator was implemented at the Paterson feed mill as a backup power source, and a project was approved for the Malmesbury feed mill to acquire a pellet machine for increased production capacity. This will assist the Group to either maintain critical manufacturing capability or the ability to make up for production time lost to sustain its supply of feed to animals.

Read more on page 49.

WATER AVAILABILITY AND QUALITY	Timeframe of impact	Strategic link
	Medium to long term	

Why material

To sustain a healthy agricultural business, the Group is dependent on continuous access to high-quality water across its operations, particularly in its poultry operations. Climate change has the potential to impact the business in the long term. Water availability, especially in the Eastern Cape, remains a concern.

Business response and opportunities

Water supply and quality are key to achieving optimal production efficiencies, without which operational excellence will not be possible. Continuous water quality analysis guides the implementation of systems on farms to ensure birds have access to good quality water. The Group also has water contingency plans in place that can be implemented if its current water supply is interrupted.

Social

ENSURING THE NECESSARY SKILLS TO DRIVE A HIGH-PERFORMANCE CULTURE	Timeframe of impact	Strategic link
	Short to medium term	

Why material

The business requires rare skill sets. This is particularly relevant in the farming operations and egg business, where succession and the external appointment of suitably skilled candidates can be challenging. Attracting and retaining talented employees who can drive an optimal performance culture is therefore a priority for the Group.

[Read more on page 52.](#)

Business response and opportunities

The Group continues to strengthen its management teams through a combination of key appointments and talent development. The Group continued its internship programme during the year.

[Read more on page 52.](#)

PRODUCT SAFETY AND QUALITY	Timeframe of impact	Strategic link
	Short, medium and long term	

Why material

The Group produces products for human and animal consumption. Quantum Foods must therefore adhere to strict food safety protocols to retain its licence to operate.

Business response and opportunities

The Group has stringent quality control processes in place and a dedicated consumer feedback channel is actively monitored to ensure any issues that arise are attended to swiftly and professionally.

[Read more on page 48.](#)

TRANSFORMATION	Timeframe of impact	Strategic link
	Medium to long term	

Why material

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of historically disadvantaged South Africans ("HDSAs"). The Group also appreciates the benefit to stakeholders of introducing increased levels of diversity throughout its management structures.

[Read more on page 50.](#)

Business response and opportunities

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 ownership, management control, skills development, supplier and enterprise development and preferential procurement.

ANIMAL WELFARE	Timeframe of impact	Strategic link
	Short to medium term	

Why material

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.

[Read more on page 54.](#)

Business response and opportunities

The Group has a zero-tolerance approach to non-compliance with animal welfare regulations and requirements. The Group frequently engages with external parties on matters related to animal welfare in a transparent and open manner. Internal audits and regular employee training are conducted to ensure compliance to standards. Optimal livestock husbandry practices and facilities create an environment for improved farming production efficiencies.

HEALTH AND SAFETY	Timeframe of impact	Strategic link
	Short to medium term	

Why material

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.

Business response and opportunities

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.

[Read more on page 52.](#)

STAKEHOLDER ENGAGEMENT	Timeframe of impact	Strategic link
	Short, medium and long term	

Why material

Quantum Foods recognises that thorough stakeholder engagement is a key requirement to ensure the sustainability of the business.

Business response and opportunities

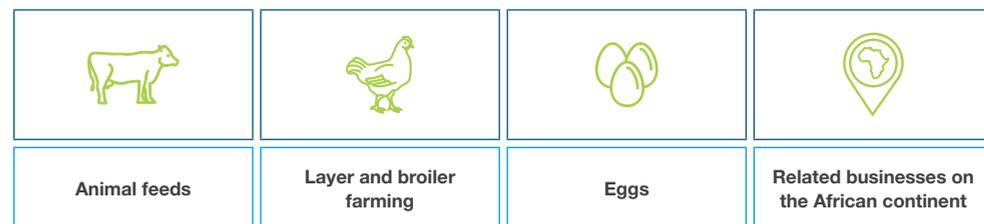
The Group considers the reasonable expectations of material stakeholders when conducting its business activities.

[Read more on page 64.](#)

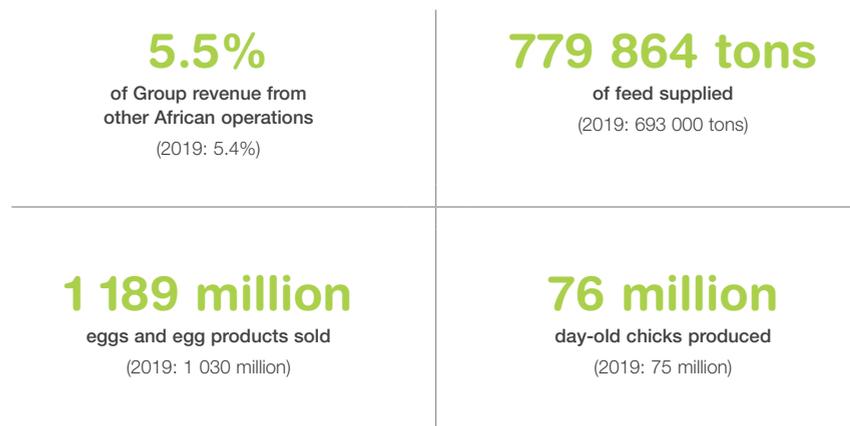
QUANTUM FOODS AT A GLANCE

Profile

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



The Group provides quality animal feeds and poultry products to selected South African and African markets and is the largest producer of eggs in South Africa.



External revenue contribution (R million)

-  Animal feeds
-  Layer and broiler farming
-  Eggs
-  Related businesses on the African continent

	2020	2019
Animal feeds	2 237	1 759
Layer and broiler farming	1 350	1 325
Eggs	1 230	1 095
Related businesses on the African continent	278	239

Revenue contribution per business

-  Animal feeds
-  Layer and broiler farming
-  Eggs
-  Related businesses on the African continent

	2020	2019
Animal feeds	44%	40%
Layer and broiler farming	27%	30%
Eggs	24%	25%
Related businesses on the African continent	5%	5%

Group structure

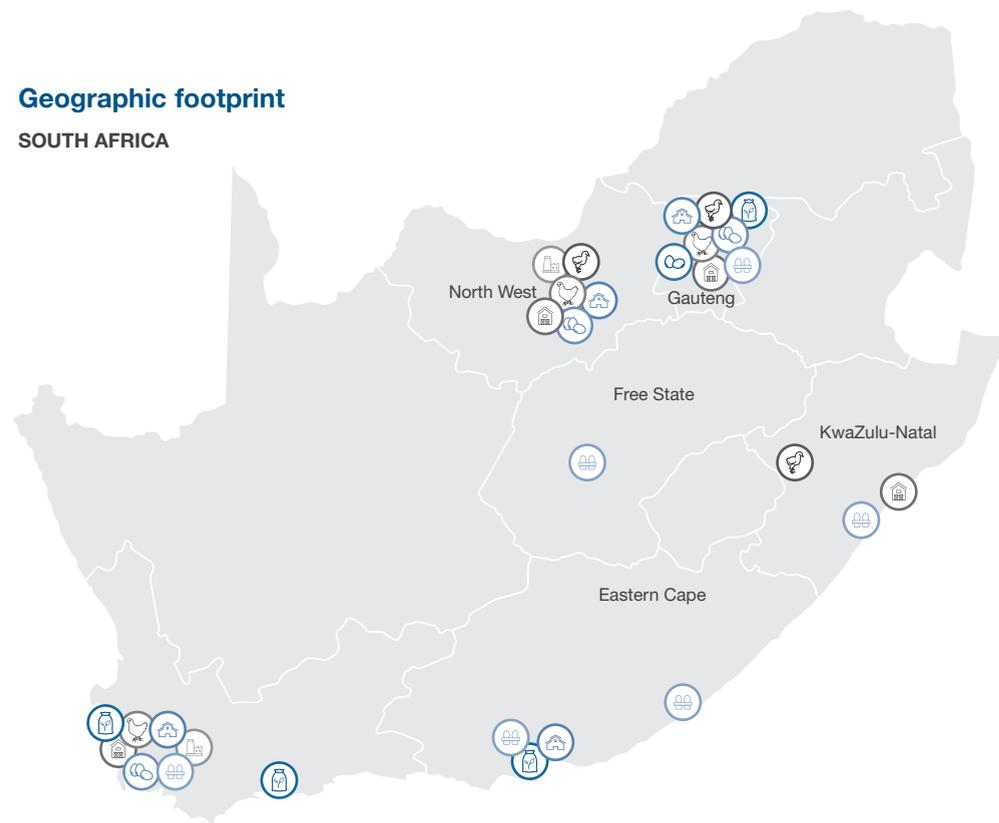


* The assets of Philadelphia Chick Breeders (Pty) Ltd were distributed to Quantum Foods (Pty) Ltd on 31 July 2020 and a process to deregister Philadelphia Chick Breeders (Pty) Ltd commenced.

** Quantum Foods (Pty) Ltd acquired an interest in Klipvlei Broilers (Pty) Ltd on 8 March 2020. Klipvlei Broilers is a Western Cape based broiler contract grower that supplies the Group.

Geographic footprint

SOUTH AFRICA



Layer breeders	Feed mills	Layer hatcheries	Layer rearing farms	Layer farms	Broiler breeders	Broiler hatcheries	Broiler farms	Egg packing stations

	Animal feeds Quantum Foods' feed mills are located in the Western Cape (Malmesbury and George), Eastern Cape (Paterson) and Gauteng (Pretoria). The majority of feed volumes produced are sold externally, with the balance being consumed internally by the Group's integrated layer and broiler poultry operations. The majority of external feed sales are to the dairy and poultry markets.
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 	Table eggs Table eggs are distributed from egg packing stations (located in the Western Cape, Eastern Cape, KwaZulu-Natal, Free State and Gauteng) or sold in ungraded form from egg farms. The majority of table egg sales are to the retail sector. <i>Nulaid</i> also sells liquid egg products to the industrial market.
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	Layer livestock Layer livestock constitutes day-old chicks and point-of-lay hens of the Lohmann breed.
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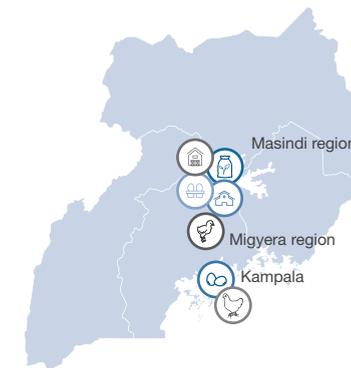
 	Broiler livestock Day-old broiler chicks of the Cobb500 breed are sold under the <i>Bellevue Chix</i> brand from hatcheries located in the Western Cape and the North West. These chicks are either sold as day-old broiler chicks or as live broilers to third-party abattoirs under the <i>Tydstroom</i> brand. Live broilers are produced on a combination of Company-owned and contracted broiler farms.
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ZAMBIA



	Quantum Foods operates a broiler and layer breeder business (selling day-old chicks) and a table egg business. In Lusaka, there is a parent breeding facility, a hatchery and a feed mill. The breeding facility produces day-old pullets and day-old broiler chicks. Day-old pullets are supplied to the Chingola layer rearing farm as well as to the external market, while day-old broiler chicks are all sold. The table egg business, comprising a layer rearing farm, layer farm and feed mill is located in the Copper Belt. Both of these facilities sell feed to the external market.
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UGANDA



	These operations comprise a broiler and layer breeder business, a feed business and a table egg business. The Kampala sites comprise parent breeding facilities for broilers and a hatchery. The layer breeders are housed on a farm in the Migyera region. The hatchery produces day-old pullets and day-old broiler chicks. The day-old pullets are either transferred to the Masindi layer rearing farm or sold to external customers, while day-old broiler chicks are all sold.
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MOZAMBIQUE



	These operations comprise a table egg business that supplies both the retail and informal markets.
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Financial performance information

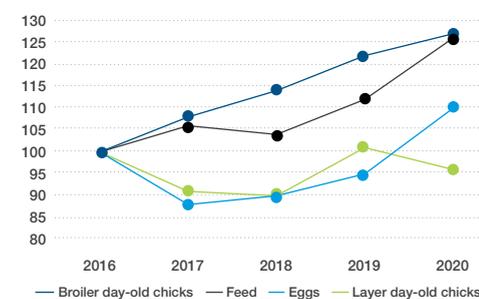
		2016	2017	2018	2019	2020
Earnings						
Revenue	R million	3 913	4 052	4 122	4 418	5 095
Operating profit (excluding items of a capital nature)	R million	89	149	472	245	220
Operating profit margin (excluding items of a capital nature)	%	2.3%	3.7%	11.5%	5.5%	4.3%
Earnings	R million	91	128	362	189	155
Headline earnings	R million	66	112	361	189	156
Segment operating profit (excluding items of a capital nature)						
Eggs	R million	(27)	46	287	38	6
Farming	R million	61	47	99	112	122
Animal feeds	R million	73	78	69	89	99
Other African countries	R million	0	(10)	31	14	6
Head office costs	R million	(17)	(12)	(13)	(9)	(13)
Financial position						
Total assets	R million	2 266	2 255	2 515	2 514	2 645
Total liabilities	R million	(670)	(563)	(660)	(677)	(759)
Total equity	R million	1 596	1 692	1 855	1 837	1 886
Net assets	R million	1 755	1 658	1 656	1 859	1 939
Returns						
Return on net assets	%	5%	9%	29%	14%	12%
Shareholder returns						
Earnings per share	cents	39.2	55.7	164.3	92.6	80.1
HEPS	cents	28.2	49.0	163.9	92.3	80.5
Dividend per share (declared)	cents	6	12	41	23	16
Special dividend per share (declared)	cents	–	22	49	10	–
Dividend cover	cents	4.7	4.1	4.0	4.0	5.0
Total dividends declared for the year	R million	14	76	192	64	31
Share repurchases	R million	4	29	55	63	4
Dividends plus share repurchases as % of headline earnings	%	27%	93%	68%	67%	23%
Share statistics (JSE)						
Market value per share at year-end	cents	261	300	425	365	618
Closing earnings yield – (headline earnings)	%	11%	16%	39%	25%	13%
Closing dividend yield	%	2%	11%	21%	9%	3%
Closings price/earnings ratio	times	9.3	6.1	2.6	4.0	7.7
Number of shares in issue	'000	231 803	222 315	210 530	200 025	200 025
Number of shares issued excluding treasury shares held	'000	231 803	222 315	210 195	192 917	194 263
Number of shares traded	'000	40 357	31 357	24 209	55 253	187 014
Number of shares traded as a percentage of shares in issue	%	17%	14%	11%	28%	93%

DEFINITIONS

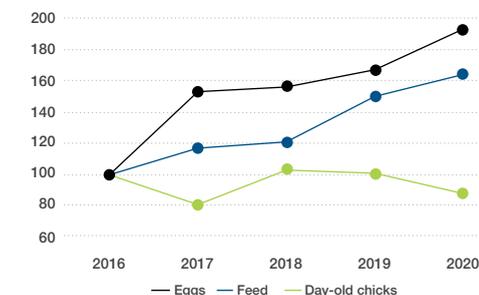
Net assets	Total assets less total liabilities excluding cash and cash equivalents, borrowings, normal and deferred tax
Return on net assets	Operating profit as a percentage of average net assets
Earnings per share	Net profit for the year divided by the weighted average number of shares in issue during the year (excluding treasury shares)
HEPS (headline earnings per share)	Headline earnings divided by the weighted average number of shares in issue during the year (excluding treasury shares)
Dividend cover	HEPS divided by the dividend per share
Closing dividend yield	Dividends per share as a percentage of market value per share at year-end
Closing earnings yield	HEPS as a percentage of market value per share at year-end
Closing price-earnings ratio	Market value per share divided by HEPS at year-end

NON-FINANCIAL PERFORMANCE INFORMATION

South African volumes



Other African countries volumes





Value chain and business model

Quantum Foods generates value by providing affordable access to poultry products for the full spectrum of 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 a need to mitigate the increasing risk of food and resource scarcity.

The Group creates value for customers and consumers by ensuring a consistent and fresh supply of:

- Eggs and egg products for human consumption or further processing
- Day-old chicks or point-of-lay hens to livestock farmers
- Live broilers for processing by customers
- Feed for animal consumption

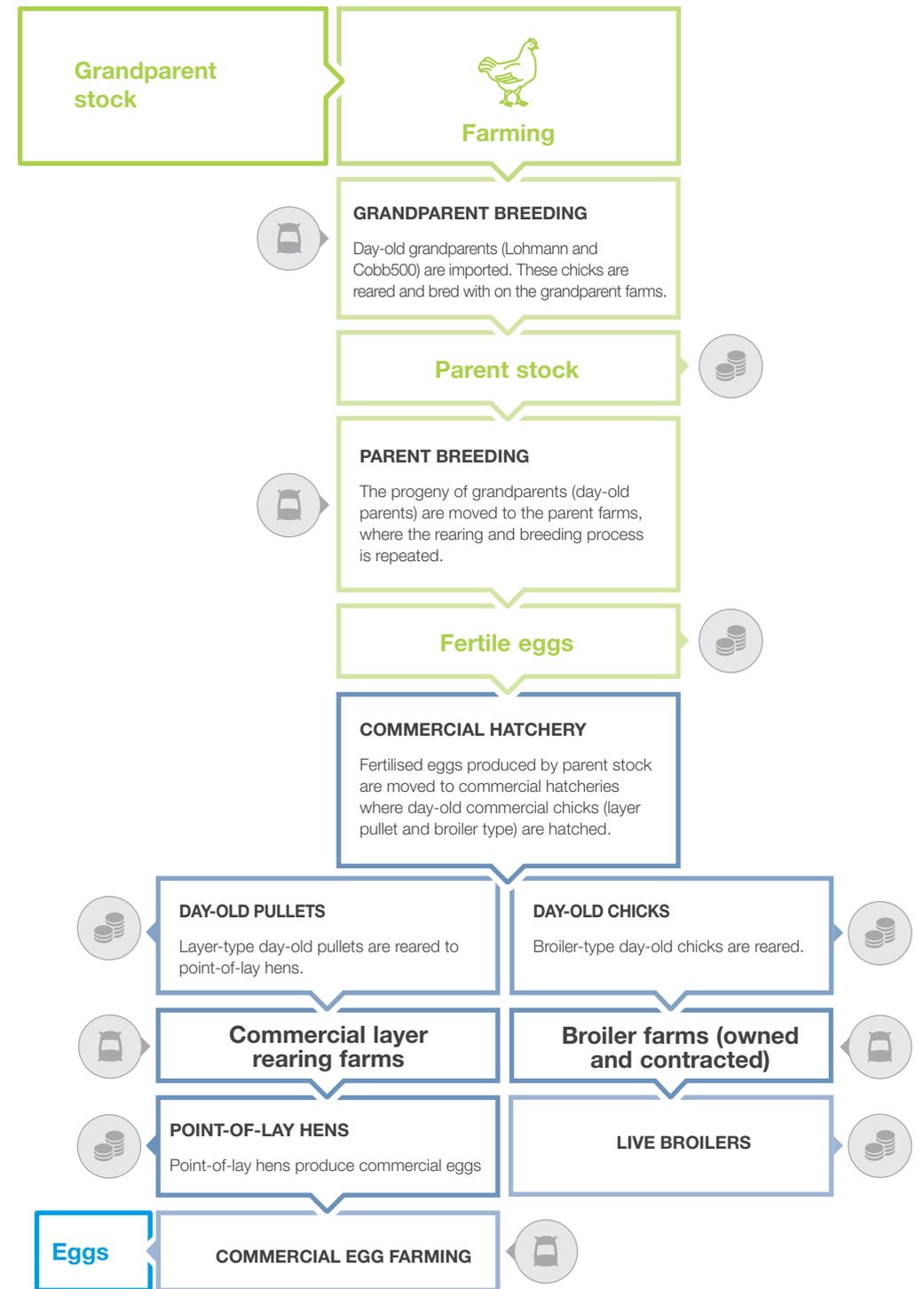
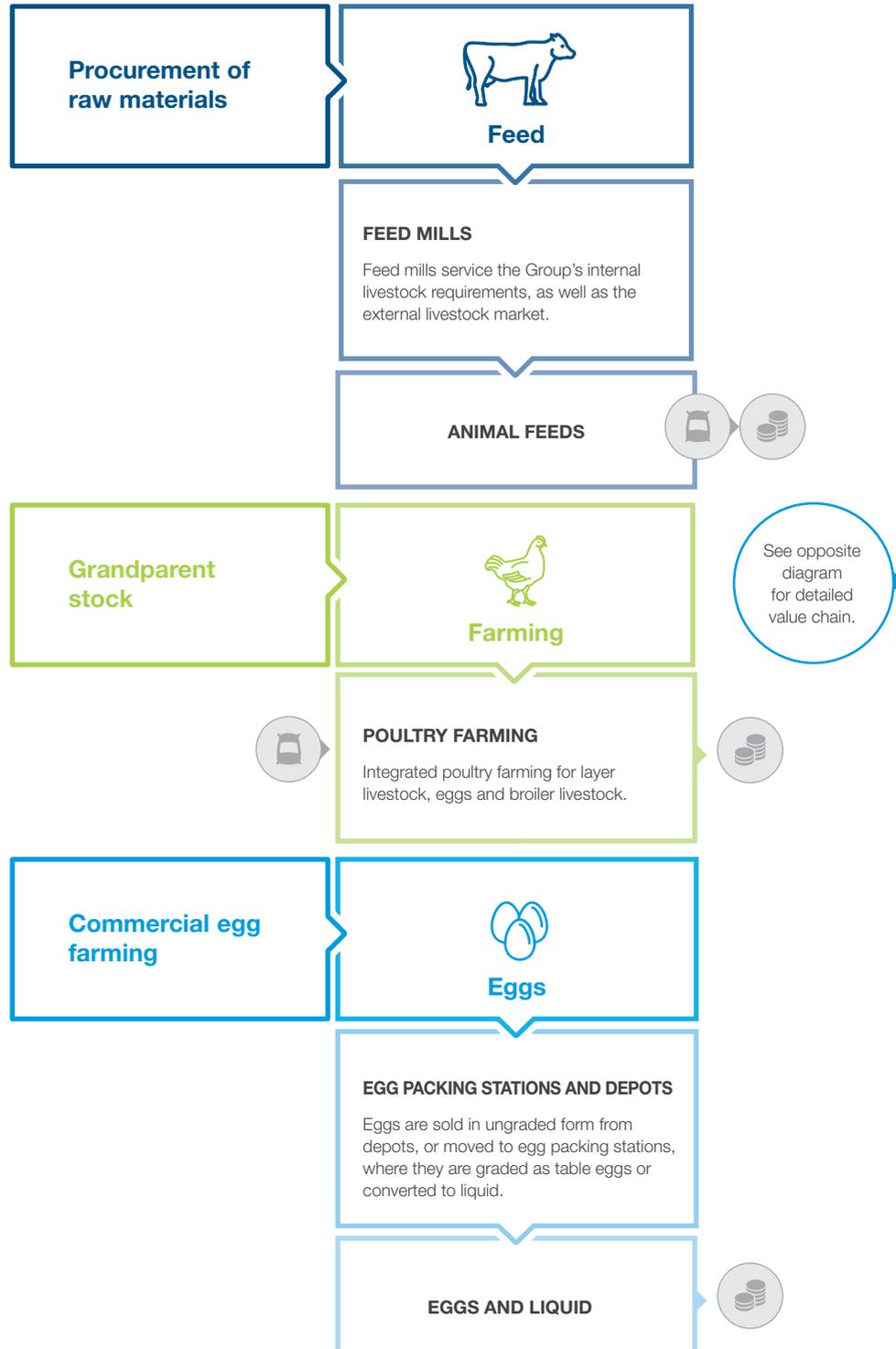
Products are competitively priced and sold under trusted and market-leading brands. The Group's business activities enable an integrated and diversified value chain that supports Quantum Foods' own poultry operations, while servicing the external market locally and in selected African countries. A strong 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	<p>The combination of a largely ungeared statement of financial position, sufficient debt capacity to enable growth, revenue generated, and investment by shareholders and financial institutions provides Quantum Foods with the financial capital it needs to grow.</p>
 Manufactured	<p>Strategically located packing stations, feed mills, commercial hatcheries and poultry farms support Quantum Foods' business activities and enable extensive distribution coverage, locally and into Africa.</p>
 Intellectual	<p>Leading brands, access to world-class poultry genetics and animal feed research, in-house expertise and feed and farming capabilities (particularly with regard to layers, broilers and feed formulation) provide Quantum Foods with intangible assets that support value creation.</p>
 Human	<p>The skills, expertise and experience of Quantum Foods' employees are critical in creating value.</p>
 Social and relationship	<p>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. The Group's involvement in education and food security projects further supports community upliftment.</p>
 Natural	<p>The Group relies on a range of natural resources to enable its business activities. This includes, most importantly, grain, water, coal and gas.</p>

The following diagrams illustrate Quantum Foods' business activities and value chain:



Indicates in which areas of the value chain feed for internal use is applicable. Sales to market.

