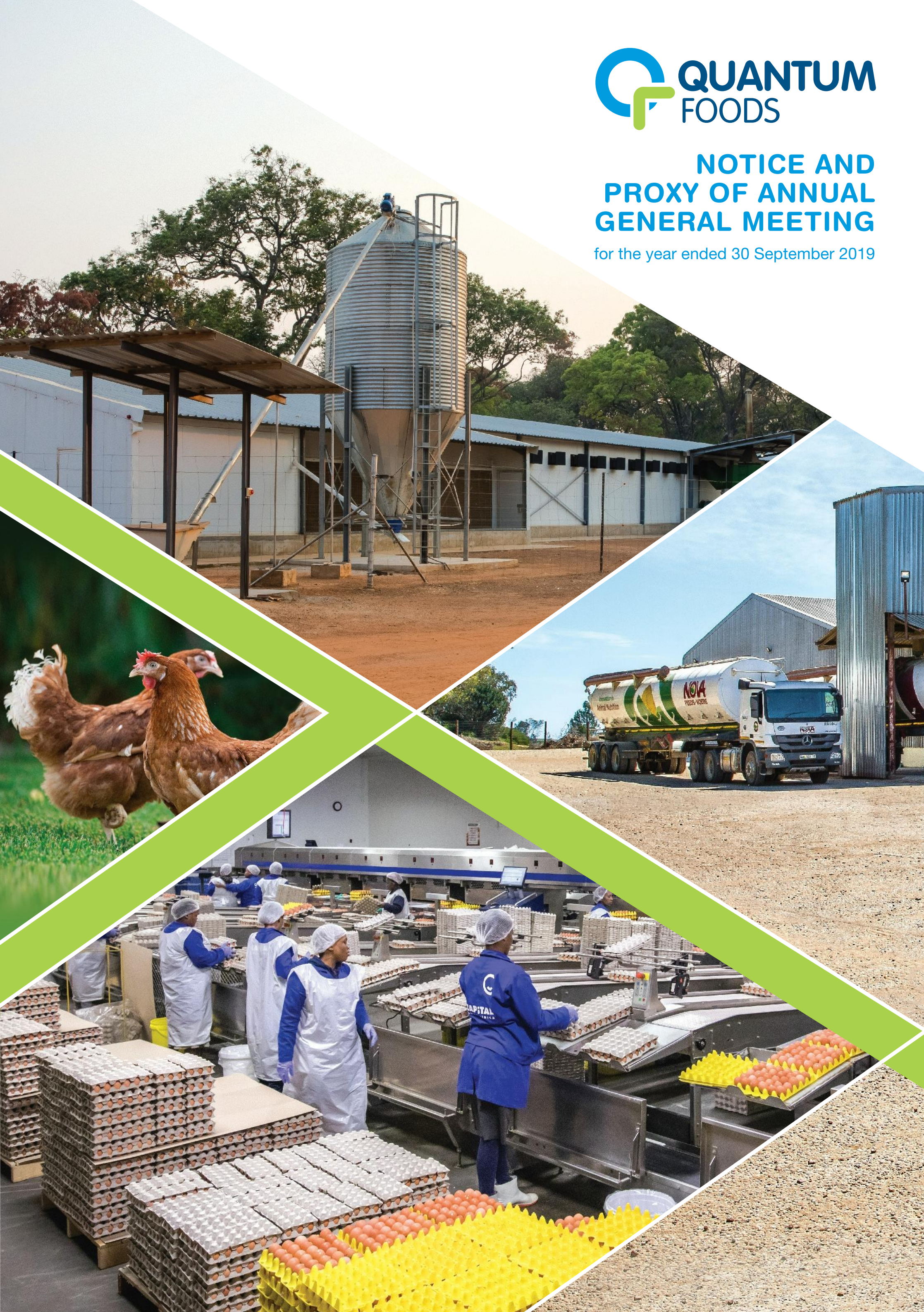
QUANTUM FOODS

NOTICE AND PROXY OF ANNUAL GENERAL MEETING

for the year ended 30 September 2019



Quantum Foods Holdings Ltd

Notice and proxy of annual general meeting and summary consolidated financial statements for the year ended 30 September 2019