Business overview

Industry features

Companies operating in the feed and poultry industries in South Africa, Mozambique, Uganda and Zambia experienced challenging trading conditions during the reporting period.

Higher production costs and selling price pressure

Egg selling prices continued to decrease in South Africa and Mozambique, especially up to March 2020. This can be attributed to increased egg production in South Africa, with the national flock reaching levels well above its size prior to the 2017 AI outbreak. The COVID-19 lockdown resulted in an unexpected increase in the demand for eggs, which supported prices in the second half of 2020. However, egg selling prices in South Africa and Mozambique did not increase as per typical egg market supply and demand dynamics. This was due to the fact that the selling prices of basic commodities, including eggs, were regulated. As a result, the egg industry achieved reduced margins.

Feed raw material costs were higher following the lower price levels of the previous year, mostly due to a weakening of the South African rand. Global stocks of key raw materials remained sufficient, and international prices of key raw materials stayed at relatively low levels for the majority of the year, also impacted by lower international demand. This scenario changed in the last two months of the financial year when international prices of key raw materials increased significantly due to an increase in international trade and weather concerns in key planting areas in North and South America. Deteriorating electricity supply and poorly maintained municipal infrastructure, which particularly impacted the Group's South African operations, further increased production costs.

Other industry issues

The negative effect of volatile currencies and muted consumer demand due to low levels of economic growth continued. The introduction of increased import tariffs on broiler meat by the South African government immediately led to a slow-down in the volume of broiler meat imported into the country. These tariffs, which were introduced to prevent dumping of chicken meat in the South African market by broiler exporters, will not directly benefit the Group. However, they will ease the financial pressure on the Group's broiler livestock customers. Over time this will support the continued growth of the South African broiler industry and the Group is well positioned to benefit from this outcome.

Rand vs US dollar exchange rate



Safex yellow maize Rand per ton



The risk of AI persists

While the devastating effects of AI did not repeat in the reporting period, the risk of outbreak persists in South Africa. AI results in substantial financial loss due to the immediate decimation of infected poultry, as well as lost production capacity as birds cannot be replaced immediately. Possible solutions include preventative vaccination, which is currently used in other parts of the world but not yet approved by the government for use in South Africa.

Industry trends in the Group's other African operations

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. These markets were impacted by a slow-down in economic growth related to the international commodity cycle, as well as increased raw material costs. The trading environment in Zambia was further challenged by several factors in 2020. These include lower levels of political and fiscal stability, which led to a further substantial weakening of the Kwacha and import inflation. Feed raw material costs reached historical highs in Zambia during 2020 following a poor maize harvest in 2019 and the weakening Zambian kwacha. The Zambian broiler market remains highly competitive following the expansion of mostly South African broiler producers into the country.

The Ugandan, Zambian and Mozambican governments imposed various levels of COVID-19 restrictions. These restrictions significantly decreased demand for day-old chicks and pullets produced by the Group in Zambia and Uganda for a period of two to three months. This also resulted in a significant oversupply of eggs in Uganda during a period when the borders were closed for exports. However, in general, and except for a relatively short period in Uganda, demand for eggs produced in all three countries remained strong.

Poultry remains a critical source of human nutrition

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 under increased strain, together with the expected increase in global demand for animal protein, poultry will remain a critical source of human nutrition.

South Africa

ANIMAL FEEDS MANUFACTURING

Quantum Foods' feed mills are located in Malmesbury, George, Paterson and Pretoria, where feed is sold under the *Nova Feeds* brand.

The 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. During 2019, *Nova Feeds* entered into a technology agreement with Nutreco, ensuring access to world-class research and feed formulation benchmarking.

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, pig, ostrich and sheep feed. *Nova Feeds* is the leading supplier of dairy feed in the Western Cape and Eastern Cape and supplies feed to several of the country's leading dairy farmers.

To unlock value for customers, the Group remains focused on providing customised feed solutions supported by high levels of technical service.

FARMING

Layer farming

Quantum Foods owns the rights to import pedigree grandparent layer stock of the Lohmann breed and distribute next-generation parent stock exclusively in South Africa and non-exclusively to some southern African countries.

Day-old grandparent chicks are imported and placed on the Group's grandparent farm in the North West. Next generation parent day-old chicks are produced at this facility.

Day-old parent chicks are reared and placed on the Group's parent layer farm near Bronkhorstspuit, Gauteng, as well as on a rented facility in KwaZulu-Natal. Fertile hatching eggs are incubated at the Group's commercial hatchery in Bronkhorstspuit. Female day-old chicks are either sold or placed on the Group's six commercial rearing farms.

Layer parent stock, hatching eggs, day-old pullets and point-of-lay hens are sold under the *Bergvlei Chicks* brand. The Group distributes nationally and into Angola, Botswana, Malawi, Mozambique and eSwatini – with strategically located commercial rearing farms ensuring extensive distribution coverage.

The Group owns 12 commercial layer farms. The farms are located in the Western Cape, Eastern Cape, Gauteng and North West. Free-range eggs are produced on two of the farms. A rental farm agreement in the Eastern Cape was terminated during 2020. Production increased in 2020 due to improved layer productivity and increased layer farm capacity utilisation. The Group produced and procured a total of 1 032 million eggs during 2020 (2019: 900 million) in South Africa.

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 grandparent chicks are imported and placed on the Group's grandparent farm in the North West. Next-generation parent day-old chicks are produced at this facility.

Day-old parent stock is placed on the three parent rearing farms in the Western Cape and, thereafter, on six parent layer farms. Of these six farms, four are owned by the Group and the remaining two are contracted farms that supply the Group with fertile hatching eggs.

Day-old commercial broiler chicks are produced at two hatcheries in the Western Cape and one in North West. The day-old chicks are transferred to commercial Company-owned and contract-grower broiler farms, with the balance sold to the open market.

The Group supplied abattoirs in the Western Cape with live broilers during 2020, the majority to Astral Foods in terms of a long-term supply agreement. During 2019, the Group also supplied Sovereign Foods with live broilers in Gauteng. The agreement with Sovereign Foods was changed in May 2019 to an agreement for the supply of day-old broiler chicks and broiler feed.

The Group sells broiler hatching eggs and broiler day-old chicks to the market under the *Bellevue Chix* brand to ensure that its broiler breeder production capacity is utilised efficiently and in support of the strategy of increasing livestock sales, while live broilers are sold under the *Tydstroom* brand.

EGGS

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

The eggs are distributed nationally as graded, ungraded or in liquid form. Graded eggs are sold under the *Nulaid*, *Safe Eggs* and retailer-own brands. Ungraded eggs are sold mainly under the *Quantum* brand.

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. Fresh and pasteurised liquid eggs are predominantly sold to industrial customers.

Quantum Foods' pasteurised eggs are produced at the grading and packing facility in Gauteng and distributed to other provinces through the Group's packing facilities.

Other African countries

ZAMBIA

Quantum Foods Zambia commenced operations in 1997.

Facility expansion was completed in 2019 and increased egg production capacity by 15%. *Mega* also produces feed for consumption on the farm and for sale to external customers. The distribution capacity of the Zambia business is enhanced by a network of over 30 small retail shops that sell eggs, day-old chicks and feed. The majority of eggs are sold through these shops which ensures easy access for the consumer.

UGANDA

Quantum Foods Uganda commenced operations in 2000.

Expansion of the Masindi egg farm from 60 000 to 100 000 layers was completed in 2019. However, utilisation of the increased capacity was postponed due to a temporary relocation of the Kampala breeder farm to eradicate a recurring disease problem. A separate layer breeder farm was also established in the Migyera region as part of this process. This was done to separate the broiler and layer breeders and to reduce future biosecurity risk. The relocation of breeder flocks away from the Masindi layer farm was completed by September 2020. Eggs are either sold directly from the Masindi farm or through a network of small retail shops.

MOZAMBIQUE

Quantum Foods Mozambique acquired a layer farm in Maputo in 2016.

Egg production increased in the past year due to increased management focus on farming practices and an increase in capacity utilisation. Feed is procured from a third party, and the farm is stocked with point-of-lay birds that are produced by the Group in South Africa. Eggs are sold under the *Galovos* brand with the retail market being the main area of focus.



Feedback on management focus areas identified for 2020, and 2021 management focus areas

Business focus area	Management focus area	Comments	Target achieved	2021 management focus area
Animal feeds	Achieve targeted earnings from the expansion projects completed in 2019 at Paterson and Pretoria	Volumes sold from the increased capacity exceeded the targets set.	Yes	Grow profit with inflation and targeted benefits of expansions completed in 2019
	Increase contribution from external sales	External sales volumes increased by 19.9%. This includes the benefit of broiler feed volumes sold to Sovereign Foods, which was previously utilised to produce live birds until May 2019.	Yes	
Farming	Improve broiler farm results at breeder level	Continued management focus and technical support from Cobb International resulted in improved performance. However, targeted results were not achieved for flocks completed in the year.	No	Maintain Western Cape commercial broiler farming production efficiencies Improve broiler breeder performance Improve commercial layer farming production efficiencies
	Maintain commercial broiler farm production results in the Western Cape	Commercial broiler performance remained at a high level.	Yes	
	Increase day-old broiler chick volumes	Volumes produced increased by 3.8%.	Yes	
	Achieve targeted earnings from the expansion of the day-old pullet hatchery at Bronkhorstspuit	Day-old pullet production volumes were lower following reduced demand for layer livestock in South Africa. However, exports of day old pullets assisted in achieving the targeted earnings.	Yes	
	Improve commercial layer farm production results	Layer farming production results improved.	Yes	

Business focus area	Management focus area	Comments	Target achieved	2021 management focus area
Eggs	Remain the leading fully integrated egg business in South Africa	<i>Nulaid</i> was again awarded the status as the best egg brand in South Africa.	Yes	Maintain the operational efficiencies achieved in 2020
	Maintain the operational efficiencies achieved in 2019	Operational efficiencies remained at world class levels in 2020.	Yes	
Africa	Improve operating margin	The egg businesses in Mozambique, Uganda and Zambia all improved margins compared to 2019. Significantly lower demand for day-old chicks, day-old pullets and feed resulted in a weaker performance from the Zambia and Uganda breeder businesses and the targeted operating margin not being achieved.	No	Improve operating margin
Other	Improve B-BBEE compliance with the amended AgriBEE Sector Code	The Group maintained a level 8 contributor score in 2020.	Partial	Improve B-BBEE compliance with the amended AgriBEE Sector Code.
	Maintain operating cost increases in South Africa below consumer price index ("CPI") on a per unit basis	Operating costs decreased on a per unit basis compared to 2019, assisted by higher volumes of most product categories.	Yes	Maintain operating cost increases in South Africa below CPI on a per unit basis

Strategic focus

Vision	Quantum Foods aims to be the leading feed and poultry business in Africa delivering sustainable returns.
Purpose	To build the best feed and poultry business.
Values	<p>The Group's commitment to its values supports its vision and purpose:</p> <ul style="list-style-type: none"> 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

Quantum Foods has identified strategic themes that support the successful execution of its vision and purpose.

Quantum Foods has proved to be sustainable, with well-established business focus areas. The following strategic themes were developed in 2018 and will guide Quantum Foods' performance for a period of three to five years:

-  Profitable growth through industry cycles
-  Customer and product focus
-  Operational excellence
-  Optimal people capacity and culture

The strategic themes were reviewed in 2020 and remain unchanged.

Performance initiatives and targets are set per strategic theme. These initiatives and targets were approved at the annual Board strategy meeting. Actual performance against the targets set in the previous year was evaluated at this strategy meeting. These performance initiatives and targets cascade down the various management and employee levels of the Group and form the foundation of Quantum Foods' employee performance management system. This ensures that the execution of the strategy is aligned throughout the business.

Quantum Foods' strategic framework

The following outlines the Group's strategic themes, which guided Quantum Foods' performance initiatives in 2020:

Performance initiative	Achieved in 2020	Going forward
 <i>Strategic theme: Profitable growth through industry cycles</i>		
Achieve targeted additional profit from feed mill capacity expansion	Targeted profits achieved.	Achieve targeted earnings from the capacity expansion to improve profitability from the less cyclical feeds business.
Increase egg supply (new)	–	This performance initiative was added in line with the strategy to remain the leading egg business in South Africa.
Achieve targeted additional profit from day-old pullet hatchery expansion	Targeted profits achieved. Lower demand for layer livestock by egg producers resulted in lower production volumes. However, export sales assisted in achieving the target.	Achieve targeted earnings from the capacity expansion to improve profitability from the less cyclical layer livestock business.
Maintain broiler livestock volumes (number of birds) supplied to customer abattoirs	Western Cape broiler livestock volumes increased by 9.4%.	Maintain profitability from the less cyclical broiler farming business conducted in the Western Cape.
Increase day-old broiler chick volumes	Day-old broiler chick volumes produced increased by 3.8%.	Increase profitability from the less cyclical broiler farming business.
Judicious feed raw material procurement	Targeted raw material costs achieved.	Maintain cost competitiveness of key input costs – this includes the cost of maize and soybean meal, which are the largest cost contributors to total feed costs.
Achieve targeted operating margin in other African countries	Operating margin was below the target set for 2020. The egg businesses in Mozambique, Uganda and Zambia performed better than 2019. However, a weaker performance by the Ugandan and Zambian breeder businesses impacted results.	Improve operating margin by achieving targeted profitability from businesses outside of South Africa that traditionally achieve margins higher than in South Africa.
 <i>Strategic theme: Customer and product focus</i>		
Supply products within specification	Achieved throughout the year.	Maintain optimal product performance and ensure satisfied customers and consumers.
Consider geographic distribution of egg sales	This remained a key focus area throughout the year and more eggs were sold outside of the traditional areas targeted.	Continuously consider where eggs are sold to achieve optimal profitability from egg sales.
Consider egg marketing strategy and sales channels (new)	–	This performance initiative was added due to the anticipated increase in eggs' sales volumes and to achieve optimal profitability from egg sales.

Performance initiative	Achieved in 2020	Going forward
 Strategic theme: Operational excellence		
Manage operational costs per unit below inflation	Achieved. Operating costs per unit were lower than in 2019.	Ensure increases in operating costs are contained.
Improve layer farm production efficiency	Production efficiencies improved and were on target.	Realise genetic potential of layer birds to optimise feed conversion costs and achieve more eggs available for sale.
Improve broiler breeder production efficiency	Not achieved. The number of chicks per hen housed was marginally lower than in 2019.	Increase the number of day-old chicks per parent hen to boost sales volumes and lower costs.
Maintain commercial broiler farm production efficiency	Targeted production efficiencies mostly achieved. Efficiencies were below target for a short period during winter when access to bedding material was restricted.	Maintain conversion costs and profitability.
Maintain operational efficiencies in egg packing stations	Targeted operational efficiencies achieved.	Ensure an optimal sales mix.
 Strategic theme: Optimal people capacity and culture		
Continue to strengthen the Group's management team	Achieved, with all key vacancies filled. Appointed a new Executive: Broiler farming and retained the services of Jimmy Murray for two years (previous Executive: Broiler farming who retired in July 2020). Formal programme introduced to develop key individuals to executive management level.	Continuous process to evaluate and improve the senior management succession plan.
Further roll out training to farming employees	Achieved, with additional e-learning modules rolled out to farming employees.	Increase skills by improving farming employees' access to training material. Evaluate and implement training requirements for non-farming employees.
Enhance Company values through recognition	Continued with the awards programme introduced in 2019.	Improve management's ability to effectively execute the Group's strategy.

Strategic risks

Proactive risk management is essential for the effective implementation of the Group's strategy and to ensure Quantum Foods remains a competitive and sustainable business. Risk management improves operational effectiveness and enables improved value creation.

Quantum Foods' risk management process consists of the following steps:

Potential risks arise from the Group's business activities and operating environment – this includes economic, environmental and social risks.



Identify and evaluate the risks that may have a material impact on the Group's ability to achieve its strategy

An annual evaluation process is conducted by senior management to identify and evaluate risks. Deloitte, the Group's internal auditors, performed a risk maturity assessment during 2020 to identify opportunities for further improving the Group's risk management function. While the level of risk management was found to be adequate, some recommendations will be implemented to improve it further. To prioritise management focus and mitigating actions, identified risks are assessed for the likelihood of occurrence and potential financial impact. The scale used for assessment is outlined alongside. The product of the likelihood and impact assessment determines the risk score.

Likelihood		Impact	
1	Rare	1	Minor
2	Unlikely	2	Significant
3	Moderate	3	Serious
4	Likely	4	Critical
5	Common	5	Catastrophic

The results of the evaluation are reported to and approved by the audit and risk committee ("ARC"), which oversees the Group's risk management framework. In 2020, the internal review of risks impacting the Group resulted in minor updates to the risk register and combined assurance model which were presented to the ARC for approval.



Define mitigating controls for each risk

The risks and relevant mitigating controls form the Group's combined assurance framework. This framework is approved by the ARC and forms the basis for Quantum Foods' internal audit programme.



Read more about the Group's combined assurance framework on page 62.



Assess any residual risk if the Group's mitigating strategies are effective

Key residual risks are identified.



Ensure ongoing risk management

Day-to-day risk management is the responsibility of operational and senior management and the executive committee.



Report on risks that occurred

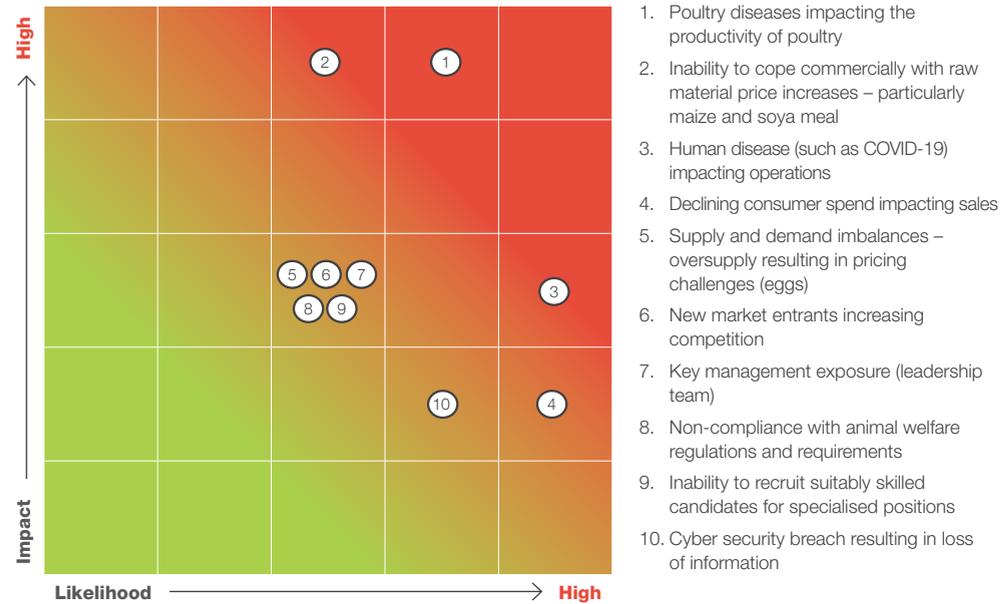
The executive committee has an ongoing responsibility to monitor risks and report back to the ARC and the Board. The Group's risk appetite framework sets out thresholds for material risks that cannot only be reported on at a planned meeting but that require immediate reporting to the ARC and Board. This assists the ARC and Board to continuously monitor the level of risk at which the Group is operating.