Salient features	2019	2018
Revenue	**R4 418 million**	R4 122 million
Operating profit	**R245 million**	R473 million
Operating profit (before items of a capital nature)*	**R245 million**	R472 million
Headline earnings	**R189 million**	R361 million
Earnings per share	**92.6 cents**	164.3 cents
Headline earnings per share	**92.3 cents**	163.9 cents
Total dividend per share	**33.0 cents**	90.0 cents

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

Contents

Letter to the shareholders

20 January 2020

Dear shareholder

NOTICE OF ANNUAL GENERAL MEETING AND PROXY FORM

We are pleased to enclose herewith a detailed notice of Quantum Foods Holdings Ltd's ("Quantum Foods" or "the Company" or "the Group") sixth annual general meeting to be held at 11:00 on Friday, 21 February 2020, at Rhebokskloof Estate, Agter Paarl, Windmeul.

We have also included the following:

- summary consolidated annual financial statements with explanatory notes and commentary; and
- a proxy form.

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

In an effort to support environmental initiatives, printed copies of Quantum Foods' full integrated report with summary consolidated financial statements will only be mailed to shareholders on request. The full report and full annual financial statements are available for download on our website at www.quantumfoods.co.za.

However, should you require a printed copy of the full integrated report with summary consolidated financial statements or full financials, please contact Veronica Basson at info@quantumfoods.co.za or Marisha Gibbons at Marisha.Gibbons@quantumfoods.co.za to request a copy.

Yours sincerely

Marisha Gibbons
Company Secretary

Notice of annual general meeting

For the year ended 30 September 2019

Notice is hereby given to all shareholders recorded in the securities register of Quantum Foods as at Friday, 10 January 2020, that the sixth annual general meeting of Quantum Foods will be held at 11:00 on Friday, 21 February 2020, at Rhebokskloof Estate, Agter Paarl, Windmeul ("the annual general meeting" or "AGM").

PURPOSE

The purpose of the AGM is to transact the business set out in the agenda below.

AGENDA

1. Presentation of the audited annual consolidated financial statements of the Company, including the reports of the directors and the audit and risk committee and the unmodified audit opinion for the year ended 30 September 2019. The audited annual consolidated financial statements are available on the Company's website at www.quantumfoods.co.za/financial-reports/.

2. Resolutions:

   - Ordinary resolutions 1 to 9
   - Special resolutions 1 to 4

ORDINARY RESOLUTIONS

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

1. Ordinary resolution number 1

Re-appointment of auditors

"Resolved that the re-appointment of PricewaterhouseCoopers Inc. as the auditors for the ensuing financial year on the recommendation of the audit and risk committee of the Company is hereby confirmed, that Mr. RJ Jacobs, registered in accordance with the Auditing Professions Act, Act 26 of 2005, is hereby confirmed as the individual responsible for performing the function of auditor from February 2020, and that the audit and risk committee be authorised to approve their remuneration."

The audit and risk committee of the Company conducted an auditor suitability assessment on the audit firm and the individual responsible for the audit and recommends their appointment.

Reason for ordinary resolution number 1

The reason for ordinary resolution number 1 is that the Company, being a publicly listed company, must have its financial results audited and such auditor must be appointed or re-appointed, as the case may be, at the annual general meeting of the Company, as required by the Companies Act, Act 71 of 2008, as amended ("Companies Act").

2. Ordinary resolutions numbers 2 and 3

Re-election of directors retiring by rotation

"Resolved that the following directors, who retire by rotation in terms of the memorandum of incorporation ("MOI") of the Company and, being eligible, and offering themselves for re-election, be and are hereby re-elected as directors of the Company."

2.1 Ordinary resolution number 2

Re-election of director: Mr Wouter André Hanekom

2.2 Ordinary resolution number 3

Re-election of director: Mr. Geoffrey George Fortuin

The Board supports the re-election of the directors above.

Reason for ordinary resolutions numbers 2 and 3

The reason for ordinary resolutions numbers 2 and 3 is that these directors will retire at the AGM by rotation in terms of clause 29.3.4 of the Company's MOI and, being eligible, have availed themselves for re-election.

A brief CV of each of the directors up for re-election to the Board appears in Annexure 3 to this notice of AGM.

3. Ordinary resolution number 4

Re-appointment of member of the audit and risk committee

"Resolved that Mr. Patrick Ernest Burton, being eligible and availing himself for re-appointment, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the Board of Directors of the Company, until the next AGM of the Company to be held in 2021."

4. Ordinary resolution number 5

Re-appointment of member of the audit and risk committee

"Resolved that Prof. Abdus Salam Mohammad Karaan, being eligible and availing himself for re-appointment, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the Board of Directors of the Company, until the next AGM of the Company to be held in 2021."

5. Ordinary resolution number 6

Re-appointment of member of the audit and risk committee

"Resolved that Mr. Geoffrey George Fortuin, being eligible and availing himself for re-appointment, be and is hereby re-appointed as a member of the audit and risk committee of the Company, subject to the passing of ordinary resolution number 3, as recommended by the Board of Directors of the Company, until the next AGM of the Company to be held in 2021."

Reason for ordinary resolutions numbers 4 to 6

The reason for ordinary resolutions numbers 4 to 6 (inclusive) is that the Company, being a publicly listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each AGM of such company. A brief CV of each of these independent non-executive directors appears in Annexure 4 to this notice. As is evident from the CVs of these directors, all have academic qualifications or experience in one or more of the following areas: economics, law, corporate governance, finance, accounting, commerce, public affairs or human resources.

6 NON-BINDING ADVISORY VOTES

6.1 Ordinary resolution number 7

Non-binding advisory vote on Quantum Foods' remuneration policy

"Resolved that the Company's remuneration policy, as set out in Annexure 5 to this notice, be and is hereby endorsed by way of a non-binding advisory vote."

Reason for ordinary resolution number 7

The reason for ordinary resolution number 7 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV")[1] recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 7, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 7 is of an advisory nature only. Failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

6.2 Ordinary resolution number 8

Non-binding advisory vote on Quantum Foods' implementation report on the remuneration policy

"Resolved that the Company's implementation report in respect of its remuneration policy, as set out in the remuneration report in Annexure 5 to this notice, be and is hereby endorsed by way of a non-binding vote."

Reason for ordinary resolution number 8

The reason for ordinary resolution number 8 is that King IV recommends, and the JSE Listings Requirements require, that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 8, if passed, will be to endorse the Company's implementation report in respect of its remuneration policy. Ordinary resolution number 8 is of an advisory nature only. Failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements. However, the Board will take the outcome of the vote into consideration when making amendments to the Company's remuneration policy and its implementation.

7. Ordinary resolution number 9

AMENDMENT OF THE RULES OF THE PHANTOM SHARE PLAN

"Resolved that, the existing rules of the Phantom Share Plan, which contains the terms of and governs the Company's Share Incentive Scheme ("Scheme") be amended as follows:

- by adding the words '***malus and clawback***' in the table of contents to read as follows: '***10 malus and clawback***', and consequently renumbering the succeeding headings in the table of contents;
- by adding a new definition of 'Trigger Event' at Rule 2.1.51 to read as follows: '2.1.51 'Trigger Event': *means any event to which the Participant contributed towards or was responsible for, which event the directors, in their absolute discretion, deem to have resulted in or contributed towards:*

  2.1.51.1 a willful material misstatement of the financial results of the Company and/or any subsidiary;
  2.1.51.2 a material failure in the risk management of the Company and/or any subsidiary; and/or
  2.1.51.3 fraudulent or dishonest conduct;';

- by adding the words ', but subject to the malus and clawback provisions set out in Rule 10' after '7.1.1 Notwithstanding anything to the contrary contained in these Rules';

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

- by amending Rule 9.3 to read as follows: 'If, while any portion of a Participant's PSRs has Vested but remains unexercised, such Participant ceases to be an Employee of any Employer Company by reason of his resignation or dismissal on grounds of misconduct or poor performance (whether such cessation occurs as a result of notice given by him or otherwise, or where he resigns to avoid dismissal on ground of misconduct or poor performance), the Participant shall be entitled, within 30 (thirty) days of ceasing to be an Employee of the relevant Employer Company ("Thirty Day Period"), to Exercise any Vested PSRs in accordance with the provisions of the Plan, provided that after the Thirty Day Period, all unexercised (Vested and unvested) PSRs will lapse;
- by adding a new clause at Rule 10 to read as follows:

'10. Malus and clawback

10.1 Pre-Exercise Trigger Event:

10.1.1 PSRs Granted to a Participant under the Plan which have not been Exercised shall, upon the occurrence of a Trigger Event, automatically lapse, unless the Directors in their sole discretion determine otherwise. In such circumstances, the Directors shall be entitled to determine if all or part of the Participant's, PSRs shall lapse.