Update the Group's risk register and mitigating controls on an ongoing basis

Any new risks that are identified (including additional mitigation controls) are updated and included as part of the Group's combined assurance framework.

Quantum Foods' top 10 residual risks



Risk description	Mitigation to create opportunities
1. Poultry diseases impacting the productivity of poultry	<ul style="list-style-type: none"> The Group runs a comprehensive vaccination and flock health monitoring programme. The Group enforces strict biosecurity management. Specific additional monitoring and biosecurity measures were implemented due to the increased threat of AI. The geographical spread and number of Quantum Foods' farming operations provide the Group with some protection from the impact of poultry disease.
2. Inability to cope commercially with raw material price increases – particularly maize and soya meal	<ul style="list-style-type: none"> 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 daily.
3. Human disease (such as COVID-19) impacting operations	<ul style="list-style-type: none"> Government regulations announced in accordance with the Disaster Management Act were implemented throughout the Group's operations. These included the use of specific protective clothing, physical distancing, screening of employees and visitors for symptoms and, where possible, introducing a work from home policy. Employees were trained on risk mitigation procedures. Backup employees were identified for critical positions.
4. Declining consumer spend impacting sales	<ul style="list-style-type: none"> The Group supplies animal feeds and produces eggs and broilers that fulfil basic nutritional requirements. Poultry is an excellent, cost-effective converter of animal feeds to protein (eggs and broiler meat). The Group ensures a continuous focus on efficiencies and cost management.
5. Supply and demand imbalances – oversupply resulting in pricing challenges (eggs)	<ul style="list-style-type: none"> The management of operational efficiencies is a key focus to ensure optimal product cost and competitiveness. 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.

Risk description	Mitigation to create opportunities
6. New market entrants increasing competition	<ul style="list-style-type: none"> The Group maintains an awareness of new competitors entering the market through its market research initiatives. A relentless focus on production efficiencies and cost management enables the Group to remain competitive.
7. Key management exposure (leadership team)	<ul style="list-style-type: none"> The Group maintains a formal succession plan, which includes an annual talent planning review. A long-term and short-term incentive system is in place to retain senior management.
8. Non-compliance with animal welfare regulations and requirements	<ul style="list-style-type: none"> Formal training programmes are in place, assisted by third-party veterinary consultants. Internal and external audits are conducted regularly to monitor compliance. Formal meetings are held with the NSPCA to discuss relevant matters.
9. Inability to recruit suitably skilled candidates for specialised positions	<ul style="list-style-type: none"> The Group builds relationships with universities and offers bursary programmes. Formalised development plans for internally identified talent are monitored. The annual intake of interns for animal production training and apprenticeships for artisans helps build necessary skills. Partnerships with recruitment agencies are in place to facilitate and improve access to potential candidates.
10. Cyber/IT security breach resulting in loss of information	<ul style="list-style-type: none"> Information technology ("IT") security was outsourced to the Business Connexion Group, a third-party supplier that houses the Group's IT information in highly secure data warehouses. A formal cyber security risk management programme is in place, which includes the continuous review of vulnerabilities, initiatives to increase employee awareness and action to maintain cyber risk insurance cover.

REPORT FROM LEADERSHIP



WA Hanekom

Chairman

HA Lourens

Chief Executive Officer

Joint report of the chairman and CEO

Quantum Foods' 2020 performance was satisfactory against the backdrop of an economy that suffered from the COVID-19 crisis as well as volatile industry conditions. Quantum Foods was privileged to continue operations at full capacity, even during level 5 lockdown restrictions. We are therefore grateful that we did not suffer the financial pressures that many participants in the South African economy endured.

During the year, Quantum Foods' largest shareholder, Zeder Financial Services Ltd, sold its shares to a competitor of the Company, Country Bird Holdings (Pty) Ltd ("Country Bird Holdings"). Subsequently, a private equity group based in Luxembourg, Aristotle Africa S.à r.l, purchased a significant number of Quantum Foods' shares. They then became the largest shareholder in Quantum Foods, with Country Bird Holdings being the second largest. The business remained resilient and the conservative management approach aimed at protecting shareholder value continues.

Operating environment

The South African layer flock continued to increase. According to the South African Poultry Association, the layer flock increased from a previous record high of 28.1 million layers in September 2019 to a record high of 29.5 million layers in April 2020. By September 2020, the layer flock slowly declined to 28.6 million.

Following the increase in the layer flock in the first half of 2020, egg prices declined rapidly during the first six months of the year. However, this trend reversed in the second half of 2020 when the demand for eggs improved during the lockdown period due to, *inter alia*, increased home baking. Overall, the average egg price for 2020 was lower than that of 2019.

Raw material costs continued to increase despite enjoying the second highest maize harvest in South Africa's history. The maize harvest for the 2019/2020 season was c. 15.4 million tons compared to the 11.3 million tons of the 2018/2019 season. The significant weakening of the Rand against major currencies was the main driver for cost increases in the current reporting period. Although average costs did not increase materially compared to 2019, commodity prices globally started to increase sharply towards the end of the 2020 financial year. Reasons for these increases include weather concerns in key planting areas of both South and North America and an increase in demand from China. The costs of all key raw materials, including maize, bran, hominy chop, and soybean meal, increased.

Segmental overview

The *Nova Feeds* business continued its excellent performance. External volumes grew by 13% on a comparative basis. This increase excludes the effect of a change in the broiler farming business model in May 2019. For the past five years, *Nova Feeds*' external sales volumes have increased by an average of 5.9% per year. This is compared to a 0.3% increase per year in South Africa's feed volumes, as reported by the Animal Feed Manufacturers Association.

Margins per ton improved mainly due to changes in product mix, with higher margin feed products sold. Operating costs were well managed, and the per unit cost declined compared to 2019. Load shedding remains a challenge, and additional costs were incurred to buy feed during periods of interruption. Particularly pleasing was the fact that the capital investment made in the Pretoria and Patterson plants in 2019 achieved the anticipated financial benefits.

The broiler farming business delivered an improved financial performance. This was possible due to increases in national day-old chick production and live bird production in the Western Cape. Operating costs were well managed throughout the broiler value chain and per unit costs declined. The broiler farming operational efficiency performance continued to improve from an already high level.

The challenges at broiler breeder level were not resolved and the marginal improvement in 2019 was not sustained. The number of day-old chicks produced per parent breeder hen declined in 2020. This part of the business will receive increased management focus going forward to ensure it stabilises in the short term and improves in the medium term.

The layer breeder business again performed well with further efficiency improvements in the measurements for egg production per hen housed and hatchability.

The point-of-lay business experienced a difficult financial year. The decline in egg prices during the early part of the year resulted in many customers cancelling or postponing point-of-lay orders. As a result, birds were moved to layer farms (customer or Group) later and significantly higher feed costs were incurred. These challenges were resolved by the last quarter of 2020, and higher volumes of day-old layer chicks and point-of-lays hens were sold for the full year. It is pleasing to report that the commercial layer farms are now performing at the expected efficiency level. New management practices for rearing, feeding, and farming were implemented three years ago and the steady improvement in layer farm productivity seen over this period has reached an acceptable level.

The egg business profitability was severely affected by the higher feed cost and lower average egg prices, which declined year on year by 2.4%. The decline in egg prices could have been significantly worse. However, lockdown increased demand for eggs and stabilised prices. Operationally, the business performed well and key efficiency measurements remained high. Costs were well managed and the cost per dozen decreased compared to 2019. This decrease was assisted by an egg volume increase of 15.4%. After lockdown restrictions were reduced, egg prices started to decline. This was expected due to the high national flock numbers and egg supply.

The financial performance for the other African businesses was influenced by drought as well as difficult economic circumstances, particularly in Zambia. Despite this, the egg businesses in all three jurisdictions performed satisfactorily and egg volumes increased by 15.7%. This was mainly due to an increase in hens placed in all three countries.

Productivity on the layer farms in Zambia and Uganda remained high. Productivity in Mozambique also improved.

The breeder businesses in Zambia and Uganda struggled due to low customer demand. This followed higher maize costs (increased by 45.2% in Zambia and 57.7% in Uganda) and was further impacted by COVID-19 restrictions. Despite serious economic and industry challenges, all three countries remained profitable. It is interesting to note that in the past year Quantum Foods sold just under 1.2 billion eggs on the African continent.

Financial overview and dividend

Group revenue increased by 15.3% to R5.1 billion, with a 15.3% increase of R638 million in the South African operations and a 16.6% increase of R40 million in other African operations. Revenue from other African operations contributed 5.5% of the Group's revenue for 2020 (2019: 5.4%).

Revenue from South African operations:

- Increased by R478 million for the feeds segment. This increase of 27.2% is due to an increase in volumes sold and the adjustment of selling prices for higher input costs.
- Increased by R25 million for the farming segment. Broiler farming revenue benefited from increased volumes sold to customers in the Western Cape but was lower, in total, due to the change in business model implemented in 2019. Layer farming revenue increased by R41 million due to increased volumes.
- Increased by R134 million for the eggs segment, where an average price decrease of 2.4% and a volume increase of 15.4% was achieved.

Cost of sales increased by 16.2% to R3.9 billion. Cost of sales includes the fair value adjustments of biological assets (livestock) and agricultural produce (eggs) 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 2020 amounted to R100 million (2019: R147 million), with the decrease mostly reflective of the decreased margins in the egg business. Gross profit, excluding these fair value adjustments, increased by R81 million to R1 250 million at a margin of 24.5% (2019: 26.5%).

Operating expenses were well managed and, although nominal costs increased by 10.5%, costs decreased on a per unit basis.

Operating profit before items of a capital nature decreased by 10.2% to R220 million for the period under review. South African operations recorded a 5.2% decrease of R12 million to a profit of R227 million at a margin of 4.7% (2019: 5.7%). Feeds and farming improved by R10 million and R9 million respectively, while eggs weakened by R32 million. Feeds profit benefited from the increase in sales volumes to the external market as well as the increased volumes required by the internal layer farming business. The improvement in farming profit is due to improved production efficiencies and volumes on broiler and layer farms in 2020. Other African operations recorded a decrease in profits of R8 million, mainly due to lower profitability from the Zambian business.

Profit before tax decreased by 16% to R215 million.

The adoption of IFRS 16 – Leases impacted 2020 earnings as follows:

- Increased operating profit by R8.8 million
- Increased finance costs by R7.8 million
- Increased profit before tax by R1.0 million

Headline earnings per share ("HEPS") decreased to 80.5 cents from the 92.3 cents per share of 2019. This decrease of 12.8% includes the effect of the repurchase of shares in the second half of 2019 and during the current reporting period.

Cash inflow from operations amounted to R216 million for the reporting period. This includes an increased investment of R70 million in working capital.

Capital expenditure for the period amounted to R91 million, with main projects and maintenance capital including the new layer breeder farm in Uganda, capacity expansion at the Malmesbury feed mill, an egg-grading machine for the East London packing station, and projects to ensure fire risk compliance.

Cash and cash equivalents increased from R220 million at 30 September 2019 to R252 million at 30 September 2020.

The Group's borrowings at 30 September 2020 only comprised lease liabilities as accounted for in terms of IFRS 16 – Leases.

DIVIDEND

In declaring the 2020 final dividend, the Board resolved to increase the targeted dividend cover of 4 times (announced in 2019) to 5 times. This is due to the anticipated increased investment in working capital that will be required in 2021, following a substantial increase in the cost of key raw materials, the concomitant pressure expected on margins in especially the egg business, the approved capital expenditure programme, and continued uncertainty about the full extent of the impact of COVID-19 on the economy (specifically consumer expenditure). This resulted in the Board resolving to declare a final cash dividend of 10 cents per share, from income reserves, for the year ended 30 September 2020.

At a rate of 20%, dividends tax will amount to 2 cents per share. Consequently, shareholders who are not exempt from dividends tax will receive a net dividend amount of 8 cents per share. Such tax will be withheld unless beneficial owners of the dividend have provided the necessary documentation to the relevant regulated intermediary to indicate that they are exempt therefrom, or entitled to a reduced rate as a result of the double tax agreement between South Africa and their country of domicile. The dividend amounts to 10 cents per share for shareholders exempt from paying dividends tax.

The applicable dates are as follows:

Declaration date	Thursday, 26 November 2020
Last date of trading cum dividend	Tuesday, 12 January 2021
Trading ex-dividend commences	Wednesday, 13 January 2021
Record date	Friday, 15 January 2021
Dividend payable	Monday, 18 January 2021

Share certificates may not be dematerialised or materialised between Wednesday, 13 January 2021 and Friday, 15 January 2021, both days inclusive.

During the period under review, a subsidiary of Quantum Foods purchased 1 296 647 shares at a cost of R4.3 million, equating to an average of R3.31 per share. These shares are held as treasury shares and used for corporate purposes.

The shares in issue as at declaration date are 200 024 716.

Outlook

The past year has been eventful, both from a business and corporate activity perspective.

The steep increase in raw material costs will have a negative impact going forward, particularly in terms of egg and layer livestock profitability. Together with the expected decline in egg prices, this will put egg businesses, including *Nulaid*, under severe financial pressure. However, cyclical profitability is part of the egg industry's natural cycle and might create acquisition opportunities. The farming and feed businesses are less exposed to raw material dynamics over time but might experience margin pressure in the short term due to the steep increase in raw material costs.

The financial performance of the businesses in Uganda and Zambia is expected to benefit from lower maize costs.

Medium-term weather forecasts indicate that South Africa should receive at least normal rainfall in the summer rain areas. If that is the case, there should be sufficient domestic maize. However, the Rand to US dollar exchange rate remains unpredictable and will influence all raw material costs. A weaker Rand will result in an increase in the cost of all major raw materials.

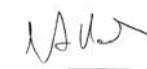
The next period is expected to be challenging. However, the strength of the business portfolio, investments made in recent years to increase production capacity, maintenance of operational efficiency and a focus on cost management should ensure that we navigate through the period successfully.

Appreciation

A special word of appreciation to Mr. Jimmy Murray who contributed immensely to Quantum Foods' success over the years. Jimmy retired in July 2020 but will assist the Group for a further two years in a non-executive capacity.

Mr. Patrick Ernest Burton and Mr. Norman Celliers, resigned from the Board during the year. Both joined the Board prior to the unbundling from Pioneer Foods in October 2014 and provided extremely valuable contributions to the Board as a whole and to the business, for which the Board and executive team is extremely grateful.

We extend our gratitude to the Board, the executive team, all employees as well as our customers and suppliers for their continued support.



WA Hanekom
Chairman



HA Lourens
Chief Executive Officer

Board of directors and executive committee



1. Lesego Amos Selaledi
2. Roelof Viljoen
3. Sello Lacton Mailula
4. Larry Wilson Riddle
5. André Hugo Muller
6. Wouter André Hanekom
7. Prof. Abdus Salam Mohammad Karaan
8. Marthinus Petrus van Lill
9. Geoffrey George Fortuin
10. Tanya Golden
11. Heather Elizabeth Pether
12. Marisha Octavia Gibbons
13. Hendrik Albertus Lourens
14. Jan Hendrik van Rhyh
15. Adel Deidré van der Merwe

Board of directors



WOUTER ANDRÉ HANEKOM (61)

Chairman

André was appointed to the Board on 1 October 2014 and elected as chairman of the Board on 28 April 2015.

Qualifications
CA(SA)

Quantum Foods Board and committee membership

Chairman, remuneration and social and ethics.

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.

GEOFFREY GEORGE FORTUIN (53)

Independent non-executive director

Geoff was appointed to the Board on 28 April 2015.

Qualifications
CA(SA)

Quantum Foods Board and committee membership

Non-executive director, audit and risk (chairman) and remuneration (chairman).

Geoff is the financial director of Brimstone Investment Corporation Ltd. He was previously a partner at Deloitte & Touche for 15 years up to 2014, during which time he was responsible for the audit of a number of South African-listed companies. He was also a member of the Deloitte South Africa board of directors.

PROF. ABDUS SALAM MOHAMMAD KARAAN (52)

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 and 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.

TANYA GOLDEN (47)

Independent non-executive director

Tanya was appointed to the Board on 10 December 2018.

Qualifications
LLB, LLM (UCT), LLM (AU, USA)

Quantum Foods Board and committee membership

Non-executive director and social and ethics.

Tanya is a senior counsel and has been a member of the Cape Bar for the past 21 years. She served as Chairperson of the Cape Bar Council and is presently the Chairperson of the Cape Bar Transformation Committee and the National Transformation Chairperson for the General Council of the Bar. Tanya served as a member of the Financial Services Board Enforcement Tribunal. She was previously appointed by the MEC of Health to serve on one of the Department's Hospital Boards and as chairperson for three years.



LARRY WILSON RIDDLE (61)

Independent non-executive director

Larry was appointed to the Board on 28 September 2020.

Qualifications
CA(SA)

Quantum Foods Board and committee membership

Non-executive director, audit and risk and remuneration.

Larry previously held the positions of Commercial Director and Group Corporate & External Affairs Director of Illovo Sugar Africa (Pty) Ltd ("Illovo") for seven years and three years respectively. He held a number of senior management positions in Illovo including General Manager of the Illovo South African Operations prior to his appointment as a director. Larry played a key role in looking after the Illovo joint ventures and associate companies in the Illovo group, including Gledhow Sugar Company, Glendale Distilling Company, Lacsca (Pty) Ltd and Relax Ltd. He was chairman of a number of the Illovo retirement funds. He is a past chairman of the South African Sugar Millers' Association and the Ethanol Producers' Association of South Africa. Larry is currently an independent non-executive director of Gledhow Sugar Company (Pty) Ltd and Crookes Brothers Ltd.

HENDRIK ALBERTUS LOURENS (57)

Chief executive officer

Hennie was appointed as chief executive officer of Quantum Foods in 2007, while it was a division of Pioneer Foods and was appointed to the Board on 27 January 2014.

Qualifications
BCom (Hons), MCom, BProc

Quantum Foods Board and committee membership

Executive director – Group managing 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 over 22 years.

ANDRÉ HUGO MULLER (50)

Chief financial officer

André was appointed to the Board on 27 January 2014.

Qualifications
CA(SA)

Quantum Foods Board and committee membership

Executive director – Group financial director.

André joined Quantum Foods in 2003, while it was still a division of Pioneer Foods. He started at *Nulaid* as a 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 the national sales and marketing manager for *Tydstroom* before being appointed as head of finance for Quantum Foods in 2012.

MARISHA OCTAVIA GIBBONS (29)

Company secretary and legal advisor

Marisha has been with Quantum Foods since 17 May 2018.

Qualifications
LLB

Company secretary

Marisha joined Quantum Foods in May 2018 from Parmalat SA (Pty) Ltd, where she practised as a legal advisor for two years. She completed her articles at ENSafrica (Stellenbosch) in the corporate commercial department. She has six years' experience in the legal and compliance environment.

Executive committee



HENDRIK ALBERTUS LOURENS (57)

Chief executive officer

Hennie has been with Quantum Foods since 2007.

Qualifications

BCom (Hons), MCom, BProc

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 over 22 years.



ANDRÉ HUGO MULLER (50)

Chief financial officer

André has been with Quantum Foods since 2003.

Qualifications

CA(SA)

André joined Quantum Foods in 2003, while it was still a division of Pioneer Foods. He started at *Nulaid* as a 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 the national sales and marketing manager for *Tydstroom* before being appointed as head of finance for Quantum Foods in 2012.



ROELOF VILJOEN (54)

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 21 years' experience in the food industry, of which 13 years were spent in the poultry industry. Roelof was appointed in his current role in 2016.



MARTINUS PETRUS VAN LILL (50)

Executive: Feeds

Thinus has been with Quantum Foods since 1997.

Qualifications

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

Thinus has been with *Nova Feeds* since 1997, while it was still a division of Pioneer Foods. He has since progressed from a financial manager to the executive responsible for Feeds. He has 22 years' experience in the animal feeds and poultry industry.



ADEL DEIDRÉ VAN DER MERWE (49)

Executive: Eggs

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 and 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 12 years' experience in the animal feeds and food industry.



SELLO LACTON MAILULA (41)

Executive: Broiler farming

Lacton has been with Quantum Foods since 1 January 2020.

Qualifications

NDip Poultry, BTech Agriculture

Lacton rejoined Quantum Foods on 1 January 2020 after five years of working internationally. He has 20 years' experience in the poultry industry, the bulk of which was gained at Astral Foods and Quantum Foods in various roles in the broiler poultry value chain. He spent three years as National Operations Manager Broilers for Dakhalia Poultry in Egypt, followed by two years as Poultry Director of Biyizika Poultry International Ltd in Uganda.



HEATHER ELIZABETH PETHER (52)

Executive: Human resources

Heather has been with Quantum Foods since 2005.

Qualifications

National Diploma in Human Resources

Heather has 24 years' experience in the human resources field. She spent seven years as the human resources manager of *Tydstroom* 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 (55)

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 internet-related businesses in South Africa, China and a number of African countries. This includes Nigeria, where he was based for three years. Jannie was involved in projects, business development and operations in sub-Saharan Africa for 13 years. He joined Quantum Foods in November 2014 and is responsible for the business in the rest of Africa.



LESEGO AMOS SELALEDI (43)

Executive: Layer farming

Amos has been with Quantum Foods since 1999.

Qualifications

BAgric, BInstAgrar (Hons), MPhil, BBA, MBA

Amos joined Quantum Foods in 1999, while it was still a division of Pioneer Foods. He started at *Nova Feeds* as a technical specialist and joined *Nulaid* in 2003 as a technical manager. He then became regional manager, then national manager before being appointed as the executive for layer farming in January 2017. He has 21 years' experience in the poultry industry.

The executive committee comprises a team of experienced senior managers with sound industry knowledge. This contributes positively to the execution of the business strategy and operational performance.

ENSURING RESPONSIBLE BUSINESS

Quantum Foods' stakeholders contribute to the success of its business. The Group therefore takes stakeholder concerns seriously and strives to continuously improve its governance, transformation and sustainability initiatives.