10.2 Post-Exercise and pre-Settlement Trigger Event:

10.2.1 PSRs Granted to a Participant under the Plan which have been Exercised but have yet to be Settled shall, upon the occurrence of a Trigger Event, automatically lapse, unless the Directors in their sole discretion determine otherwise. In such circumstances, the Directors shall be entitled to determine if all or part of the Participant's PSRs shall lapse.

10.3 Post-Settlement Trigger Event:

10.3.1 In the event of a Trigger Event occurring after the Settlement of PSRs, the Company will be entitled to claw back all of the after-tax benefits received by a Participant in relation to the year in which the Trigger Event occurred, in cash, for a period of 24 months from the date upon which the Trigger Event occurred.

10.4 All the PSRs which have lapsed in accordance with Rules 10.1 and 10.2, will revert back to the Plan and will not alter the Plan limits as set out in Rule 5.';

- by adding a new clause at Rule 13.6 to read as follows: '13.6 A Participant will have no claim of whatsoever nature against the Company, its Directors or against any other member of the Group in the event of his PSRs lapsing and/or his after tax benefits received under this Plan being clawed back as a result of the occurrence of a Trigger Event; and
- by renumbering all Rules and cross-referencing to make provision for the above amendments.'

For a full appreciation of the provisions of the Scheme, a copy of the rules of the Phantom Share Plan, as amended for the above, will, from the date of this notice of AGM until the date of the AGM, be available for inspection by shareholders during normal business hours at the Company's registered office at 11 Main Road, Wellington 7655, and at the offices of the Company's sponsor, PSG Capital, 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch 7599.

Reason for and effect of ordinary resolution number 9

The reason for ordinary resolution number 9 is to obtain the prior approval of shareholders to amend the rules of the Phantom Share Plan in order to provide for malus and clawback provisions, such approval being required in terms of paragraph 14.2, read with paragraph 14.1, of Schedule 14 of the JSE Listings Requirements. The effect of ordinary resolution number 9, if passed, will be that the proposed amendments to the rules of the Phantom Share Plan are approved.

In terms of the JSE Listings Requirements, for this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution. In determining whether the requisite number of votes have been achieved to adopt this resolution, the votes attaching to shares acquired in terms of the Scheme and owned or controlled by persons who are existing participants in the Scheme, and which may be impacted by the resolution, will not be taken into account.

SPECIAL RESOLUTIONS

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

8. Special resolution number 1

Approval of the non-executive directors' remuneration

"Resolved that, in terms of section 66(9) of the Companies Act, the Company be and is hereby authorised to remunerate its non-executive directors for their services rendered as directors as from 1 April 2020, until the date of the next AGM of the Company, on the basis set out below:

	Fees from 1 April 2020 until 31 March 2021 (exclusive of VAT)	Fees from 1 April 2019 until 31 March 2020 (exclusive of VAT)
Chairman of the Board	**R359 000**	R334 000
Lead independent director	**R308 000**	R286 500
Committee chairman	**R61 600**	R57 300
Committee member	**R57 000**	R53 000
Board member (not serving on a committee)	**R255 300**	R237 500

Reason for special resolution number 1

The reason for special resolution number 1 is to approve the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period from 1 April 2020, until the next AGM of the Company. This will enable the Company to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next AGM of the Company.

9. Special resolution number 2

General authority of the Company and its subsidiaries to repurchase shares issued by the Company

"Resolved, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the MOI of the Company, the JSE Listings Requirements and the requirements of any other stock exchange on which the shares of the Company may be quoted or listed, including, *inter alia*, that:

- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next AGM of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the Company or its subsidiaries have acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the Board approving the purchase, that the Company and its subsidiaries ("the Group") have satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Group;

- the general repurchase is authorised by the Company's MOI;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is affected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five-business-day period;
- the Company may, at any point in time, only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme that has been submitted to the JSE in writing and executed by an independent third party as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

Reason for special resolution number 2

The reason for special resolution number 2, if passed, is to grant the directors a general authority in terms of the Company's MOI and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in the special resolution.