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
- Attract and retain a diverse pool of talent
- Provide shareholders with positive returns on their investment

 Read more about the Group's approach to stakeholder engagement on page 64.

Product safety and customer complaints

FEEDS BUSINESS

Quantum Foods aims to provide safe feed according to good manufacturing practices in the animal feeds industry and is a member of the Animal Feed Manufacturers Association ("AFMA"). Quality assurance is crucial and all feed mills have Integrated Management Systems ("IMS") in place that are subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Certain audits are conducted by internationally accredited certification bodies. This includes a complete re-certification audit done every three years. An internal audit programme enables continuous monitoring and improvement of the IMS.

Customer satisfaction is important and the Group has a formal customer complaint system in place. Furthermore, an independent customer satisfaction survey is conducted annually 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 IMS and enhance customer satisfaction.

FARMING BUSINESS

The Group's farming operations and the health of poultry flocks are important in the production of safe food. Stringent biosecurity measures are in place at all farms and are audited regularly by internal employees and external veterinarians contracted by the Group.

In addition to biosecurity measures, the Group implemented vaccination programmes and monitors serology, environmental and water quality results to maintain a healthy flock capable of producing safe food. At a minimum, internal health and safety audits are conducted annually at all layer farms, cull depots and broiler farms.

EGG BUSINESS

It is important that Quantum Foods provides safe and reliable products to its customers and consumers. The Group's grading facilities are subject to regular external audits, which ensure compliance to food safety management systems, applicable laws and regulations. The Group's grading facilities are also subject to audits from national retail customers. An annual internal health and safety audit is conducted at all grading facilities.

As complaints in the egg business are generally more generic than those received in the feeds business, the Group uses an external company to monitor complaints. A toll-free number is available to customers and consumers, and all calls are logged and managed. A weekly report is generated and monitored by senior management to identify trends and assist the Group to maintain a customer-centric culture.

Quantum Foods experienced zero product recalls during 2020.

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. A conscious 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 constitutes a large component of the Group's water consumption, with limited opportunities for reduction beyond ensuring that water is not wasted. The aim is to critically analyse waste production and ensure that all relevant aspects are managed responsibly.

The Group is acutely aware of the impact of its operations on the environment, particularly in terms of its carbon emissions. Performance is reported to the social and ethics committee ("SEC") and is an important consideration when evaluating new capital projects.

The table below outlines the Group's overall performance for 2020 and in comparison with the previous year. This enables stakeholders to monitor performance and helps the Group identify improvement opportunities.

Environmental performance indicators

Consumption	2020	Increase/ (decrease) from 2019	Commentary to explain shifts in environmental performance indicators
Water (kℓ)	1 435 349	2%	Higher volumes of layer type hens in production.
Electricity (kWh'000)	49 170	11%	Higher volumes of feed manufactured and higher volumes of layer type hens in production.
Electricity from renewable sources (kWh'000)	2 276	57%	New solar systems were added at an egg packing station in Brackenfell and an Eastern Cape layer farm.
Coal (tons)	3 082	22%	This increased due to the timing of broiler cycles compared to the previous year (coal heating is only used on a small number of farms and at the start of the rearing cycle).
Gas (kg)	1 372 395	(4%)	Lower number of day-old pullets placed on layer rearing farms resulted in lower consumption of gas for heating.
Diesel/ petrol/ paraffin (ℓ)	1 110 670	9%	Increased use of generators during periods of load shedding and higher production volumes in the feed and farming businesses.
Heavy fuel oil ("HFO") (ℓ)	1 061 436	2%	Higher volumes of feed manufactured.
Packaging (tons)	13 616	10%	Higher volume of eggs sold.
Waste			
Litter/manure produced (tons)	163 163	13%	Higher volumes of layer type hens in production.
Mortalities to landfill/waste pit (tons)	824	11%	Higher volumes of layer type hens in production, mortality rates the same as in 2019.
Effluent water (kℓ)	297 823	1%*	

* 2019 figure restated – accuracy improved with the installation of additional water consumption meters.

CONSERVATION

The relationship with the Western Cape Nature Conservation Board in respect of the perpetual biodiversity agreement at a portion of the Farm Zouterivier continues. 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 external service providers, energy-saving opportunities are continually evaluated across the Group's integrated value chain. Quantum Foods' main energy-intensive activities relate to the boilers used in the preparation of animal feeds, the temperature control of hatching eggs, the rearing of layer and broiler chicks and the overall production of egg packing stations. Opportunities for energy efficiency and savings include process optimisation and the introduction of advanced technologies to reduce the burden of the Group's energy-intensive activities.

During 2020, solar panel projects were approved for the Hiveld layer hatchery in Bronkhorstspuit and the Boshhoek layer farm near Tarlton. Further opportunities for solar systems were identified and will be evaluated for implementation going forward based on improving efficiency at an optimised cost-benefit ratio. This will assist in reducing Quantum Foods' dependency on electricity generated from non-renewable sources.

Human resources

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. Increasing the percentage of management deemed HDSA is a direct focus area in terms of the Group's employment equity strategy.

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

1 773
employees

were permanently employed
by the South African
operations of the Group at
30 September 2020

(2019: 1 830)

92.6%

Permanent employees HDSA

(2019: 92.2%)

41.4%

Management HDSA grade 12+
(employees)

(2019: 38.6%)

40.4%

Permanent employees who
are women

(2019: 40.2%)

2.4%

South African employees on
fixed-term contracts

(2019: 2.9%)

Employment equity statistics as at 30 September 2020

Occupation levels	African		Coloured		Indian		White		Foreigners		Total
	F	M	F	M	F	M	F	M	F	M	
Top management	0	2	2	0	0	0	1	5	0	0	10
Senior management	1	4	2	0	0	0	2	16	0	0	25
Professionally qualified, experienced specialists and mid-management	1	24	6	9	1	1	10	41	0	0	93
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	33	113	51	53	4	6	24	28	0	0	312
Semi-skilled and discretionary decision-making employees	143	236	86	113	2	2	1	1	0	0	584
Unskilled and defined decision-making employees	313	374	34	26	0	0	0	0	0	2	749
Total permanent employees	491	753	181	201	7	9	38	91	0	2	1 773
Non-permanent employees	8	9	4	14	0	0	3	5	0	1	44
Total	499	762	185	215	7	9	41	96	0	3	1 817

Total number of employees as at 30 September 2020

The employee numbers for the South African operations are reflected in the table below:

	2020	2019
Salaried	505	504
Salaried contractors	38	40
Waged	1 268	1 326
Waged contractors	6	14
Total	1 817	1 884

During the year, the Group's South African employee complement decreased by 2.6%, due to termination of a rental agreement in the Eastern Cape and a slightly higher number of wages employee vacancies.

The Group employs 391 (2019: 389) individuals in Zambia, 143 (2019: 112) individuals in Uganda and 74 (2019: 72) individuals in Mozambique. The increased headcount in Uganda is due to the commencement of operations on a new breeder farm.

By ensuring a high percentage of permanent employees, the Group provides more individuals with access to the retirement and disability benefits provided by the Group. Permanent employees provide the Group with a stable and experienced skills base that will increase the competence of the business over time.

TRAINING

The Group invests in the development of its employees' skills, knowledge and capabilities. Annually, the Group adds training modules to its online platform. This helped mitigate the impact of COVID-19 during the year. Online learning is used to train farm employees, induct new employees and enhance existing software skills (including Microsoft and SAP ERP). Several life skills development workshops were held for employees during the year. Legislative training was completed and several workshops and seminars were attended by employees during the year. The number of participants in the Group's learnerships and skills development programmes decreased due to COVID-19 restrictions. Going forward, these numbers are expected to increase in line with Quantum Foods' focus on strengthening the capabilities of its junior management.

The number of participants in the Group's internship and apprentice programmes increased due to a stronger focus on feed technical skills development and a higher number of junior artisans employed. In 2020, additional bursaries were awarded to employees, students attending the Elsenburg Agricultural Training Institute and students attending Stellenbosch University in the fields of science and engineering.

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

Skills pipeline	2020	2019
Internships	20	9
Apprenticeships	16	8
Learnerships	32	46
Bursaries	36	25
Adult basic education and training ("ABET")	5	8
	109	96

The below indicates the training spend for 2020. The amount spent on training reduced in 2020 due to the restrictions COVID-19 placed on the execution of training programmes.

Training spend	2020	2019
Total number of employees trained	590 ¹	701 ^{2,3}
Employee training spend	R4.13m	R5.04m
Employee training spend as a percentage of payroll	1.1%	1.4%

¹ A number of the Group's employees in the feeds business were involved in a life skills training programme.

² Excludes the Group's value sessions, which formed part of the roll out of its employee engagement model.

³ A large number of the Group's employees in the egg business were involved in a life skills training programme.

The Group will continue with its scholarship programme and offer bursaries to HDSAs who are studying towards agricultural and science qualifications. Currently, the Group supports six students studying at the Elsenburg Agricultural Training Institute (2019: three) and four students involved in the High Performance Sports Programme at Stellenbosch University (2019: nil).

OCCUPATIONAL HEALTH AND SAFETY

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. Occupational health and safety training is conducted annually.

 Read more on additional measures implemented following the outbreak of COVID-19 on page 12.

	2020	2019
Fatalities	0	0
Recordable injuries	107	103
Lost days	606	551

Note: no significant outliers to be commented on in terms of the increase in lost days.

All appointments in terms of sections 16(1) and 16(2) of the Occupational Health and Safety Act, No. 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

	2020	2019
Total turnover ¹	14.1%	12.1%
Management turnover (South African operations)	1.8%	2.1%
Not in management turnover (South African operations)	12.3%	9.9%

¹ Employee turnover increased in 2020 following the termination of a rental agreement for a farm in the Eastern Cape.

LABOUR UNION MANAGEMENT

	2020	2019
Percentage of employees who belong to a trade union	38.1%	37.2%

Quantum Foods supports its employees' rights to collective bargaining. Employees are represented by 11 trade unions.

The Food and Allied Workers' Union ("FAWU") has the highest overall representation among Quantum Foods' employees. At 30 September 2020, 28% of the Group's wage employees in its South African operations belonged to FAWU (2019: 26%). Wage negotiations were successfully concluded during the year.

B-BBEE

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of HDSAs. The introduction of the amended AgriBEE Sector Code in December 2017 significantly raised the bar for compliance, specifically with the introduction of subminimum requirements for ownership, skills development and enterprise and supplier development (including preferential procurement), which, if not achieved, immediately results in a lower B-BBEE score. In addition to this, the cost to train HDSAs and achieve compliance has increased significantly.

This resulted in the level 7 achieved on the overall score for 2019 being discounted to level 8. Improving the B-BBEE score remains a key management focus area. The 2020 audit was carried out by AQRate.

The 2020 scorecard is available at www.quantumfoods.co.za/company-documents.

The Group continues to contribute to enterprise and supplier development. Current initiatives include:

- The provision of an interest-free loan to a HDSA to expand his Western Cape egg farm
- Supplying HDSA farmers with discounted point-of-lay hens and feed
- Feed and farm management assistance to HDSA farmers for improved egg production
- The rental of a broiler farm in Bronkhorstspuit from a HDSA
- Egg procurement from a HDSA egg producer in the Western Cape and Free State.

Benefits of R11.6 million (2019: R12.5 million) accrued for the year. Other projects to assist smaller HDSA suppliers continued during the year. This includes assisting suppliers with their administrative systems.

The Group considers B-BBEE when any external appointments are made, especially at the senior level to improve its management control and employment equity scores. On 1 January 2020, a black male was appointed as Executive: Broiler farming. In addition to achieving improved race diversity, this appointment also benefited the Group's scorecard.

Community projects

The Group's involvement in its "adopted" primary school, Groenheuvel Primary, situated close to its head office in Wellington, continued. In 2020, Quantum Foods provided R945 500 to the school. Through its Social Club, Quantum Foods' employees were specifically involved in the Santa Shoe Box stationery drive at Soetendal Primary School in Wellington.

In 2020, employees also contributed towards food parcels for the children and parents at Windmeul Primary in Paarl in support of Mandela Day.

As the Group is passionate about education, it provided R250 000 in funding to Khula Development – an organisation that supports out-of-school children in the Paarl East area. The organisation's mission is to integrate at-risk children back into the school system. In addition, the Group contributed R150 000 to Wamakersvallei Training Centre, a community-based centre in Wellington that provides training to unemployed individuals in the community. Short courses include frail care, child care, home management and cooking and hairdressing assistants. The Group also donated R210 220 to House Andrew Murray, an orphanage in Wellington.

To improve food security and support this basic human requirement, Quantum Foods continued its support of FoodForward SA. FoodForward SA collects edible surplus food from manufacturers, wholesalers and retailers, and distributes this food to verified non-profit organisations that collectively feed thousands of hungry people daily.

The Group contributed R250 000 to FoodForward SA in 2020. Quantum Foods remains involved with 2nd Harvest, a non-profit organisation dedicated to providing meals to the hungry and skills development to youth across South Africa.

In 2020, the Group contributed R294 250 to 2nd Harvest's Vita Kidz programme. This programme aims to ensure that junior school learners' nutritional requirements are met, thereby improving their ability to concentrate and learn while at school. The Group continued to donate egg and egg liquid products to a number of institutions that aim to assist with food security.

Corporate social investment spend

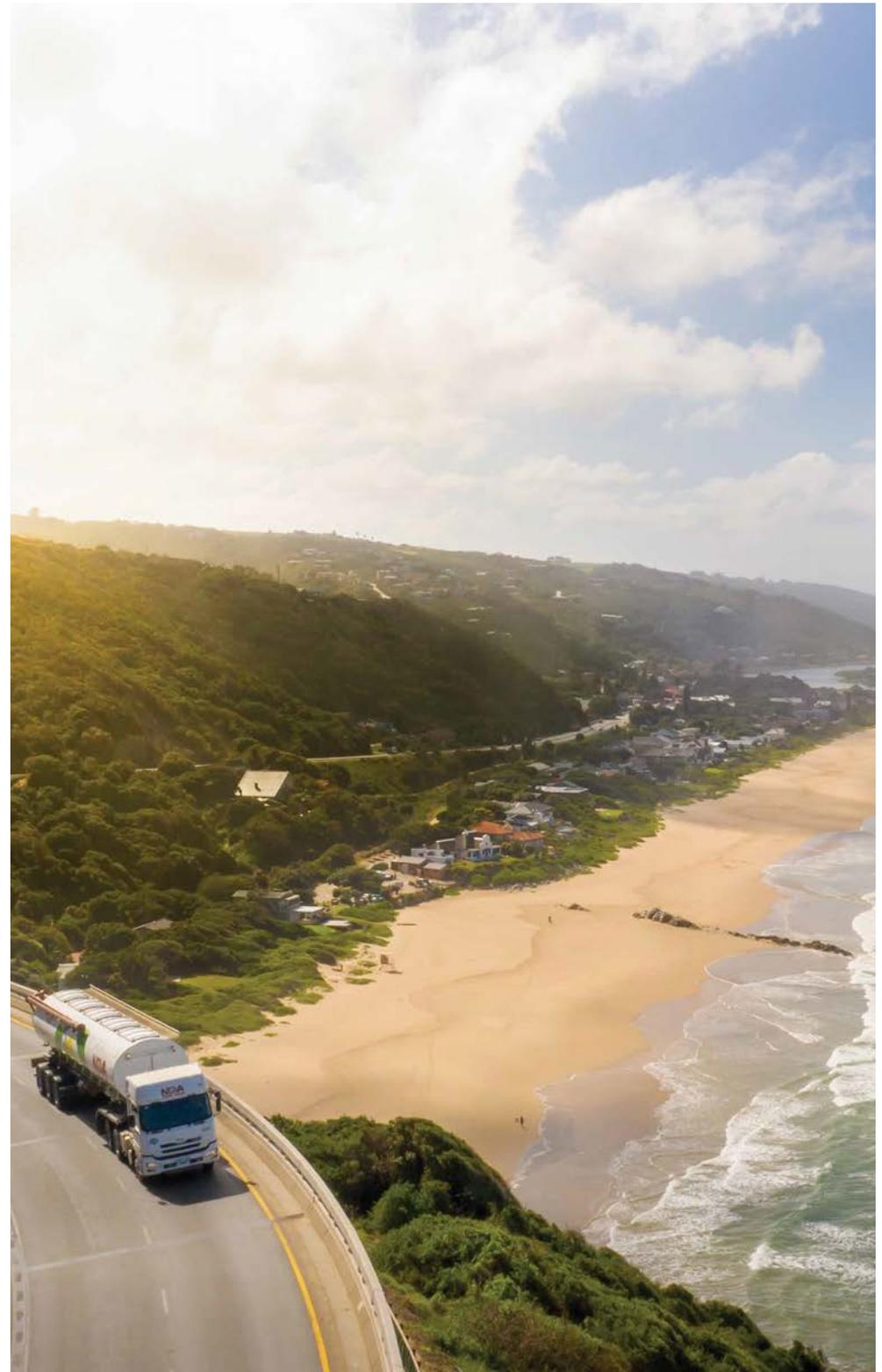
	2020	2019
Total corporate social investment spend	R2 628 437	R3 018 871
Spend on feeding programmes	R544 250	R950 000
Product donations	R528 467	R495 751
Spend on education	R1 555 720	R1 573 120

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 and according to internationally proclaimed human rights standards. No incidents of human rights violations were reported during the year.

Animal welfare

The welfare of the Group's birds remains a major focus area. Regular internal audits are conducted on all farms to ensure adherence to set internal standards. Quantum Foods regularly engages with and is audited by inspectors from the NSPCA to ensure compliance. Strict biosecurity measures are in place at all farms to protect chickens against diseases and illness. Ongoing animal welfare and biosecurity training is provided to farming employees. Supplier and contract production facilities are required to comply with the same standards that apply to the Group's farms in terms of supply agreements.



CORPORATE GOVERNANCE

Quantum Foods is a JSE-listed entity and monitors its compliance with the principles of good corporate governance.

King IV defines corporate governance as the exercise of ethical and effective leadership by the Board to achieve the following outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

The practices underpinning the principles espoused in King IV are entrenched in many of the Group's internal controls, policies and procedures that govern its corporate conduct. The Group is focused on strengthening its corporate governance and aspires to align itself with corporate governance best practice for a company of its nature and size.

Governing structures and delegations

THE BOARD

Quantum Foods' Board acts as the focal point for, and custodian of, corporate governance. The key roles and responsibilities of the Board include:

- 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 and based on corporate governance best practices
- Monitoring the implementation of the Board's decisions and policies
- Ensuring that the Group has an effective and independent ARC, remuneration committee ("Remco")¹ and SEC
- Ensuring that disputes are resolved effectively and efficiently
- Appointing and evaluating the performance of the chief executive officer and the company secretary

 A disclosure register detailing the Group's adherence to King IV is available at www.quantumfoods.co.za/company-documents.

The Board's focus areas and activities during the year included the following:

Topic	Progress and actions arising
Group Strategy	<p>The Board reviewed and approved the Group strategy presented by management on 9 September 2020. This is a three-stage process:</p> <ol style="list-style-type: none"> 1. The executive committee holds a working session to develop the Group strategy. 2. The executive committee and senior management team identify and determine appropriate operational targets that support strategy implementation. 3. The executive committee provides feedback to the Board on the previous strategy, the revised strategy and the relevant operational targets. The strategy is then discussed and amended as necessary before being approved by the Board. <p>As an outcome of this process, the Group resolved to retain its strategic themes and only revise the performance initiatives and operational targets per theme for 2021. During the 2020 strategy session, the Group reviewed its business objectives up to 2025 to ensure a forward-looking approach.</p> <p> More detail about this process is provided on page 32.</p>
COVID-19	<p>The Board oversaw the implementation of various regulatory measures that govern operations. These included the additional measures implemented to protect employees providing essential services and also ensuring the safety of our suppliers and customers. Work from home policies were implemented for employees providing non-essential services and meetings were held via electronic means. With the assistance of the ARC, the Board expanded the risk register and combined assurance model to include the potential impact of human disease, such as COVID-19.</p>
Significant shareholder movement	<p>The Board oversaw events following the sale of Zeder Financial Services Ltd's shareholding in the Company (comprising of 30.81% of total share in issue) to a competitor, Country Bird Holdings, on 12 June 2020.</p>
Amended the charters of the SEC and Remco	<p>The Board reviewed and amended the charters and workplans of the SEC as well as the Remco due to some overlap in areas of responsibility. This resulted in human capital elements, excluding compensation, which was previously included in the Remco's charter, moving to the SEC's charter. It also resulted in the name of the remuneration and human capital committee being amended to the remuneration committee as it will focus on remuneration.</p>
Approval of capital projects over R5 million	<p>The Board reviewed and approved capital expenditure projects during the year. The Board evaluates projects in accordance with affordability, expected return, support of Group strategy, risk and environmental impact. Projects approved during 2020 included the installation of a new egg grader at the Port Elizabeth egg packing station, the installation of improved pellet producing capacity at the Malmesbury feed mill, the expansion of an egg layer farm near Bronkhorstspuit and the acquisition of a commercial broiler farm in the Western Cape.</p>
Declaration and dividend	<p>The Board considered and declared an interim dividend of 6 cents per share in 2020 and a final dividend of 10 cents per share. In declaring the 2020 final dividend, the Board resolved to increase the targeted dividend cover of 4 times (announced in 2019) to 5 times. This is due to the anticipated increased investment in working capital that will be required in 2021 arising from a substantial increase in the cost of key raw materials, the concomitant pressure expected on margins in especially the egg business, the approved capital programme, and continued uncertainty about the full extent of the impact of COVID-19 on the economy (specifically consumer expenditure).</p>
Establishment of a nomination committee	<p>The Board established a nomination committee ("Nomcom") to assist in filling the vacancy that followed Mr. Norman Celliers' and Mr. Patrick Burton's resignations from the Board.</p> <p> Read more on page 59.</p>
Induction of Mr. Larry Wilson Riddle	<p>The Board oversaw the appointment and induction of Mr. Larry Wilson Riddle, who was appointed as a non-executive director and member of the ARC and Remco on 28 September 2020.</p>

¹ The Board reviewed and amended the charters and workplans of the SEC and remuneration and human capital committee due to some overlap in areas of responsibility. This resulted in the name of the remuneration and human capital committee being amended to the remuneration committee ("Remco"). Read more from page 57 and 59.

In addition to the key focus areas outlined on the previous page, the Board:

- Reviewed, discussed and approved the Group's interim and full year financial results
- Reviewed and approved the Group's budget for the 2021 financial year
- Reviewed and approved the Group Governance Framework
- Reviewed amendments to the decision-making framework, which sets out the balance of power and authority at Board level and ensures that no one director has unfettered powers of decision-making

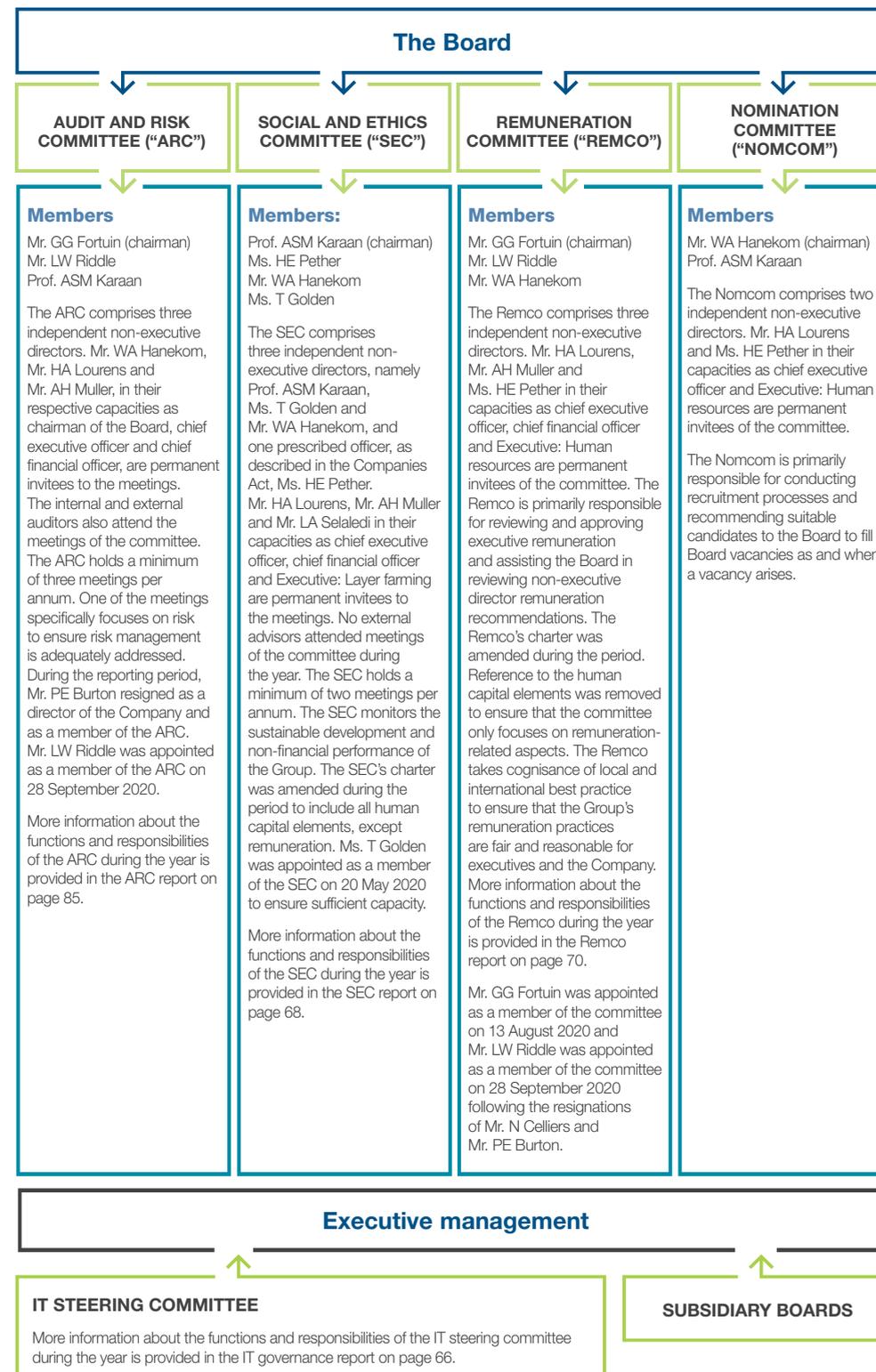
As an outcome of the annual review of the decision-making framework, the Board is satisfied that the delegation of authority framework contributes to role clarity and effective exercising of authority and responsibilities.

Members of the Board are regularly updated on industry matters and applicable laws, rules and codes. Opportunities are further made available to members of the Board to ensure their ongoing development. This includes visits to Quantum Foods' business operations and specific training interventions focused on, among others, cyber security and revisions to the JSE Listings Requirements. This is part of the Board's ongoing responsibility to take reasonably diligent steps to become informed about matters requiring its oversight and direction. Overall, the Board is satisfied that it fulfilled its responsibilities in accordance with its charter and annual work plan.

The Board and all its committees are constituted in terms of approved charters, which are reviewed annually. The Board is assisted by four committees to fulfil its mandate, but ultimately remains responsible and accountable for all matters.

The Board assumes ultimate responsibility for strategy, performance and reporting. The Board delegates the daily management of the Company in accordance with the Group Governance Framework to the executive committee, under the leadership of the chief executive officer, and monitors performance through its various subcommittees. All subsidiaries have formally adopted the Group Governance Framework at their respective Board meetings.

The Board is satisfied that each committee, as a whole, has the necessary knowledge, skills, experience and capacity to execute its duties effectively. The committees of the Board are as follows:



The Board assumes ultimate responsibility for strategy, performance and reporting. The Board delegates the daily management of the Company to the executive committee, under the leadership of the chief executive officer, and monitors performance through its various subcommittees.

The Board

The Board and all its committees are constituted in terms of approved charters, which are reviewed annually. The Board is assisted by four committees to fulfil its mandate, but ultimately remains responsible and accountable for all matters.

Meeting attendance

The Board held five general meetings during the reporting period. In addition, three special meetings were held following Country Bird Holdings' acquisition of the Group's shares previously held by Zeder Financial Services Ltd. The Board members also attended a full-day session during which the 2021 strategy was approved. The SEC and Remco had two scheduled meetings during the year while the ARC had three scheduled meetings. The Nomcom had two meetings during the year. Members who could not attend a meeting excused themselves accordingly.

The Board is satisfied with the contribution by its directors as well as the attendance of meetings by the members of the Board and its committees.

	Status	AGM	Board	Remco	ARC	SEC	Nomcom	Strategy session
WA Hanekom	Chairman, independent non-executive	1/1	8/8	2/2	3/3 [^]	2/2	2/2	1/1
PE Burton	Lead independent non-executive director	0/1	7/8 [#]	2/2	3/3	n/a	n/a	0/1 [#]
N Celliers	Non-executive director	1/1	3/8 [#]	2/2	n/a	n/a	n/a	0/1 [#]
Prof. ASM Karaan	Lead independent non-executive director ^{^^}	0/1	8/8	n/a	3/3	2/2	2/2	1/1
GG Fortuin	Independent non-executive director	0/1	8/8	0/2 [*]	3/3	n/a	n/a	1/1
T Golden	Independent non-executive director	1/1	7/8	n/a	n/a	0/2 [*]	n/a	1/1
LW Riddle ^v	Independent non-executive director							
HA Lourens	Chief executive officer	1/1	8/8	2/2 [^]	3/3 [^]	2/2 [^]	2/2 [^]	1/1
AH Muller	Chief financial officer	1/1	8/8	2/2 [^]	3/3 [^]	2/2 [^]	n/a	1/1

[#] N Celliers resigned as a director and member of the Remco on 19 June 2020 and PE Burton resigned as a director and member of the ARC and Remco on 17 August 2020.

^{*} GG Fortuin was appointed to the Remco with effect from 13 August 2020 and T Golden was appointed to the SEC with effect from 20 May 2020.

[^] WA Hanekom attended the ARC meeting as an invitee and HA Lourens and AH Muller attended the Remco, ARC and SEC meetings as invitees. HA Lourens attended the Nomcom meetings as an invitee.

^{^^} Prof. ASM Karaan was appointed as the Lead Independent Director on 9 September 2020.

^v LW Riddle was appointed as a director and member of the ARC and Remco on 28 September 2020.

The members of the Board are experienced individuals who understand their duty to act with care, skill and diligence.

COMPOSITION AND FUNCTIONS OF THE BOARD

The Board consists of seven directors, five of whom are independent non-executive directors. The chairman, Mr. André Hanekom, an independent non-executive director, presides over meetings of the Board.

Prof. Mohammad Karaan, an independent non-executive director, was appointed as the lead independent director of the Board on 9 September 2020. This followed the resignation of Mr. Patrick Burton, the previous lead independent director, on 17 August 2020. The duties and functions performed by Mr. André Hanekom as chairman and independent non-executive director are separate from those performed by the chief executive officer, Mr. Hennie Lourens, who is an executive director.

The chief executive officer is responsible for leading the implementation and execution of the strategy and for policy and operational planning and serves as the chief link between management and the Board. Overseeing the succession planning of the chief executive officer and the executives is performed by the Remco. The Remco is satisfied that sufficient measures are in place to ensure continuity. The chief executive officer is not a member of any other governing body outside of Quantum Foods.

The Board appoints the chief executive officer 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 established a nomination committee on 26 August 2020. This committee conducts recruitment processes and recommends suitable candidates to the Board to fill Board vacancies as and when a vacancy arises.

The Board is diverse in terms of gender, race, business acumen and tenure. This diversity provides for challenging and robust discussion and views, leveraging an appropriate mix of knowledge, skills, experience, diversity and independence. The Board recognises that a gender gap exists, with only one female Board member currently appointed. The Board has therefore further adopted and approved a diversity policy, which specifically identifies gender diversity as a focus area and addresses diversity attributes generally.

When identifying suitable candidates for appointment to the Board, the Nomcom considers candidates on merit against objective criteria with due regard for the potential benefits of increased race and gender diversity at a Board level. Targets for race and gender diversity at

Board level were considered in 2018, resulting in the decision to appoint a black female non-executive director to the Board. This was concluded in the 2019 financial year. Two Board members resigned in 2020 and Mr. Larry Wilson Riddle, who has significant experience in a wide range of disciplines, was appointed on 28 September to fill the one vacancy identified by the Board. Going forward, gender and race diversity will be considered as part of the Board's succession planning. The Board will continue to discuss, and annually agree on, measurable targets for achieving race and gender diversity at Board level.

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 brief professional profile of each candidate standing for election or re-election at the AGM is available in the Group's notice of AGM.

An internal appraisal of the Board and committees was conducted during the reporting period and no material issues were identified. The Board is satisfied that the evaluation process improves its performance and effectiveness. The Board annually considers using an external provider to facilitate the appraisal process of the Board and its committees. Given the changes to the composition of the Board during the reporting period, the Board resolved not to conduct an external appraisal during the 2020 reporting period.

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 corporate announcements, investor communications and unrestricted access to information about developments that may affect the Company and its operations. This includes access to Company information, records, documents and property. Following a Board-approved procedure, Board members may also seek independent advice in connection with their duties at the cost of the Group. The company secretary may access external legal advice.

The performance of the company secretary is evaluated annually. 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. The company secretary reports directly to the Board on statutory matters and to the chief financial officer in relation to her other duties.

The Board believes effective arrangements for accessing professional corporate governance advice are in place.

Legal 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 responsibility for implementation and execution of effective compliance management is delegated to management, and management continually monitors the regulatory environment and identifies appropriate responses to changes and developments. Such changes are reported to the Board.

On an ongoing basis, the Company monitors key identified legislation for any changes and developments that could potentially impact the business. The company secretary reports to the Board and the Board reviews and monitors updates to legislation on a quarterly basis.

No regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations were imposed on the Company or any of its directors or officers during the 2020 financial year.

In 2021, the Group will continue to monitor key identified legislation for any changes and developments.

Combined assurance

Quantum Foods has defined the Group's combined assurance model in line with King IV, which is updated alongside the risk profile of the Company and its subsidiaries. The objective of combined assurance is to enable effective control of the Group's risk environment. Assurance processes in the Group include management, various second line and external assurance providers such as health and safety, as well as internal and external audit. These various assurance role players oversee corporate governance at Quantum Foods and provide different types of assurance. They are differentiated by their levels of independence from the Group's operational activities and the Group itself.

Through the use of Quantum Foods' combined assurance model, the independence of assurance gradually increases over four lines.

GROUP EXTERNAL AUDIT

The 2020 external audit services for the South African, Mozambican, Ugandan and Zambian operations were provided by PwC. Feedback on the audits provided to the subsidiary boards is monitored by the ARC.

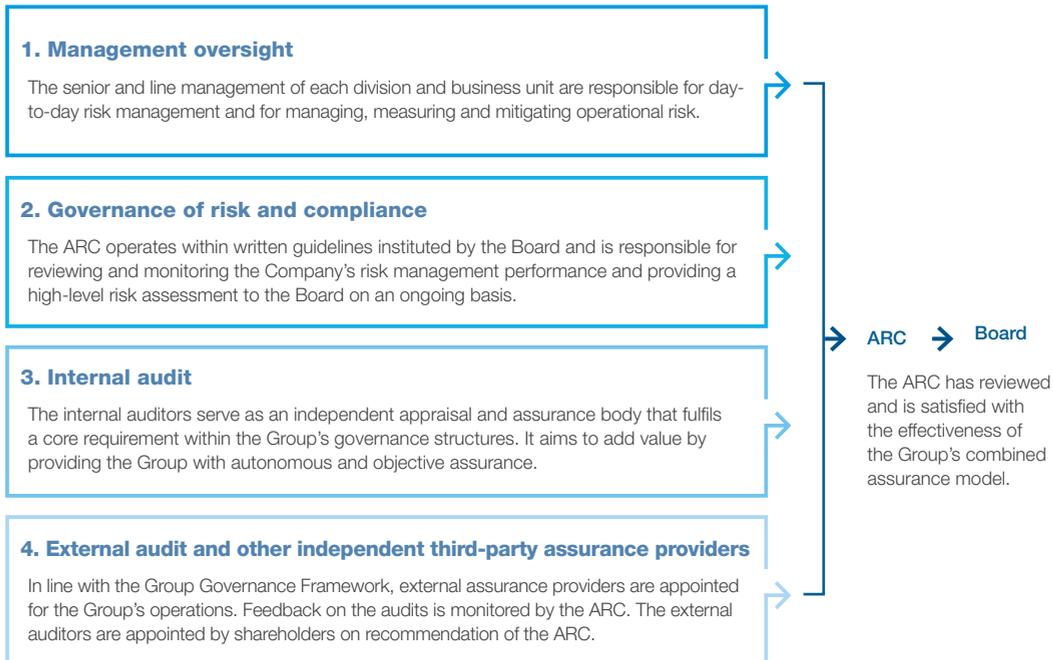
 Read more about Group external audit in the ARC report on page 85.

GROUP INTERNAL AUDIT

The Group's internal audit services for 2020 were provided by Deloitte & Touche. The internal audit service contract is valid for a further year. The internal audit function is constituted in terms of the internal audit charter. Management and the ARC may identify additional risk areas to be included in the internal audit work plan that is developed by the internal audit function. Results and management actions undertaken by internal audit are reported to the ARC (and escalated to the Board if necessary). The ARC assesses the effectiveness of both the internal audit function and the head of internal audit on at least an annual basis.

During the year, the internal auditors monitored 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 pages 85 to 86. Read more about the Group's strategic risks on page 35.



Stakeholder relations

Quantum Foods adopts a stakeholder-inclusive approach and has an established stakeholder engagement process in place. These engagement mechanisms are designed for stakeholders and include Group discussions and one-on-one meetings. The following broad stakeholder groups have been identified. The table below provides details on the methods of engagement and key considerations per stakeholder category as well as the Group's response:

Stakeholder category	Method of engagement	Stakeholder needs, expectations and concerns	Business response
Shareholders and investors	<ul style="list-style-type: none"> Website SENS Trading updates Results presentations every six months Face-to-face meetings Site visits 	<ul style="list-style-type: none"> Return on investment Capital allocation Business sustainability Ethical management 	<ul style="list-style-type: none"> HEPS is a key performance measurement for management New capital projects are evaluated against a Board-approved weighted average cost of capital The Group takes a zero tolerance approach to unethical conduct
Employees	<ul style="list-style-type: none"> Internal communication Management and union meetings Roadshows Confidential tip-offs hotline Training programmes 	<ul style="list-style-type: none"> Feedback on performance Job security Personal development (including training) Health and safety 	<ul style="list-style-type: none"> The Group conducts regular formal and informal performance discussions Formal health and safety audits are conducted annually at all sites (at a minimum) and training programmes are in place Various training initiatives are available to the Group's employees <p> <i>Read more on page 52.</i></p>
Customers and consumers	<ul style="list-style-type: none"> Regular meetings Consumer hotline Customer satisfaction surveys 	<ul style="list-style-type: none"> Products within specification Competitive pricing Reliable supply 	<ul style="list-style-type: none"> Ensure that products adhere to standards Supply products that are safe Ensure that stock is available
Suppliers and contractors	<ul style="list-style-type: none"> A centralised procurement team manages communication for larger expenditure items The Group's decentralised procurement managers meet with suppliers and contractors 	<ul style="list-style-type: none"> Security of supply Commitment to B-BBEE Reasonable terms 	<ul style="list-style-type: none"> Policies and practices ensuring ethical procurement conduct are in place, with a focus on B-BBEE Quality management is in place for key procurement categories

Stakeholder category	Method of engagement	Stakeholder needs, expectations and concerns	Business response
Communities	<ul style="list-style-type: none"> Requests for assistance in the communities where we operate 	<ul style="list-style-type: none"> Basic human requirements (food, safety and education) Drought relief 	<ul style="list-style-type: none"> The Group implements various corporate social investment initiatives <p> <i>Read more on page 53.</i></p>
Government and regulatory bodies	<ul style="list-style-type: none"> Independent audits Adherence to regulatory requirements Employee training on regulatory requirements 	<ul style="list-style-type: none"> Employees assume responsibility for compliance Independent assurance to measure compliance 	<ul style="list-style-type: none"> The Group trains employees responsible for compliance and takes immediate action in the event of adverse findings The Group participates in industry bodies The corporate office supports regional management
Industry bodies	<ul style="list-style-type: none"> Industry body meeting participation 	<ul style="list-style-type: none"> Active participation in industry body management Keeping abreast of new developments 	<ul style="list-style-type: none"> Executive committee members are involved at senior level in industry bodies such as the South African Poultry Association and Animal Feeds Manufacturers Association

In 2020, the Group's key areas of focus for stakeholder relations included:

Topic	Progress and actions arising
Ongoing engagement with the NSPCA	Continual engagement with the NSPCA remains a major focus for the Group to ensure best-in-class welfare standards for birds. This is critical to the success of the business.
Engagement with shareholders	Following the release of the interim and final 2020 financial results, shareholders were invited to a presentation where the results were discussed. The presentations were conducted virtually due to the COVID-19 restrictions. Shareholders were invited to attend the AGM in February 2020.
The Group-wide roll-out of the values programme	A formal programme to entrench Company values was made available to employees in all of the Group's operating geographies during the year, including South Africa, Mozambique, Uganda and Zambia. The programme encouraged employees to portray and live out the Group's values.
Corporate social investment initiatives and enterprise and supplier development assistance	A number of HDSA entities benefited in 2020 from the Group's various enterprise development, supplier development and corporate social investment initiatives.  Read more on page 53.
COVID-19 assistance	As a provider of essential services, the Group was fortunate to be able to continue operations during the various stages of the COVID-19 lockdown. All employees received their normal remuneration throughout this period. The Company contributed R100 000 to the Solidarity Fund, which was established to provide relief to vulnerable South African households, and also issued most employee members with monthly vouchers to support families whose income may have been affected.

The Group's SEC is responsible for the governance and oversight of stakeholder relationships. Quantum Foods adopted a formal stakeholder engagement policy that outlines its approach to communicating and working with its stakeholders. Enquiries from shareholders are generally handled by the company secretary or directly by the chief executive officer or chief financial officer. The Company publishes information relevant to the application of King IV on its website. This includes any supporting documentation, Group policies or charters.

 [The Group's stakeholder engagement policy is available on the Company's website: www.quantumfoods.co.za.](http://www.quantumfoods.co.za)

IT governance

IT is entrenched in the way that Quantum Foods does business and almost every business process is supported by IT. King IV recommends that the governing body should delegate to management the responsibility to implement and execute effective technology and information management. This delegation points to the establishment of an IT steering committee by the Board.

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. Management is responsible for the implementation of all the structures, processes and mechanisms for IT and information governance. Management delegates to the IT steering committee, which is independent and tasked with identifying key projects as well as the implementation and monitoring of such projects.

The IT steering committee also monitors information security, and any significant security incidents are reported to the ARC. The IT steering committee is governed by Quantum Foods' IT charter, which outlines the decision-making rights and accountability framework to effectively govern the Group's IT service landscape. The committee has decision-making authority with respect to its duties and is accountable to the Board, the ARC and the executive committee across the following areas of responsibility:

- Strategy
- Investment
- Sourcing
- Risk management
- Information security
- Disaster recovery

Quantum Foods' IT charter is based on the principles of the Control Objectives for Information and Related Technologies ("COBIT") framework for IT governance. COBIT is an internationally recognised IT framework that guides the Board in discharging its IT responsibilities. COBIT is published by the Information Systems Audit and Control Association ("ISACA").

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. PwC, as external advisors, assist with ensuring that measures are put in place to ensure the security of IT.

The main focus areas during 2020 included:

- Supporting the Group's work from home policy, which was implemented at the onset of the COVID-19 lockdown. This included providing more users with computers, data connectivity and rolling out software to enable virtual meetings.
- An ongoing process to improve cyber risk resilience, which included employee training to increase awareness, a specific review by the internal audit function, an upgrade of remaining equipment to Windows 10, the further relocation of data to the more secure Microsoft Cloud environment, and regular vulnerability tests which were conducted by external consultants.
- Further roll out of Voice over IP phones to replace fixed-line telephony.
- Further enhancement of the business continuity programme.
- Evaluating potential service providers to deliver Group IT support services. This excluded the provision of SAP ERP system support which is contracted to BCX until 2021. The service contract was awarded to Logicalis South Africa.
- Evaluating potential ERP software available to the Group commenced in the year. The process was delayed due to COVID-19 restrictions and should be completed in 2021.