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

Additional information relating to special resolution number 2

1. The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 2 to the extent that the directors, after considering the maximum number of shares to be repurchased, are of the opinion that the position of the Group would not be compromised as to the following:

   - The Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the purchase.
   - The consolidated assets of the Group will, at the time of the AGM and at the time of making such determination, be in excess of the consolidated liabilities of the Group and for 12 months thereafter. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group.
   - The ordinary share capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the AGM and after the date of the share repurchase.
   - The working capital available to the Group after the repurchase will be sufficient for the Group's requirements for a period of 12 months after the purchase.
2. Prior to commencing any repurchase, the Board shall take a resolution confirming that it has authorised the repurchase, that the Group has passed the solvency and liquidity test and that, since it was performed, there have been no material changes to the financial position of the Group.

3. General information in respect of major shareholders and the share capital of the Company is contained on page 25 of this notice. There has been no material change in the financial or trading position of the Company and its subsidiaries subsequent to the publication of the Company's audited financial statements for the year ended 30 September 2019.

4. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM contains all information required by law and the JSE Listings Requirements.

10. Special resolution number 3

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

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

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

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

Reason for special resolution number 3

The reason for special resolution number 3 is to provide a general authority to the Board of the Company for the Company to grant direct or indirect financial assistance to any company forming part of the Group, including in the form of loans or the guaranteeing of their debts.

Notice to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the Board authorising the Company to provide direct or indirect financial assistance to related and inter-related companies and corporations

By the time this notice of AGM is delivered to shareholders, the Board will have adopted a resolution ("section 45 Board resolution") authorising the Company to provide, at any time and from time to time during the period commencing on the date on which special resolution number 3 is adopted until the date of the next AGM of the Company, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the Company. The financial assistance will entail loans and other financial assistance to subsidiaries of the Company (being related or inter-related companies or corporations of the Company) for purposes of funding the activities of the Company and its Group.

The section 45 Board resolution will be effective only if and to the extent that special resolution number 3 is adopted by the shareholders and the provision of any such financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act.

Inasmuch as the section 45 Board resolution contemplates that such financial assistance will, in the aggregate, exceed one 10th of one per cent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the section 45 Board resolution to shareholders. The Company does not have any employees represented by a trade union.

11. Special resolution number 4

General authority to provide financial assistance for the subscription of or acquisition of securities (as defined below) in the Company and in related and inter-related companies

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

The main purpose for this authority is to grant the Board the authority to provide financial assistance to any person for the subscription or the purchase of any securities in the Company or a related or inter-related company.

The Board undertakes that:

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

Reason for special resolution number 4

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

12. To transact any other business that may be transacted at an AGM of the Company

RECORD DATES

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the Company in order to receive notice of the AGM is Friday, 10 January 2020.

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the Company in order to be able to attend, participate and vote at the AGM is Friday, 14 February 2020, with the last day to trade being Tuesday, 11 February 2020.

APPROVALS REQUIRED FOR ORDINARY AND SPECIAL RESOLUTIONS

Ordinary resolutions numbers 1 to 6 contained in this notice of AGM require approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements.

Ordinary resolutions numbers 7 and 8 require approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements, and will trigger additional measures outlined in the remuneration policy set out in Annexure 5 to this notice of AGM should they each be voted against by 25% or more of the shareholders exercising a vote on the resolutions.

Ordinary resolution number 9 and special resolutions numbers 1 to 4 contained in this notice of AGM require approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements.

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

Shareholders who have not dematerialised their shares, or who have dematerialised their shares with "own name" registration, are entitled to attend and vote at the AGM and are entitled to appoint a proxy or proxies (for which purpose a proxy form is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the Company. Proxy forms must be lodged with the transfer secretaries of the Company, being Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, South Africa, or emailed to proxy@computershare.co.za, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, South Africa, to be received by them by no later than Wednesday, 19 February 2020, at 09:00 (South African time), provided that any proxy form not delivered to the transfer secretaries by this time may be handed to the chairman of the AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any shareholder rights at the AGM.

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

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement to furnish them with their voting instructions; or in the event that they wish to attend and vote at the meeting, to obtain the necessary authority to do so.

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

PROOF OF IDENTIFICATION REQUIRED

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

ELECTRONIC PARTICIPATION

1. Shareholders or their proxies may participate in the AGM by way of telephone conference call ("teleconference facility").

2. Please note that the teleconference facility will only allow shareholders to listen in and raise questions during the allocated time. Shareholders will not be able to vote using the teleconference facility. Should such shareholders wish to vote, they must either:

    - complete the proxy form and return it to the transfer secretary in accordance with the instructions on page 11; or
    - contact their CSDP or broker in accordance with page 11.