Going forward, the value delivered to the organisation through significant investments in IT will receive increased focus. Other planned areas of future focus include:

- Improved cyber risk resilience – Management of cyber risk will remain a focus area for 2021, mostly through ongoing training to maintain awareness and with the introduction of specialist software to improve incident detection capabilities
- Migration to Logicalis South Africa as a service provider for Group IT services
- Further upgrade of the IT infrastructure, with some physical server equipment to be replaced and a further upgrade to the network where sites will be converted to SD-WAN
- Evaluation of ERP software available to the Group

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

Social and ethics committee report

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; and labour and employment.

The SEC monitors the sustainable development and non-financial performance of the Group 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
- B-BBEE
- Diversity management
- Labour relations and working conditions
- Human capital management, including training and skills development
- Management and monitoring of the Group's environmental impact
- Ethics management
- Corporate social investment

A focus on the aforementioned ensures that the SEC is equipped with adequate knowledge and insight to monitor Quantum Foods' role as a responsible corporate citizen. It further ensures that the SEC is positioned to measure this commitment and assist the Board where necessary with appropriate steps and procedures to strengthen Quantum Foods' non-financial performance.

The SEC monitors the impact of the business on the environment and society and guides its actions to ensure its sustainability for the future.

Topic	Progress and actions arising
B-BBEE and targets	<p>The SEC monitored the strategy and targets of the Company to improve on the level 8 compliance score achieved in 2019. A key focus remains on improving the ownership score, which reduced in 2019 following the repurchase of shares previously held by black economic empowerment parties inherited from Pioneer Foods.</p> <p> More detail is available on page 53.</p> <p>The SEC, together with the Board, regularly monitors B-BBEE compliance and targets and in doing so aims to present a B-BBEE ownership structure for approval by shareholders.</p> <p>The SEC specifically monitored the Group's enterprise and supplier development initiatives, with a focus on creating additional employment opportunities.</p> <p> Read more about the Group's B-BBEE strategy on page 53 of this report.</p>
Sponsorships and charitable donations	<p>The SEC monitored the various product donations and continues to monitor the Group's social responsibility initiatives.</p> <p> These are detailed on pages 53 to 54.</p>
Water, energy and waste disposal management	<p>The committee monitored water, energy and waste disposal management and a report containing usage details is reviewed biannually. The short-term aim is to reduce wastage of these elements across the Group's operations by monitoring performance year on year.</p> <p> Read more on page 49.</p>

Topic	Progress and actions arising
Occupational compliance	The SEC noted progress in obtaining occupational certificates for various business premises. This is an ongoing process and R14.2 million (2019: R10.3 million) of capital was spent to ensure progress on compliance.
Customer complaints and food safety	The SEC monitored customer complaints and food safety and is satisfied that such matters were adequately monitored and dealt with during the year.
Employment equity and training	<p>The SEC monitored employment equity and training.</p> <p> See pages 50 and 52.</p>
Human capital	The SEC monitored organisational development initiatives and workforce design and planning.
Animal welfare	The SEC monitored engagements with the NSPCA and other stakeholders to ensure that animal welfare remains a priority.
Ethics management	<p>The SEC monitors ethics management and adherence to the code of conduct, which is reviewed annually. Local tip-offs anonymous lines are available to stakeholders in each of Quantum Foods' operating jurisdictions (South Africa, Mozambique, Uganda and Zambia).</p> <p>The values programme continued across the Group, which further supports the business's commitment to ethical conduct by entrenching the value: we are truthful in everything we do.</p> <p> Read more about the Group's measures to ensure proper ethics management on the King IV report available on the Company's website.</p>

The SEC evaluated and approved the non-financial information contained in this report. The SEC is satisfied that it has fulfilled its responsibilities in accordance with its charter and work plan for the reporting period.

The SEC has identified the following as the main area of focus for 2021. This will be supported by ongoing monitoring of the various topics that form the committee's mandate.

Topic	Area of future focus
B-BBEE and targets	<p>The SEC will oversee the Group's action plan to improve compliance with the AgriBEE Sector Code. The Group will continue to invest in strengthening its existing business activities that support transformation and empowerment. This includes, for example, enterprise and supplier development and preferential procurement.</p> <p>The SEC will oversee the process to present a structure to shareholders in order to improve the contribution of the ownership component of the B-BBEE scorecard.</p>



Prof. ASM Karaan
Chairman

Wellington
23 November 2020

Remuneration report

Letter from the chairman of the Remco to shareholders

Dear shareholders

This report summarises the remuneration policy that will apply to employees of Quantum Foods and its subsidiaries in 2021. It also highlights the activities of Quantum Foods' Remco and addresses the outcomes of the implementation of the 2020 remuneration policy.

Group profitability achieved in 2020 was the third highest recorded in Quantum Foods' history, despite headline earnings decreasing by 17.5% year on year. As a provider of essential services, the Group's operations were largely unaffected by COVID-19, and the egg business, in particular, benefited from increased demand in the lockdown period. All employees received their full guaranteed pay despite the COVID-19 lockdown period. 2020 earnings were supported by improved profitability from the feeds and farming business, which partially offset decreased profitability from the eggs and other African businesses. The Group's feed and farming business benefited from increased volumes, while profitability of the egg business was lower due to an increase in the

cost of production and lower egg selling prices compared to 2019. Earnings from the other African businesses were negatively impacted by much lower demand for day-old chicks due to COVID-19 restrictions imposed in Uganda and Zambia and also due to the extremely high cost of maize in those two countries during the year.

The Group performance is reflected in the outcomes of our variable pay incentives. HEPS achieved for 2020 resulted in a 65% vesting of the third tranche of share appreciation rights ("SARs") allocated in 2016, 100% vesting of the second tranche of SARs allocated in 2017 and 100% vesting of the first tranche of SARs allocated in 2018. The employment period for the vesting of these SARs will only expire in February 2021 and the outcome of vested SARs exercised will be included in the 2021 report. In addition, the Group profit achieved in 2020 resulted in a 88.5% vesting of the economic profit component of the short-term incentive ("STI") and 65.0% vesting of the headline earnings before tax per share ("HEBTPS") component of the STI for 2020.

 Quantum Foods' financial performance is discussed in the joint report of the chairman and CEO on pages 38 to 41.

The Remco made various key decisions in 2020.

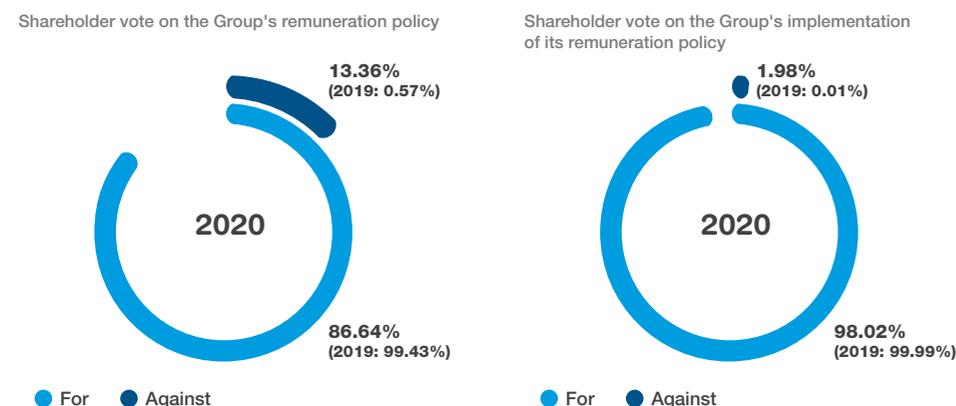
These included:

Topic	Progress and actions arising
Total guaranteed pay adjustments	Mandates for the adjustment of total guaranteed pay was determined by the Remco. The adjustments of 5% for sectoral and non-sectoral employees and executives considered inflation, the outcome of benchmarking, and affordability.
National minimum wage and farming sectoral and non-sectoral employee salary	During the 2019 reporting period, employees at one of the Group's operating locations disputed the inclusion of certain cash-based employee benefits in the calculation of their hourly pay. The Commission for Conciliation, Mediation and Arbitration ("CCMA") ruled in favour of the employees. The Company subsequently decided to take the ruling to the Labour Court for review. Given the restrictions and impact of COVID-19, this matter had minimal progress during the period and a date for the matter to be heard is awaited. The Remco will continue to oversee this process during 2021.
Short-term and long-term incentives, outcomes and new targets.	The Remco reviewed the STI and long-term incentive ("LTI") performance outcomes for 2020 and also considered new targets for the forthcoming year. The financial and operational performance targets for the STI have been amended for the 2021 financial year. The Company's LTI is the Equity-Settled SAR Plan and the headline earnings achieved for 2020 will be the baseline for determining achievement of the performance conditions of allocations made to participants in February 2021. COVID-19 did not play a role in setting the targets for 2021.  Read more about this on pages 75 to 76.
Non-executive directors' fees	The Remco considered and will propose a 4.25% adjustment in non-executive directors' fees to shareholders at the February 2021 AGM.

Topic	Progress and actions arising
Equal pay for work of equal value	The Remco reviewed the results of an equal pay for work of equal value exercise and reviewed salary bands to ensure that these are market related. Subsequent to the salary band review, the Company adjusted the remuneration of some employees, where relevant, to ensure that these are market related. This will remain an area of focus for the Remco to ensure employees are remunerated fairly and any differentiation is justified.
Remuneration policy regarding malus and clawback	In 2019, the Remco was engaged by a shareholder who suggested the inclusion of malus and clawback provisions in the remuneration policy and SAR Plan rules. The Remco and the Board reviewed and approved changes to the remuneration policy and SAR Plan. The changes detail the circumstances ("trigger events", which are listed in part 2 of this report) under which the benefit accruing to a participant of the STI or LTI can be forfeited or clawed back (if already transferred to participants). These changes were presented to shareholders and approved at the February 2020 AGM.
Proposing an amendment to the charter and workplan of the committee to the Board	The Remco charter and workplan was amended by the Board to reduce the overlap between the Remco and SEC responsibilities. Following the change, the Remco focusses on aspects relating to remuneration while the SEC's responsibilities were expanded to include the other areas relating to human capital management.

In implementing the remuneration policy, the Remco considered the advice of remuneration consultants. These consultants satisfied the Remco's requirements for independence and objectivity.

At the 2019 AGM held on 21 February 2020:



As indicated in the graph above, the non-binding advisory votes were passed at the 2019 AGM held on 21 February 2020 and shareholder engagement was therefore not required.

FUTURE FOCUS AREAS

Going forward the Remco will focus specifically on:

Topic	Actions
Fair and responsible remuneration	Continued focus on identifying areas of improvement and implementing measures to ensure that employees and executives are remunerated fairly and responsibly. This includes addressing any anomalies within the remuneration structure.

 The Remco is of the view that the remuneration policy achieved its objectives in 2020. In addition to its standard activities listed on page 70, during 2021 the Remco will continue to focus on the review of salary bands to ensure that employees are fairly remunerated. We look forward to receiving your support on the remuneration policy at the 2021 AGM, to be held on 19 February 2021.


Mr. GG Fortuin
 Chairman

Wellington
 13 November 2020

FY2021 remuneration policy

INTRODUCTION

Part 2 of this report sets out the forward-looking remuneration policy, which will apply in 2021. Therefore, any changes to the policy which were made by the Remco in 2020 are reflected in the relevant sections below. To the extent that some parts of the policy were not changed during 2020, these sections will remain the same.

 The remuneration policy applied in 2020 is set out in the 2019 remuneration report, which is available at www.quantumfoods.co.za/company-documents.

The implementation of this remuneration policy in 2020 is set out in part 3 of this report.

REMUNERATION GOVERNANCE

The Remco is constituted as a committee of the Board and is responsible for the Group's remuneration policy. The Remco consists of three non-executive directors ("NEDs"), all of whom are independent. The Remco is chaired by an independent NED.

The duties and responsibilities of the Remco primarily revolve around the organisation-wide remuneration policy and implementation. The Remco performs the following main functions:

- Maintaining and approving human resource policies
- 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 the executive committee
- Determining performance targets for STIs
- Determining the outcome of STI performance targets
- Determining the number of awards to be made to participants under the SAR Plan
- Determining the outcome of LTI performance conditions
- Ensuring that all remuneration packages are fair, market-related and responsible
- Ensuring that directors' remuneration is accurately, completely and transparently disclosed and reported on
- Establishing the criteria to evaluate the performance of the executive committee and directors
- Evaluating and approving the Group's remuneration philosophy, strategy and policy

A detailed list of the Remco's duties and responsibilities is set out in its committee charter. These should be read together with the remuneration policy.

 The committee charter and remuneration policy are available online at www.quantumfoods.co.za/company-documents.

At a minimum, the Remco meets twice every financial year. Selected individuals may attend these meetings by invitation from the Remco but recuse themselves when decisions on their own remuneration is taken.

 The membership and meeting attendance records of the Remco are disclosed in the corporate governance report on page 60.

Remuneration philosophy incorporating fair and responsible remuneration

Quantum Foods' remuneration framework supports the delivery of the Company's business strategy. The Remco's remuneration approach combines talent development, career growth opportunities, recognition of performance, and a corporate culture driven by performance and value creation. The remuneration philosophy is determined on an organisation-wide basis.

Quantum Foods aims to ensure that its remuneration policy (as part of its employee value proposition) is competitive enough to make it an employer of choice. Quantum Foods rewards individual, team and business performance, and encourages superior performance across the Group.

Fair and responsible remuneration

The Remco observes the principle of fair and responsible remuneration. The Remco continually examines innovative methods to ensure that remuneration paid to executive directors is in line with the market and that it is justifiable in the context of overall employee remuneration.

In line with the provisions of the Employment Equity Act, No. 55 of 1998, as amended ("Employment Equity Act"), the Remco oversees the results of the Company's TASK and ExecEval grading system. This system enables the Remco to evaluate whether an employee's remuneration is in line with his or her peers within the same job category to identify and correct any unjustifiable differentials. This supports the principle of equal pay for work of equal value espoused in the Employment Equity Act.

Quantum Foods has a human resources strategy that supports career progression and the development of upcoming talent. Through its talent development programme (in partnership with certain institutions of higher education), students studying for qualifications in animal production participate in the Group's internship programme. Students studying towards tertiary qualifications in the areas of agriculture and science are supported by the bursary programme. The apprenticeship programme has the training of artisans as a specific area of focus. Preference is given to students who will enhance the Group's transformation profile.

REMUNERATION FRAMEWORK

The remuneration framework consists of total guaranteed package ("TGP") benefits and, depending on an employee's job category and seniority, variable remuneration. Profitability and efficient business processes are the key Group performance indicators for reward. Individual performance indicators are determined according to the key measurable areas which contribute to overall Group performance and strategy execution.

The different components of remuneration, their link to Quantum Foods' business strategy and their positive outcomes in the economic, social and environmental context within which the Group operates, are summarised in the table below:

Component	Policy and link to business strategy
<p>TGP (fixed; applicable to all sectoral and non-sectoral employees)</p> <p>Social – ensuring the necessary skills for optimal people capacity and culture.</p>	<p>Aimed at attracting and retaining talent and ensuring competitiveness.</p> <p>Quantum Foods participates in a reputable South African salary survey and benchmarks total remuneration packages against the market value applicable to various job categories every second year. TGP is generally referenced to the job family market median. The survey and benchmark used is the REMChannel@ Survey. The Remco is satisfied that this survey and benchmark is appropriate in the context of Quantum Foods and its business. Internal salary positioning is based on factors that include work experience, competence, performance, internal historical factors and market influences.</p> <p>Collective bargaining agreements for unionised employees are negotiated annually.</p> <p>The average salary for each job category is reviewed annually, bearing in mind the affordability restraints of the Company.</p> <p>The survey and benchmark that is used in determining executive directors' remuneration is PwC's executive directors' remuneration practices and trends report which they publish on their website during June/July of each year. The Remco is satisfied that the use of this report is appropriate in the context of Quantum Foods and its business.</p>
<p>Benefits (fixed)</p> <p>Social – allowing employees the flexibility of structuring benefits according to individual requirements.</p>	<p>Benefits form part of TGP and include medical aid, retirement fund contributions, disability and life insurance, as well as additional benefits such as travel and cellphone allowances. Contributions are made according to statutory requirements and fund-specific rules.</p> <p>Employees receive a long-service bonus equal to one month's TGP for every completed 10 years of service. Employees receive a 13th cheque as part of their TGP. They can either elect to receive the 13th cheque on a once-off basis in December of every year, or have it paid to them in equal instalments over a 12-month period.</p>

Component	Policy and link to business strategy																				
<p>STIs (variable)</p> <p>Economic – drives sound operational efficiency that assist the Group’s ability to recover rising input costs and improved returns on the asset base. This enables the creation of shareholder value.</p>	<p>The STI constitutes a performance bonus. This bonus is designed to motivate and reward senior management for their contribution to the achievement of targets related to main business drivers, ultimately increasing shareholder value.</p> <p>Performance conditions:</p> <ul style="list-style-type: none"> HEBTPS target – the calculation for the achievement of the target is based on an audited and agreed comparative base for the previous financial year. HEBTPS has a 50% weight. The HEBTPS measure has been retained for the 2021 year. Growth in economic profit (“EP”) – the growth 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. EP has a 25% weight. The EP measure has been retained for the 2021 year. 25% operational efficiency – the efficiency calculation is based on targets set for the percentage of second-grade eggs sold at egg packing stations, day-old chicks produced per broiler-type breeder hen placed at the start of the laying cycle, layer-type hen production efficiency, and operating cost management. Each of the four operational efficiency measures contribute one quarter to the overall operational efficiency performance measure. The operational efficiency measures have been retained for the 2021 financial year and have a 25% weight. <p>Details are set out in the STI section on page 75.</p> <ul style="list-style-type: none"> Separate targets for HEBTPS and operational efficiency are set for STI participants employed in the Group’s other African operations to align the earnings achieved in each region. Growth in EP is also measured by country. Executive management determine the HEBTPS, EP and operational efficiency targets for the operations in Mozambique, Zambia and Uganda. <p>The table below provides more detail on the measurement of STI across the Group:</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th></th> <th>HEBTPS</th> <th>EP</th> <th>Operational efficiency</th> </tr> </thead> <tbody> <tr> <td>CEO, CFO and executives</td> <td>Group target</td> <td>Group target</td> <td>RSA target</td> </tr> <tr> <td>Other RSA participants</td> <td>Group target</td> <td>Group target</td> <td>RSA target</td> </tr> <tr> <td>African country manager</td> <td>Group target</td> <td>Group target</td> <td>Country target</td> </tr> <tr> <td>Other African participants</td> <td>Country target</td> <td>Country target</td> <td>Country target</td> </tr> </tbody> </table>		HEBTPS	EP	Operational efficiency	CEO, CFO and executives	Group target	Group target	RSA target	Other RSA participants	Group target	Group target	RSA target	African country manager	Group target	Group target	Country target	Other African participants	Country target	Country target	Country target
	HEBTPS	EP	Operational efficiency																		
CEO, CFO and executives	Group target	Group target	RSA target																		
Other RSA participants	Group target	Group target	RSA target																		
African country manager	Group target	Group target	Country target																		
Other African participants	Country target	Country target	Country target																		
<p>LTIs (variable)</p> <p>Economic – drives share price growth and by extension, the creation of shareholder value.</p>	<p>The LTI consists of an Equity-Settled SAR Plan designed to attract and retain talent over the long term, as well as align the interests of employees with that of shareholders. Participation in the LTI is restricted to the CEO, CFO, executive committee and a small percentage of the Group’s senior management.</p> <p>50% of the SAR award is subject to performance conditions set out below. The remaining 50% is subject to continued employment. SARs vest in equal tranches over a three, four and five year period. As the SAR Plan includes an inherent hurdle based on share price growth, no value will accrue to participants regardless of the performance or continued employment conditions being met, should the share price not grow over a three to five-year period from the grant date.</p> <p>Performance condition measured over three, four and five year performance periods respectively:</p> <ul style="list-style-type: none"> Growth in Group HEPS – the hurdle for vesting is compound average growth (“CAGR”) in HEPS of higher than the CPI, plus 1% growth with full vesting at CPI plus 5% growth. <p>The Board has the discretion to 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.</p>																				

Pay mix

The pay mix for senior executives comprises a combination of TGP and variable pay. A sufficient portion of the pay mix is “at risk” to incentivise executives to meet financial performance targets and realise the Company’s business strategy. The STI portion drives the achievement of share price growth in the short term, while the LTI portion incentivises long-term share price growth and alignment with shareholders. At lower levels, the on-target pay mix is weighted towards TGP.

TGP

The TGP and benefits offered by Quantum Foods are summarised in the aforementioned remuneration framework. Several employees fall within collective bargaining units. Therefore, their remuneration is determined outside of the remuneration policy and is subject to the applicable collective bargaining agreement. All South African employees participate in a retirement scheme and a voluntary medical aid scheme.

ANNUAL REVIEWS AND TGP INCREASES

Annual reviews of TGP consider inflation, current market conditions, an employee’s financial and non-financial individual performance against pre-set goals, as well as the performance of the Group. Increases are limited to an approved budget, and executive increases are considered within the context of average increases for employees throughout the Group. Employees whose individual performance falls below an acceptable standard will not be eligible for an increase. This is determined through the Company’s performance management process.

STIs

Based on business and individual performance, executives and selected senior managers may participate in the STI. A maximum bonus pool is calculated annually to govern

the total amount of the STIs that can become payable to participants. The maximum bonus pool is calculated based on the participant’s cost to company, as well as the maximum earning potential depending on the participant’s level. The actual bonus pool for the HEBTPS and EP components is self-funding, meaning that the achievement of targets is calculated after taking the actual bonus pool expense into account. The portion of the actual bonus pool dependent on achievement of operational efficiency targets, however, is not dependent on the achievement of HEBTPS or EP targets and is determined separately.