3. Shareholders or their proxies who wish to participate in the AGM via the teleconference facility must notify the Company by emailing the Company secretary at Marisha.Gibbons@quantumfoods.co.za by no later than Friday, 14 February 2020. The company secretary will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act and thereafter, if validated, provide further details on using the teleconference facility.

4. The cost of the participant's phone call will be for his/her own expense and will be billed separately by his/her own telephone service provider.

5. The Company cannot guarantee there will not be a break in communication which is beyond the control of the Company.

6. The participant acknowledges that the telecommunication lines are provided by a third party and indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the telecommunication lines or any defect in it or from total or partial failure of the telecommunication lines and connections linking the telecommunication lines to the AGM.

By order of the Board

Marisha Gibbons
Company Secretary

Quantum Foods Holdings Ltd
20 January 2020

Annexure 1

QUANTUM FOODS HOLDINGS LTD

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

COMMENTARY

Quantum Foods' financial results were satisfactory considering the sluggish economy and challenging industry conditions. Limited economic growth put pressure on consumers and negatively impacted their ability to purchase eggs and chicken meat. Continuing electricity challenges further weighed heavily on the Group's ability to provide affordable protein to consumers. In particular, load shedding impacted the production capacity of Quantum Foods' feed mills. This made it necessary for the Group to buy feed from other suppliers during the year, which impacted cost recovery and the cost of feed.

OPERATING ENVIRONMENT

No further outbreaks of Avian Influenza ("AI") were reported during fiscal 2019, positively impacting the South African layer population. According to the South African Poultry Association, the layer flock peaked at 24.4 million pre-AI and declined to 21 million following the outbreaks in 2017 and 2018. The latest expectation is that the South African layer flock will reach 28.6 million in December 2019. Egg prices followed an inverse trend and decreased to below pre-AI levels towards the end of 2019.

Raw material costs increased during the year.
Maize production declined by c.10.5% (approximately 1.3 million tons) due to dry conditions in maize growing regions. Accordingly, the price of yellow maize on SAFEX increased by 25.5% compared to 2018. The price of other key feed raw material inputs, such as bran and hominy chop, followed maize prices. Bran and hominy chop prices increased by 19% and 31% respectively. The price of soybean meal increased marginally by 2% due to a decline in international prices. However, the full benefit of this was offset by a 10% weakening of the Rand against the US dollar.

SEGMENTAL OVERVIEW

Nova Feeds again performed well. Internal feed volumes lost due to the outbreak of AI were recovered in the second half of the year. External volumes grew by 3.8% on a comparative basis. Margins, however, remained under pressure and declined due to a less favourable product mix and the competitive environment. Costs were well managed and increases in cost per unit were maintained below inflation. The capital investment in the Pretoria and Paterson plants was well executed and the benefits from these two projects should commence in 2020.

The performance of the commercial broiler farms remained excellent. Efficiency challenges at breeder level are being addressed. However, given the nature of the biological and genetic selection process, it will take up to two years for real progress to be seen. In the interim, management changed certain farming practices to enhance performance. This resulted in a steady improvement in hatchability during the year. The broiler farming business continues to grow, supported by a 7.2% increase in broiler chicks produced in 2019. This increase was mainly driven by the expansion of the Hartbeespoort hatchery that was completed in 2018.

The layer farming business performed well, strengthening its profitability and improving commercial layer productivity by more than 6%. Layer breeders exceeded the Lohmann standard again. The sale of day-old layer chicks declined by 2.0% due to additional rearing placements on own farms. However, this resulted in point-of-lay sales increasing by 5.3%.

The eggs business delivered a strong operational and satisfactory financial performance, with volumes increasing by 5.5%. Supply in the egg market increased and egg prices declined by 14.3% due to South Africa's layer stock being replenished. Most importantly, the business continued to improve its operational efficiency. Costs were well managed and increases on a nominal and per unit basis were maintained below inflation.

Quantum Foods' other African businesses performed satisfactorily. Raw material prices increased in all jurisdictions. The maize harvest in Zambia was poor and prices reached record highs amid fears that maize might need to be imported for the first time since 2004. These high prices resulted in small farmers being unable to afford layer and broiler day-old chicks. The current capex cycle for Zambia was concluded following the completion of the Mega Eggs expansion.

Feed raw material prices in Uganda were higher than the previous year, and closer to the long-term average. The breeder farm was depopulated for maintenance and cleaning, with breeders housed at the Masindi farm. Against this backdrop, local management did well to maintain profitability and operational efficiency.

Mozambique delivered a satisfactory operational and financial performance. The dynamics of the South African egg market influenced the Mozambican market. Despite these challenges, the business remains cash positive.

FINANCIAL OVERVIEW

Group revenue increased by 7% to R4 418 million, with a 7.2% increase of R279 million in the South African operations and a 7.4% increase of R16 million in the other African operations. Revenue from the other African operations contributed 5.4% to Group revenue for 2019 (2018: 5.4%).

Revenue from the South African operations:

- Increased by R298 million for the feeds segment: This is a result of adjusted selling prices in response to higher average raw material costs and a 7.3% increase in volumes sold.
- Increased by R92 million for the farming segment: Similar to the feeds segment, broiler selling prices increased as a result of higher average feed costs being used to determine selling prices. Volumes increased in the layer and broiler farming businesses.
- Decreased by R111 million for the eggs segment, with an average price decrease of 14.3% and a volume increase of 5.5% achieved.

Cost of sales increased by 6.5% to R3 395 million. 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 2019 amounted to R147 million (2018: R418 million). The decrease was mostly reflective of the decreased margins in the egg business. Excluding these fair value adjustments, gross profit decreased by R183 million to R1 170 million at a margin of 26.5% (2018: 32.8%).

Cash operating expenses were well managed and increased by 2.5% in 2019.

Operating profit, before items of a capital nature, decreased by 48% to R245 million for the year under review.

The Group's South African operations recorded a 47% decrease of R215 million to achieve a profit of R240 million at a margin of 5.7% (2018: 11.7%). The feeds and farming segments improved by R20 million and R14 million respectively, and the eggs segment weakened by R248 million. Feeds, profit benefited from higher volumes. This included external sales volumes and volumes required by the internal layer farming business. Farming profit benefited from higher volumes and there was no reoccurrence of the AI incidents that affected the Western Cape layer farm operations in 2018. Eggs profit was supported by an increase in sales volumes. However, the supply of eggs to the market increased, resulting in a decline in selling prices that negatively affected profit. The Group's other African operations recorded a decrease in profits of R17 million, which resulted in a profit of R14 million. Profit decreased in all three countries due to higher raw material costs than the previous year and more challenging operating conditions.

Headline earnings per share ("HEPS") decreased to 92.3 cents from 163.9 cents per share in 2018.

Cash inflow from operations amounted to R163 million for the reporting period. This includes an increased investment of R109 million in working capital.

Capital expenditure for the period amounted to R153 million. In addition to maintenance capital, other key items included:

- a project to increase capacity at the *Mega* layer farm in Zambia;
- expansion of the Masindi layer farm and Kampala hatchery in Uganda;
- expansion of the feed mills in Pretoria and Paterson;
- expansion of the layer hatchery in Bronkhorstspruit; and
- the upgrade of an egg grader at the Pinetown packing station.

Cash and cash equivalents decreased from R422 million at 30 September 2018 to R220 million at 30 September 2019. The decrease includes R163 million in dividends paid, R35 million in shares repurchased and cancelled and R27 million in treasury shares that were acquired.

The Group had minimal borrowings at 30 September 2019. This comprised an arrangement to purchase electricity generated from solar panels, which was capitalised as a finance lease in terms of International Financial Reporting Standards ("IFRS").

DIVIDEND AND SHARE REPURCHASE

The Group targets a HEPS cover of approximately four times for the declaration of dividends. However, in declaring a total gross final dividend of 25 cents per share, the Board further considered the cash generated by Quantum Foods and the healthy cash position of the Group at 30 September 2019.

Full year dividend at a HEPS cover of four times	**23 cents**
Special dividend due to 2019 cash generation (2018: 49 cents per share)	**10 cents**
Total dividend (2018: 90 cents per share)	**33 cents**
Less interim dividend declared	**(8 cents)**
Total final dividend	**25 cents**

At a rate of 20%, dividends tax will amount to 5 cents per share. Consequently, shareholders who are not exempt from dividends tax will receive a net dividend amount of 20 cents per share. Such tax will be withheld unless beneficial owners of the dividend provide 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.