EARNINGS POTENTIAL FOR STI

The table below sets out the earning potential (as a % of TGP) of participants:

Position	Maximum earnings potential for STI (as a % of TGP)*
CEO	100%
CFO and executives	75%
Senior management	15% or 35%

* The percentage of TGP that will be earned as STI should stretch performance be achieved for all three elements in the table below. Linear vesting from 0% applies for partial achievement of performance measures.

Senior management with significant responsibility have a maximum STI earning potential of 35% of TGP, and selected other senior management have a maximum STI earning potential of 15% of TGP should stretch performance targets be achieved.

2021 STI PERFORMANCE MEASURES

The Remco has changed the measurement for the achievement of financial and operational targets for the STI for 2021. The STI is based on three performance measures that are applicable to all eligible employees, as set out in the table below:

Performance measure	Weighting	On-target performance	Stretch performance
Achievement of the Group’s HEBTPS target	50%	102.4* cents per share	115.1* cents per share
Growth in the Group’s EP	25%	25% of the three-year rolling average improvement in EP is included in the bonus pool.	
Achievement of operational efficiency targets	25%	Based on breed standards for day-old broiler chick production, as well as targets for the percentage of second-grade eggs sold at the egg packing stations, layer-type hen production efficiency and operating cost management. See further details in the operational targets section on page 76.	

* Targets for 2021. At performance of HEBTPS of 102.4 cents per share or lower, the bonus will be 0%. The measurement of HEBTPS is impacted by the actual weighted average number of shares (excluding treasury shares held) in issue.

An employee’s individual performance score, which is measured in line with his or her individual performance contract, must be at least satisfactory to participate in any STI pay-out. Individual performance targets are determined and evaluated by the employee’s manager on a six-monthly basis. These targets are the basis of the performance contract of a specific employee. A percentage achievement of at least 65% is required for a satisfactory performance score and participation in any STI pay-out. These performance conditions are considered to be sufficiently stretching and appropriate to Quantum Foods’ business model.

HEBTPS targets

In determining the HEBTPS target for 2021, the Remco considered the expected pressure on 2021 earnings resulting from the significant increase in the cost of feed raw materials in the second half of the 2020 calendar year. Earnings from the egg business is expected to be impacted not only by the expected increase in the cost of production but also the pressure on egg selling prices due to the projected imbalance in the supply and demand of eggs and a weak economy during the next financial year. Based on the historical performance of the Group, the Remco considers the HEBTPS target set for 2021 to be sufficiently stretching.

The hurdle rates for HEBTPS, the percentage of growth in EP included in the bonus pool, and operational efficiency targets are determined annually by the Remco to establish minimum and maximum potential bonus pay-outs.

Operational targets

Breeder performance of broiler-type hens is measured as the number of day-old chicks produced per breeder hen placed at the start of the laying cycle.

Packing station efficiency is measured based on the percentage of eggs sold that are second grade.

The egg production efficiency of layer-type hens' measurement is aligned with the internationally recognised performance efficiency factor ("PEF") calculation used to measure the production efficiency of broiler-type birds. The measurement incorporates the actual number of eggs produced per hen housed at the start of the laying cycle ("Eggs/HH"), the feed conversion ratio ("FCR") achieved during the laying cycle and the livability ("LIVE") achieved during the laying cycle. These three factors are included in a calculation and expressed as a target for the Layer Productivity Index ("LPI").

The target for operating cost increases per unit is based on a weighted average increase per unit produced by the Group's different South African operations.

Targets are commercially sensitive and therefore not disclosed. The Remco considers the targets to be sufficiently stretching to ensure that, if achieved, they would optimise Group profitability.

The 2021 weighting of the operational targets will be:

Target	Weighting %
LPI	25
Egg packing station efficiency	25
Broiler breeder hen efficiency	25
Operating cost management	25

The Remco considers these measurements as the most important in each of the businesses to increase earnings and realise the Company's business strategy.

Remco discretion

The Remco has the discretion to review STI payments in the interest of all stakeholders. This decision may be guided by contextual realities that may have impacted the performance of the Group in the year under review and will be justifiably applied in exceptional circumstances.

Malus and clawback

STI payments will either be forfeited or the after-tax benefit will be clawed back should STI payments have been made for a period of 24 months after a trigger event.

A trigger event, at the absolute discretion of the Remco, means any event to which the participant contributed and that resulted in:

- A wilful material misstatement of the financial results of the Company and/or any subsidiary;
- A material failure in the risk management of the Company and/or any subsidiary; and/or
- Fraudulent or dishonest conduct.

LTIs

Selected employees, including executives, are given the opportunity to participate in the SAR Plan at the sole discretion of the Board.

SAR

Shareholders approved the rules of the SAR Plan, in compliance with the JSE Listings Requirements. In terms of the SAR Plan, selected employees are granted the opportunity to receive shares in the Company. The value of their awards is based on the future increase in the value from the strike price at the award date to the share price at the exercise date. Special dividends declared between the award date and vesting date are added to the share price at the exercise date to determine the value of an award. The SAR Plan is intended to promote the continued financial growth of the Group. The Remco determines the allocation to qualifying employees on an annual basis.

Rule changes approved at the February 2020 AGM

In 2020, shareholders approved amendments to the SAR Plan, which incorporated malus and clawback into the SAR Plan. No changes to the SAR Plan will be proposed at the February 2021 AGM.

LTI allocation methodology

The SAR allocation levels are set out below:

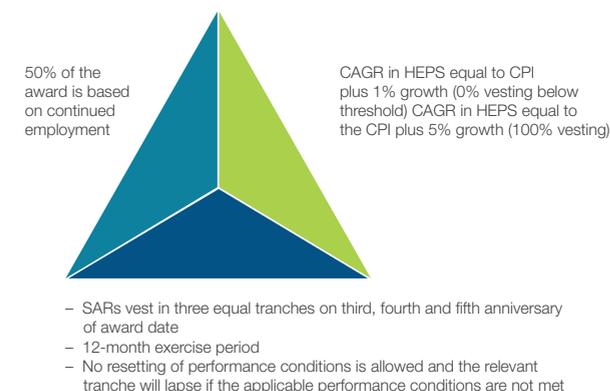
Position	SAR allocation level (as a multiple of TGP)
CEO	7
CFO and executives	3
Senior management	1

Multiples of annual TGP are used to determine the annual allocation of SARs to qualifying employees. Employees are "topped up" each year to ensure that their unvested SARs are equal in face value to the multiple. In determining annual top-up allocations, only unvested past allocations and their face value when allocated are included in the calculation. Top-up awards are made annually.

Vesting profile, performance period and conditions for vesting

The SARs vest in equal tranches over three, four and five years respectively. Similarly, the performance conditions for each tranche is measured over three, four and five year performance periods, which are aligned to the financial years.

The performance conditions for the 2021 grant of SARs are illustrated below:



For more detail regarding the calculation of the SAR allocation levels, please refer to the SAR Plan Rules, which are accessible at www.quantumfoods.co.za/company-documents.

Settlement

Quantum Foods may settle SAR awards on the exercise date by issuing additional shares or purchasing shares in the market for transfer to qualifying employees.

Dilution limit

The total number of ordinary shares that may be transferred to qualifying employees under the SAR Plan is limited to 14.5 million shares, which amounts to 7.25% of Quantum Foods' issued share capital at 30 September 2020. The individual employee limit is 4.5 million shares, which amounts to 2.25% of the Company's issued share capital.

Early termination

For fault leavers as defined in the SAR Plan, vested but unexercised SARs may be exercised within 30 days of termination of employment. All SARs (vested and unvested) will lapse thereafter. For no fault leavers as defined in the SAR Plan, the participant will be entitled to the same rights, and subject to the same conditions, as they would have been if they remained employed by the Company.

Malus and clawback

LTI benefits will either be forfeited or the after-tax benefit clawed back should shares have been transferred to participants for a period of 24 months after a trigger event. A trigger event, at the absolute discretion of the Remco, means any event to which the participant contributed and that resulted in:

- A wilful material misstatement of the financial results of the Company and/or any subsidiary
- A material failure in the risk management of the Company and/or any subsidiary
- fraudulent or dishonest conduct

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

Executive directors' service agreements are prepared with input from the Remco. These service agreements are similar to employment agreements for most other employees, apart from having a longer notice period of three months versus one month for most other employees. The three-month period applies to executive directors (including the CEO), as well as all senior managers.

Executive directors' service agreements do not contain restraint of trade provisions – this includes the service agreement for the CEO. Sign-on awards will only be made in exceptional circumstances to attract extraordinary talent. No such awards have been made to date. Executive contracts do not contain provisions that require the Remco to make severance or balloon payments on termination of employment. Executives may serve on the boards of other companies as NEDs with the approval of the CEO. This approval will only be given in limited instances that will not impact the execution of executive responsibilities.

NON-EXECUTIVE DIRECTORS' FEES

NEDs are paid a quarterly retainer fee in cash. Fees are paid for being a Board member and also for each committee on which the Board member serves. The fee reflects the NEDs' assigned responsibilities. The fee is evaluated annually, and every two years movements are informed using PwC's NEDs' fees practices and trends report which they publish on their website during January of each year. The Remco is satisfied that the use of this report is appropriate in the context of Quantum Foods and its business. NEDs are paid an all-inclusive retainer fee and are not paid per meeting. NEDs do not receive supplementary fees for an increased workload or *ad hoc* meeting attendance; however, NEDs are reimbursed for any related disbursements.

The table below sets out the fees approved by shareholders at the February 2020 AGM and the fees that will be proposed to shareholders at the February 2021 AGM.

	Fees from 1 April 2021 Rand (exclusive of VAT)	Fees from 1 April 2020 until 31 March 2021 Rand (exclusive of VAT)
Chairman of the Board	374 260	359 000
Lead independent director	321 100	308 000
Committee chairman	64 220	61 600
Committee member	59 420	57 000
Board member (not serving on a committee)	266 150	255 300

SHAREHOLDER ENGAGEMENT METHODS

In line with the King IV Report on Corporate Governance™ for South Africa, 2016 and the JSE Listings Requirements, the remuneration policy and implementation report will be placed before shareholders for two separate non-binding advisory votes. In the event that 25% or more of shareholders vote against either of or both the remuneration policy and implementation report, the Remco will initiate communication with shareholders via a SENS announcement following the AGM. This communication will aim to determine and address shareholders' concerns, including the manner and timing of the engagement. The Remco may, *inter alia*, schedule a meeting with dissenting shareholders to discuss their concerns, if it is practical to do so.

Considering feedback from shareholders, the Remco reserves the right to modify aspects of the remuneration framework in line with best practice and shareholders' interests.

Implementation of the remuneration policy in 2020

TGP

The Remco approved a salary increase mandate of 5% (2019: 6%) of total cost to company for non-sectoral employees and executives, and a 5% (2019: 6%) basic pay increase for sectoral employees.

STI OUTCOMES

R18.65 million of the R25.84 million STI bonus pool cap accrued to participants.

The R18.65 million comprised an amount of R18.51 million for participants measured against the Group's and South Africa's operational performance as well as an amount of R0.14 million for participants measured against the Group's other African businesses' performance.

The table below sets out the STI performance outcomes of participants measured on Group and South African operational efficiency for 2020:

	Weighting %	Target performance	Stretch performance	Actual performance	Actual achievement (% of measure)	STI outcome (% of STI)
Group and SA operations HEBTPS	50%	110.0 cents	123.3 cents	118.9 cents	66.6	33.3
EP	25%			Three year rolling average improvement is R23.4 million	90.6	22.6
Operational efficiency	25%			See page 79	75.0	18.8
Total	100%					74.7

The table below sets out further details on the achievement of operational efficiency targets:

Performance measure	Weighting	Actual achievement (%)
Chicks per hen housed – broiler breeders	1/4	0
Layer hen productivity	1/4	100
Egg packing station efficiency	1/4	100
Operating cost management	1/4	100
Weighted average achievement	100%	75

Different targets are set for each of the other African businesses and the table below provides a summary of the STI outcome of 2020. Weaker operational and financial performance especially from the breeder businesses in Uganda and Zambia, is reflected in the STI outcomes below.

Performance measure	Weighting	Actual achievement %	STI outcome %
HEBTPS	50	0	0
EP	25	0	0
Operational efficiency	25	22.9	5.7
Total	100	22.9	5.7

The table below sets out the STIs of executive directors and prescribed officers in 2020, based on the achievement of performance targets:

Participant	Maximum STI earning potential (as a % of TGP)*	Achievement of performance conditions %	Actual STI (as % of TGP)	2020 STI amount included in single figure table R'000
HA Lourens	100	74.7	74.7	2 910
AH Muller	75	74.7	56.0	1 390
HE Pether	75	74.7	56.0	860

LTI OUTCOMES

The first tranche of SARs granted in 2017, the second tranche of SARs granted in 2016 and the third tranche of SARs granted in 2015 vested in 2020. The tables below set out the achievement of the performance conditions for the SAR awards that vested in 2020.

2017 grant	Threshold	Stretch	Actual
Performance measure = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	CPI plus 43.8% growth
2017 SAR allocation*	33.4 cents	37.3 cents	92.3 cents**
Vesting (%)	0	100	100
Vesting date		23 February 2020	
Performance period	1 October 2016 to 30 September 2019		
Employment period	23 February 2017 to 23 February 2020		

* 2017 adjusted HEPS was 28.2 cents per share

** 2019 HEPS

2016 grant	Threshold	Stretch	Actual
Performance measure = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	CPI plus 9.3% growth
2016 SAR allocation*	68.3 cents	79.2 cents	92.3 cents**
Vesting (%)	0	100	100
Vesting date		18 February 2020	
Performance period	1 October 2015 to 30 September 2019		
Employment period	18 February 2016 to 18 February 2020		

* 2016 adjusted HEPS was 54.0 cents per share

** 2019 HEPS

2015 grant	Threshold	Stretch	Actual
Performance measure = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	CPI plus 21.9% growth
2015 SAR allocation*	37.5 cents	45.1 cents	92.3 cents**
Vesting (%)	0	100	100
Vesting date		27 February 2020	
Performance period	1 October 2014 to 30 September 2019		
Employment period	27 February 2015 to 27 February 2020		

* 2015 adjusted HEPS was 28.1 cents per share

** 2019 HEPS

LTIs granted during 2020

During the year under review, 7 501 264 SARs, at a strike price of R3.56 per share, were granted. The baseline HEPS of 92.3 cents per share for the 2020 allocation is the actual HEPS recorded for 2019. The Board did not increase the baseline HEPS for the 2020 allocation. Therefore, the total 100% vesting for the performance component of the 2020 allocation will be realisable at CAGR in HEPS of CPI plus 5% from the baseline of 92.3 cents per share.

Unvested LTIs

The table below discloses the number of each executive director and prescribed officer's LTIs at 30 September 2020, whether allocated, settled, or forfeited, as well as the value of SARs exercised during the year and an indicative value of SARs not yet settled. The indicative value of the closing number of SARs was calculated based on the number of SARs at the Company's volume weighted average share price for the three days ended 30 September 2020, less the grant price of the particular SARs granted. Special dividends of 22 cents per share for 2017, special dividends of 49 cents per share for 2018 and special dividends of 10 cents per share for 2019 are included in the indicative value calculated.

Date awarded		Granted during the year	Grant/strike price Cents	Forfeited during the year	Vested during the year	Number exercised during the year	Exercise price	Cash value of instruments on exercise R'000	Closing number	Indicative value R'000
HA Lourens										
2015/02/27	Note 1	258 124	-	315	-	258 124	258 124	421	275	-
2016/02/18	Note 2	422 828	-	266	-	422 828	211 412	430	346	211 416
2017/02/23	Note 3	2 280 786	-	309	-	760 262	760 262	430	917	1 520 524
2018/02/22	Note 4	2 267 972	-	391	-	-	-	-	-	2 267 972
2019/02/11	Note 5	1 912 728	-	425	-	-	-	-	-	1 912 728
2020/02/17	Note 6	-	1 404 498	357	-	-	-	-	-	1 404 498
AH Muller										
2015/02/27	Note 1	159 286	-	315	-	159 286	159 286	418	165	-
2016/02/18	Note 2	125 268	-	266	-	62 634	62 634	580	197	62 634
2017/02/23	Note 3	510 736	-	309	-	170 244	170 244	580	461	340 492
2018/02/22	Note 4	656 978	-	391	-	-	-	-	-	656 978
2019/02/11	Note 5	497 266	-	425	-	-	-	-	-	497 266
2020/02/17	Note 6	-	433 542	357	-	-	-	-	-	433 542
HE Pether										
2015/02/27	Note 1	74 802	-	315	-	74 804	74 802	579	198	-
2016/02/18	Note 2	81 460	-	266	-	40 730	40 730	579	128	40 730
2017/02/23	Note 3	402 570	-	309	-	134 190	134 190	579	362	268 380
2018/02/22	Note 4	345 174	-	391	-	-	-	-	-	345 174
2019/02/11	Note 5	315 264	-	425	-	-	-	-	-	315 264
2020/02/17	Note 6	-	273 492	357	-	-	-	-	-	273 492

Note 1: Vesting in three equal tranches on 27/02/2018, 27/02/2019 and 27/02/2020. Awards must be exercised within 12 months of vesting.

Note 2: Vesting in three equal tranches on 18/02/2019, 18/02/2020 and 18/02/2021. Awards must be exercised within 12 months of vesting.

Note 3: Vesting in three equal tranches on 23/02/2020, 23/02/2021 and 23/02/2022. Awards must be exercised within 12 months of vesting.

Note 4: Vesting in three equal tranches on 22/02/2021, 22/02/2022 and 22/02/2023. Awards must be exercised within 12 months of vesting.

Note 5: Vesting in three equal tranches on 11/02/2022, 11/02/2023 and 11/02/2024. Awards must be exercised within 12 months of vesting.

Note 6: Vesting in three equal tranches on 17/02/2023, 17/02/2024 and 17/02/2025. Awards must be exercised within 12 months of vesting.

The table below discloses the number of each executive director and prescribed officer's LTIs at 30 September 2019, whether allocated, settled or forfeited, as well as the value of SARs exercised during the year and an indicative value of SARs not yet settled. The indicative value of the closing number of SARs was calculated based on the number of SARs at the Company's year-end share price, less the grant price of the particular SARs granted. Special dividends of 22 cents per share for 2017 and special dividends of 49 cents per share for 2018 are included in the indicative value calculated.

Date awarded	Opening number	Granted during the year	Grant/strike price Cents	Forfeited during the year	Vested during the year	Number exercised during the year	Exercise price	Cash value of instruments on exercise R'000	Closing number	Indicative value R'000	
HA Lourens											
2015/02/27	Note 1	516 250	–	315	–	258 126	258 126	436	313	258 124	312
2016/02/18	Note 2	634 240	–	266	–	211 412	211 412	421	327	422 828	719
2017/02/23	Note 3	2 280 786	–	309	–	–	–	–	–	2 280 786	2 897
2018/02/22	Note 4	2 267 972	–	391	–	–	–	–	–	2 267 972	522
2019/02/11	Note 5	–	1 912 728	425	–	–	–	–	–	1 912 728	Nil
AH Muller											
2015/02/27	Note 1	318 570	–	315	–	159 284	159 284	436	193	159 286	193
2016/02/18	Note 2	187 902	–	266	–	62 634	62 634	423	98	125 268	213
2017/02/23	Note 3	510 736	–	309	–	–	–	–	–	510 736	649
2018/02/22	Note 4	656 978	–	391	–	–	–	–	–	656 978	151
2019/02/11	Note 5	–	497 266	425	–	–	–	–	–	497 266	Nil
HE Pether											
2015/02/27	Note 1	224 410	–	315	–	74 804	149 608	441	188	74 802	91
2016/02/18	Note 2	122 190	–	266	–	40 730	40 730	423	64	81 460	138
2017/02/23	Note 3	402 570	–	309	–	–	–	–	–	402 570	511
2018/02/22	Note 4	345 174	–	391	–	–	–	–	–	345 174	79
2019/02/11	Note 5	–	315 264	425	–	–	–	–	–	315 264	Nil

Note 1: Vesting in three equal tranches on 27/02/2018, 27/02/2019 and 27/02/2020. Awards must be exercised within 12 months of vesting.
 Note 2: Vesting in three equal tranches on 18/02/2019, 18/02/2020 and 18/02/2021. Awards must be exercised within 12 months of vesting.
 Note 3: Vesting in three equal tranches on 23/02/2020, 23/02/2021 and 23/02/2022. Awards must be exercised within 12 months of vesting.
 Note 4: Vesting in three equal tranches on 22/02/2021, 22/02/2022 and 22/02/2023. Awards must be exercised within 12 months of vesting.
 Note 5: Vesting in three equal tranches on 11/02/2022, 11/02/2023 and 11/02/2024. Awards must be exercised within 12 months of vesting.

Reconciliation of LTI

The table below details the number of shares transferred to participants to settle the LTI and the remaining number of shares available for transfer to participants:

Total number of shares that may be transferred to settle the LTI	14 500 000
Number of shares transferred in 2018	(212 396)
Number of shares transferred in 2019	(1 309 899)
Number of shares transferred in 2020	(2 643 138)
Remaining number of shares that may be transferred to settle the LTI	10 334 567

REMUNERATION OUTCOMES FOR 2020

The table below sets out the single figure remuneration (i.e. TGP (basic salary and benefits), STI and LTI) received by executive directors and prescribed officers in 2020 and 2019, respectively:

30 September 2020	Basic salary R'000	Benefits R'000	STI R'000	LTI R'000	Directors' fees R'000	Total R'000
HA Lourens	3 418	432	2 910	1 538	–	8 298
AH Muller	2 130	323	1 390	822	–	4 665
HE Pether	1 195	321	860	688	–	3 064
Total	6 743	1 076	5 160	3 048	–	16 027

30 September 2019	Basic salary R'000	Benefits R'000	STI R'000	LTI R'000	Directors' fees R'000	Total R'000
HA Lourens	3 234	413	3 143	640	–	7 430
AH Muller	2 019	311	1 502	292	–	4 125
HE Pether	1 149	289	928	252	–	2 618
Total	6 402	1 013	5 573	1 184	–	14 173

NED FEES

The table below sets out the fees paid to NEDs:

Name	2020 R'000	2019 R'000
WA Hanekom	457	428
N Celliers	223	282
Prof. ASM Karaan	361	338
PE Burton	365	390
GG Fortuin	301	282
T Golden	246	175
LW Riddle	Nil	Nil

Mr. N Celliers resigned on 19 June 2020, Mr. PE Burton resigned on 17 August 2020 and Mr. LW Riddle was appointed on 28 September 2020.

Approval

The Remco is satisfied that there were no material deviations from the remuneration policy during 2020. This remuneration report was approved by the Remco on 13 November 2020.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Directors' 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 2020, from which these summary consolidated financial statements have been derived, were prepared in accordance with IFRS and comply with the requirements of the Companies Act and the JSE Listings Requirements.

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

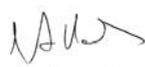
The Board is ultimately responsible for the internal control processes of Quantum Foods. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to 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.

The directors confirm that the Company is in compliance with the provisions of the Companies Act, specifically relating to its incorporation and operates in compliance with its memorandum of incorporation.

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, which includes the evaluation and expected impact of the COVID-19 pandemic on the Group, 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 25 November 2020 and are signed on its behalf by:



HA 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 2020. 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 of the Company. A copy of the full audited annual financial statements of the Group is available on www.quantumfoods.co.za/financial-reports/

COMPANY SECRETARY CERTIFICATE

In accordance with section 88 of the Companies Act, for the year ended 30 September 2020, 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.



MO Gibbons
Company Secretary

25 November 2020

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, the JSE Listings Requirements and responsibilities highlighted in King IV.

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, JSE Listings Requirements as well as those highlighted in King IV.

Members of the audit and risk committee

As at 30 September 2020, the committee comprised three independent non-executive directors namely, Prof. ASM Karaan, Mr. GG Fortuin and Mr. LW Riddle.

These members will retire and avail themselves for election or re-election at the seventh AGM of the Company 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 IV.

The chairman of the Board, Group chief executive officer and the chief financial officer are permanent invitees to the committee meetings. 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 internal and external auditors attend the relevant meetings of the committee.

Meetings

The committee held three meetings during the year. Attendance of the meetings are shown on page 60 of this integrated report. The internal and external auditors attended the committee meetings in their capacity as assurance providers.

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, JSE Listings Requirements and King IV:

- Reviewed the interim, provisional 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, No. 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.
 - Considered the solvency and liquidity requirement of the Companies Act in recommending proposed dividends to the Board.
- Reviewed the external audit reports on the consolidated annual financial statements.
- Reviewed the reports issued by the JSE on the proactive monitoring of 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.
- Reviewed and confirmed that the non-audit services provided by the external auditors were not material. Any non-audit services to be performed above R500 000 must be approved by the committee.
- Reviewed and confirmed the suitability and independence of PwC as audit firm and Mr. RJ Jacobs as the designated auditor of the Group as contemplated in paragraph 3.84(g)(iii) read with paragraph 22.15(h) of the JSE Listings Requirements.
- Recommended the re-appointment of PwC as the external auditor and Mr. RJ Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 94(8) of the Companies Act. 2021 will be Mr. RJ Jacobs' third year as designated auditor of the Company. The re-appointment of PwC as the recommended external auditor will be formally proposed to the shareholders at the AGM.

- Confirmed that PwC and the designated auditor are accredited by the JSE.
- Approved the external auditors fees and terms of engagement.
- Approved the agreement with the external auditors for the provision of non-audit services.
- Confirmed and approved the internal audit charter and annual risk based internal audit year plan.
- Reviewed the internal audit risk reports and fraud hotline reports.
- Reviewed and approved the risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.
- Provided oversight over the IT governance of the Group.
- Provided oversight over the combined assurance arrangements, including the external and internal auditors and satisfied itself of the effectiveness of the combined assurance model implemented by the Group.
- Reviewed the effectiveness of the internal audit function and the head of internal audit.

The committee is satisfied that sufficient time was dedicated to risk governance and that it discharged its responsibilities as set out in the charter and work plan for the period under review.

The committee is satisfied with the assurance of the internal and external auditors, with the effectiveness of the design and implementation of internal financial controls. There were no significant weaknesses noted which resulted or could result in material financial loss, fraud, corruption or error.

Internal audit

The internal audit function is a key element of the combined assurance structure. The Group outsourced its internal audit function to Deloitte & Touche. The committee was satisfied that the internal auditor fulfilled its roles and responsibilities, as outlined in the charter and the assessment of the internal control environment.

Chief financial officer and finance function

The committee considered and satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements with the appropriateness of the expertise and experience of Mr. AH Muller as chief financial officer.

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

The committee has ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating satisfactory.

Significant audit matters and quality of external audit

The committee considered and resolved that the key audit matters reported on by the external auditors are the only significant matters required for consideration of the annual financial statements. The committee is satisfied that the key audit matters reported on by the external auditors have been appropriately addressed. The committee was satisfied with the quality of the external audit.

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 accordingly.

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 84.



Mr. GG Fortuin
Chairman: Audit and risk committee

Wellington
25 November 2020

Independent auditor's report on the summary consolidated financial statements

To the shareholders of Quantum Foods Holdings Limited

Opinion

The summary consolidated financial statements of Quantum Foods Holdings Limited, set out on pages 88 to 100 of the Quantum Foods integrated report 2020, which comprise the summary consolidated statement of financial position as at 30 September 2020, 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 Limited for the year ended 30 September 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's ("JSE") requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by IFRS and the requirements of the Companies Act as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 25 November 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary 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 as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RJ Jacobs
Registered Auditor

Stellenbosch
25 November 2020

Summary consolidated statement of financial position

as at 30 September 2020

	2020 R'000	2019 R'000
ASSETS		
Non-current assets	1 222 063	1 181 521
Property, plant and equipment	1 140 282	1 160 768
Right-of-use assets	57 909	–
Intangible assets	5 832	7 722
Investment in associates	13 679	8 998
Trade and other receivables	4 035	3 356
Deferred income tax	326	677
Current assets	1 422 723	1 332 808
Inventories	297 872	288 029
Biological assets	354 511	379 596
Trade and other receivables	518 043	433 280
Derivative financial instruments	–	4 658
Current income tax	516	7 651
Cash and cash equivalents	251 781	219 594
Total assets	2 644 786	2 514 329
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent	1 885 642	1 837 412
Share capital	1 465 069	1 465 069
Treasury shares	(19 338)	(23 947)
Other reserves	(85 089)	(210 432)
Retained earnings	525 000	606 722
Total equity	1 885 642	1 837 412
Non-current liabilities	283 597	256 790
Interest-bearing liability	–	6 021
Lease liabilities	53 692	–
Deferred income tax	221 475	242 843
Provisions for other liabilities and charges	8 430	7 926
Current liabilities	475 547	420 127
Trade and other payables	444 384	420 019
Derivative financial instruments	6	–
Current income tax	12 989	–
Interest-bearing liability	–	108
Lease liabilities	18 168	–
Total liabilities	759 144	676 917
Total equity and liabilities	2 644 786	2 514 329

Summary consolidated statement of comprehensive income

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Revenue	3	5 095 085	4 417 674
Cost of sales		(3 945 221)	(3 395 377)
Gross profit		1 149 864	1 022 297
Other income		10 655	9 915
Other gains/(losses) – net	4	92 500	149 517
Sales and distribution costs		(263 434)	(251 995)
Marketing costs		(13 941)	(13 278)
Administrative expenses		(140 610)	(126 517)
Other operating expenses		(616 566)	(544 706)
Operating profit		218 468	245 233
Investment income		6 010	15 102
Finance costs		(8 579)	(3 959)
Share of (loss)/profit of associate companies		(432)	209
Profit before income tax		215 467	256 585
Income tax expense		(60 568)	(67 390)
Profit for the year		154 899	189 195
Other comprehensive income for the year			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve		(1 714)	(1 227)
For the year		41 349	26 178
Deferred income tax effect		1	(1 426)
Current income tax effect		(11 579)	(5 903)
Realised to profit or loss		(43 730)	(27 883)
Deferred income tax effect		1 427	18
Current income tax effect		10 818	7 789
Movement in foreign currency translation reserve			
Currency translation differences		(45 680)	13 080
Total comprehensive income for the year		107 505	201 048
Profit for the year attributable to owners of the parent		154 899	189 195
Total comprehensive income for the year attributable to owners of the parent		107 505	201 048
Earnings per ordinary share (cents)	5	80.1	92.6
Diluted earnings per ordinary share (cents)	5	77.6	91.3

Summary consolidated statement of changes in equity

for the year ended 30 September 2020

	2020 R'000	2019 R'000
Share capital and treasury shares	1 445 731	1 441 122
Opening balance	1 441 122	1 498 707
Shares repurchased and cancelled	–	(35 179)
Ordinary shares acquired by subsidiary	(4 296)	(27 368)
Ordinary shares transferred – share appreciation rights	8 905	4 962
Other reserves	(85 089)	(210 432)
Opening balance	(210 432)	(226 402)
Other comprehensive income for the year	(47 394)	11 853
Common control reserve reclassified to retained earnings	167 877	–
Recognition of share-based payments	14 746	8 090
Ordinary shares transferred – share appreciation rights	(9 886)	(3 973)
Retained earnings	525 000	606 722
Opening balance	606 722	582 086
Adjustment to opening retained earnings*	(9 864)	(795)
Profit for the year	154 899	189 195
Dividends paid	(59 861)	(162 775)
Common control reserve reclassified to retained earnings	(167 877)	–
Ordinary shares transferred – share appreciation rights	981	(989)
Total equity	1 885 642	1 837 412

* Refer to note 2 for details regarding the restatement of the opening balance of retained earnings on 1 October 2019.

Summary consolidated statement of cash flows

for the year ended 30 September 2020

	2020 R'000	2019 R'000
CASH FLOW FROM OPERATING ACTIVITIES	216 311	162 706
Cash profit from operating activities	332 548	329 847
Working capital changes	(70 312)	(109 244)
Cash effect of hedging activities	2 718	(6 736)
Cash generated from operations	264 954	213 867
Income tax paid	(48 643)	(51 161)
CASH FLOW FROM INVESTING ACTIVITIES	(85 413)	(140 946)
Additions to property, plant and equipment	(91 155)	(152 587)
Additions to intangible assets	–	(4)
Proceeds on disposal of property, plant and equipment	411	3 271
Advance of non-interest-bearing loan	–	(6 728)
Interest received	5 331	15 102
Cash surplus	130 898	21 760
CASH FLOW FROM FINANCING ACTIVITIES	(94 463)	(225 941)
Principal elements of lease payments (2019: principal elements of finance lease payments)	(22 441)	(98)
Shares repurchased	–	(35 179)
Treasury shares acquired by subsidiary	(4 296)	(27 368)
Interest paid	(7 909)	(724)
Dividends paid to ordinary shareholders	(59 817)	(162 572)
Increase/(decrease) in cash and cash equivalents	36 435	(204 181)
Effects of exchange rate changes	(4 248)	1 314
Cash and cash equivalents at beginning of year	219 594	422 461
Cash and cash equivalents at end of year	251 781	219 594

Notes to the summary consolidated financial statements

for the year ended 30 September 2020

Segmental analysis	2020 R'000	2019 R'000
SEGMENT INFORMATION		
Segment revenue	5 095 085	4 417 674
Eggs	1 229 592	1 095 195
Farming	1 350 043	1 325 152
Animal feeds	2 237 071	1 758 627
Other African countries	278 379	238 700
Segment results – excluding items of a capital nature	219 556	244 611
Eggs	6 254	38 341
Farming	121 505	112 087
Animal feeds	99 288	89 100
Other African countries	5 899	14 226
Head office costs	(13 390)	(9 143)
Items of a capital nature per segment included in other gains/(losses) – net (Loss)/profit on disposal of property, plant and equipment before income tax	(1 088)	622
Eggs	(1)	(96)
Farming	(267)	1 053
Animal feeds	(989)	(426)
Other African countries	169	91
Segment results	218 468	245 233
Eggs	6 253	38 245
Farming	121 238	113 140
Animal feeds	98 299	88 674
Other African countries	6 068	14 317
Head office costs	(13 390)	(9 143)
A reconciliation of the segment results to operating profit before income tax is provided below:		
Segment results	218 468	245 233
Adjusted for:		
Investment income	6 010	15 102
Finance costs	(8 579)	(3 959)
Share of (loss)/profit of associate companies	(432)	209
Profit before income tax per statement of comprehensive income	215 467	256 585

1. BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Ltd for summary financial statements, and the requirements of the Companies Act, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the South African Institute of Chartered Accountants ("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, apart from the adoption of the new and amended standards, as set out below.

The impact of the COVID-19 pandemic was considered as part of the assessment of assumptions used in accounting estimates and judgements throughout the financial statements. The Group continued to operate at full capacity throughout the COVID-19 lockdown period. The COVID-19 pandemic therefore had a minimal impact on the Group's business and the consolidated annual financial statements.

(a) New and amended standards adopted by the Group

New or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 – Leases.

The impact of the adoption of the Leases standard and the new accounting policies are disclosed below.

The other amended standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements. It also discloses the new accounting policies that have been applied from 1 October 2019, where they are different to those applied in prior periods. The Group has adopted IFRS 16 retrospectively from 1 October 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 October 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 – Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 10.2%. On adoption the Group has elected to raise temporary timing differences between lease liabilities and right-of-use assets and recognise deferred taxation.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in a measurement adjustment of R6.1 million for variable lease payments not based on an index or rate. R5.5 million of this remeasurement to the lease liabilities was recognised as an adjustment to the related right-of-use asset immediately after the date of initial application, and an adjustment to profit or loss.

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2020

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Adjustments recognised on adoption of IFRS 16 (continued)

	R'000
Operating lease commitments disclosed as at 30 September 2019	52 529
Discounted using the lessee's incremental borrowing rate at the date of initial application	(20 461)
Add: finance lease liabilities recognised as at 30 September 2019	6 128
(Less): short-term leases recognised on a straight-line basis as expense	(1 155)
(Less): low-value leases recognised on a straight-line basis as expense	(209)
Add: lease extensions (highly likely to be exercised)	45 823
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	(179)
Lease liability recognised as at 1 October 2019	82 476
Of which are:	
Current lease liabilities	20 570
Non-current lease liabilities	61 906

Right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 September 2020 R'000	1 October 2019 R'000
Land and buildings	22 849	21 817
Plant, machinery and equipment	8 600	16 149
Vehicles	26 460	29 581
Total right-of-use assets	57 909	67 547

The change in accounting policy affected the following items in the statement of financial position on 1 October 2019. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the amounts provided.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)	30 September 2019 As originally presented R'000	IFRS 16 impact R'000	1 October 2019 R'000
ASSETS			
Non-current assets	1 181 521	62 023	1 243 544
Property, plant and equipment	1 160 768	(5 524)	1 155 244
Right-of-use assets	–	67 547	67 547
Total assets	2 514 329	62 023	2 576 352
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent	1 837 412	(9 864)	1 827 548
Retained earnings	606 722	(9 864)	596 858
Non-current liabilities	256 790	51 786	308 576
Interest-bearing liability	6 021	(6 021)	–
Lease liability	–	61 906	61 906
Deferred income tax	242 843	(4 099)	238 744
Current liabilities	420 127	20 101	440 228
Trade and other payables	420 019	(361)	419 658
Interest-bearing liability	108	(108)	–
Lease liability	–	20 570	20 570
Total liabilities	676 917	71 887	748 804
Total equity and liabilities	2 514 329	62 023	2 576 352

No impact on the statement of comprehensive income.

(i) Impact on segment disclosures and earnings per share

Segment results for 30 September 2020 all included a profit as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment results R'000	Segment assets R'000	Segment liabilities R'000
Eggs	3 760	34 717	43 950
Farming	2 718	18 695	22 621
Animal feeds	2 274	4 257	5 080
Other African countries	39	240	209
	8 791	57 909	71 860

Earnings per share increased by 0.4 cents per share for the year ended 30 September 2020 as a result of the adoption of IFRS 16.

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2020

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Adjustments recognised on adoption of IFRS 16 (continued)

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to re-assess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 – Determining Whether an Arrangement Contains a Lease.

(b) The Group's leasing activities and how these are accounted for

The Group leases various farms, equipment, warehouses and delivery vehicles. Lease agreements are typically made for fixed periods of two to five years but may have extension options as described in (ii) on the following page. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis, over the period of the lease.

From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing
- Makes adjustments specific to the lease, e.g. term and security

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is re-assessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Payments associated with short-term leases, variable lease payments not based on an index or a rate in (i) below and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT-equipment.

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments

Variable lease payments relate to the lease of solar panels whereby the rental payments are 100% based on the energy generated by the solar panels. These variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(ii) Extension and termination options

Extension and termination options are included in a number of property, delivery vehicle and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. None of the lease payments made in 2020 were optional.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of R2.7 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, there were no revisions to lease terms resulting from changes in our view on extension or termination options in lease contracts.

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2020

	30 September 2020 R'000	30 September 2019 R'000
3. REVENUE		
Disaggregation of revenue from contracts with customers:		
Revenue		
Eggs	1 229 592	1 095 195
Layer farming*	237 671	197 058
Broiler farming**	1 112 372	1 128 094
Animal feeds	2 237 071	1 758 627
Zambia***	157 626	144 538
Uganda***	67 329	48 966
Mozambique****	53 424	45 196
	5 095 085	4 417 674

* Layer farming sales include the sales of day-old pullets and point-of-lay hens.

** Broiler farming sales include the sales of day-old broilers and live birds.

*** Includes the sales of animal feeds, commercial eggs and day-old chicks.

**** Includes the sale of commercial eggs.

	30 September 2020 R'000	30 September 2019 R'000
4. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	70 265	105 091
Unrealised – reflected in carrying amount of biological assets	(4 598)	790
Realised – reflected in cost of goods sold	74 863	104 301
Agricultural produce fair value adjustment	25 813	40 015
Unrealised – reflected in carrying amount of inventory	248	(2 891)
Realised – reflected in cost of goods sold	25 565	42 906
Foreign exchange differences	(64)	339
Financial instruments fair value adjustments	(33)	3 003
Foreign exchange contract cash flow hedging ineffective (loss)/gain	(2 393)	447
(Loss)/profit on disposal of property, plant and equipment	(1 088)	622
	92 500	149 517

5. EARNINGS PER ORDINARY SHARE

Basic

The calculation of basic earnings per share is based on profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year:

	30 September 2020 R'000	30 September 2019 R'000
Profit for the year	154 899	189 195
Weighted average number of ordinary shares in issue ('000)	193 291	204 298

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive contingent ordinary shares. Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share.

The calculation of diluted earnings per share is based on profit for the year, attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the year:

	30 September 2020 R'000	30 September 2019 R'000
Profit for the year	154 899	189 195
Diluted weighted average number of ordinary shares in issue ('000)	199 653	207 185

Headline earnings is calculated in accordance with Circular 1/2019 issued by SAICA.

Reconciliation between profit attributable to owners of the parent and headline earnings

	30 September 2020 R'000	30 September 2019 R'000
Profit for the year	154 899	189 195

Remeasurement of items of a capital nature
Loss/(profit) on disposal of property, plant and equipment

	30 September 2020 R'000	30 September 2019 R'000
Gross	1 088	(622)
Tax effect	(336)	68

	30 September 2020 R'000	30 September 2019 R'000
Headline earnings for the year	155 651	188 641

	30 September 2020 R'000	30 September 2019 R'000
Earnings per share (cents)	80.1	92.6
Diluted earnings per share (cents)	77.6	91.3

	30 September 2020 R'000	30 September 2019 R'000
Headline earnings per share (cents)	80.5	92.3
Diluted headline earnings per share (cents)	78.0	91.0

6. CONTINGENT LIABILITIES

Guarantees in terms of loans by third parties to contracted service providers

	30 September 2020 R'000	30 September 2019 R'000
	23 231	23 861

No litigation matters with potential material consequences exist at the reporting date.

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2020

7. FUTURE CAPITAL COMMITMENTS

Capital expenditure approved by the Board and contracted for amounts to R27.0 million (2019: R14.6 million). Capital expenditure approved by the Board but not yet contracted for amounts to R135.5 million (2019: R86.0 million).

8. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final gross cash dividend of 10.0 cents per ordinary share was approved and declared by the Board for the year ended 30 September 2020, on 26 November 2020. 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, No. 58 of 1962.

Dividends will be paid net of dividends tax of 20%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as result of the double taxation agreement between South Africa and the country of domicile of such owner.

The net dividend amounts to 8.0 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 10.0 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 200 024 716 as at the date of this declaration.

The Group considered the impact of the COVID-19 pandemic post 30 September 2020, and concluded that the significant accounting judgements, estimates and assumptions applied in the preparation of the annual financial statements remain appropriate.

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

This 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 on the Company's website, <https://quantumfoods.co.za/financial-reports/> or at the Company's registered office.

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)
Prof. ASM Karaan (lead independent)
GG Fortuin
T Golden
LW Riddle (appointed 28 September 2020)
HA Lourens (chief executive officer)*
AH Muller (chief financial officer)*

* Executive.

Company secretary

MO Gibbons
Email: Marisha.Gibbons@quantumfoods.co.za

Company details

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

Transfer secretaries

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Private Bag X9000
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Tel: 011 370 5000
Fax: 011 688 5209

Sponsor

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(Registration number 2000/023249/07)
Ground Floor
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Tel: 011 550 5000
Fax: 011 550 5002

Auditor

PricewaterhouseCoopers Inc.

Website address

www.quantumfoods.co.za

SHAREHOLDERS' DIARY

Financial year-end	30 September 2020
Annual general meeting	19 February 2021

REPORTS

Interim report for the half-year ending 31 March 2021	May 2021
Announcement of results for the year ending 30 September 2021	November 2021
Integrated report for the year ending 30 September 2021	December 2021

DIVIDENDS

Interim	Announcement	May 2021
	Payment	June 2021
Final	Announcement	November 2021
	Payment	January 2022

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