During the year under review, Quantum Foods bought back and cancelled 10 505 000 shares at a cost of R35.2 million, equating to an average price per share of R3.35. In addition, a subsidiary of Quantum Foods purchased 8 083 426 shares at a cost of R27.4 million, equating to an average price per share of R3.39. These shares are held as treasury shares. The issued share capital at 30 September 2019 is 200 024 716 shares. The Board intends to continue with the repurchase of shares.

The applicable dates are as follows:

Last date of trading *cum* dividend	**Tuesday, 14 January 2020**
Trading *ex* dividend commences	**Wednesday, 15 January 2020**
Record date	**Friday, 17 January 2020**
Dividend payable	**Monday, 20 January 2020**

Share certificates may not be dematerialised or materialised between Wednesday, 15 January 2020 and Friday, 17 January 2020, both days inclusive.

OUTLOOK

While the decline in egg prices was slower than anticipated, by the end of the financial year prices dropped to below the pre-AI levels of June 2017.
We therefore expect severe pressure on the egg business for the next 24 to 36 months. The farming and feed businesses should continue to perform well, and both are less exposed to raw material price dynamics. Trading conditions for the other African businesses will be challenging in the upcoming period. Should raw material prices soften in the second half of 2020, these businesses are well positioned to benefit and deliver a solid performance.

We anticipate that South Africa's summer rainfall regions will receive normal levels of rainfall. This should result in sufficient maize to meet domestic demand. Globally, stock levels of maize and soybean remain sufficient. The Rand to US dollar exchange rate remains unpredictable and will influence all raw material prices. In particular, a weak Rand will lead to an increase in all major feed raw material prices.

The next period is expected to be more challenging than the past two financial years. However, Quantum Foods' investments made to increase production capacities in the less cyclical feeds, farming and other African businesses, as well as the investments made to improve efficiencies in the eggs business, have equipped the Group to navigate through the anticipated headwinds successfully.

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

28 November 2019

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 18 to 29 of this Notice and Proxy of Annual General Meeting, which comprise the summary consolidated statement of financial position as at 30 September 2019, 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 2019.

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 of South Africa 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 of South Africa 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 27 November 2019. 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 of South Africa 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: R Jacobs
Registered Auditor

Stellenbosch
27 November 2019

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	2019 R'000	2018 R'000
ASSETS		
Non-current assets	**1 181 521**	1 091 867
Property, plant and equipment	**1 160 768**	1 071 869
Intangible assets	**7 722**	10 637
Investment in associate	**8 998**	8 789
Trade and other receivables	**3 356**	–
Deferred income tax	**677**	572
Current assets	**1 332 808**	1 422 816
Inventories	**288 029**	240 396
Biological assets	**379 596**	332 058
Trade and other receivables	**433 280**	425 424
Derivative financial instruments	**4 658**	–
Current income tax	**7 651**	2 477
Cash and cash equivalents	**219 594**	422 461
Total assets	**2 514 329**	2 514 683
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent	**1 837 412**	1 854 391
Share capital	**1 465 069**	1 500 248
Treasury shares	**(23 947)**	(1 541)
Other reserves	**(210 432)**	(226 402)
Retained earnings	**606 722**	582 086
Total equity	**1 837 412**	1 854 391
Non-current liabilities	**256 790**	234 405
Interest-bearing liability	**6 021**	6 128
Deferred income tax	**242 843**	220 559
Provisions for other liabilities and charges	**7 926**	7 718
Current liabilities	**420 127**	425 887
Trade and other payables	**420 019**	424 661
Derivative financial instruments	**–**	1 127
Interest-bearing liability	**108**	99
Total liabilities	**676 917**	660 292
Total equity and liabilities	**2 514 329**	2 514 683

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Revenue	3	**4 417 674**	4 121 901
Cost of sales		**(3 395 377)**	(3 187 855)
Gross profit		**1 022 297**	934 046
Other income		**9 915**	33 148
Other gains/(losses) – net	4	**149 517**	420 072
Sales and distribution costs		**(251 995)**	(232 391)
Marketing costs		**(13 278)**	(15 205)
Administrative expenses		**(126 517)**	(118 196)
Other operating expenses		**(544 706)**	(548 195)
Operating profit		**245 233**	473 279
Investment income		**15 102**	24 919
Finance costs		**(3 959)**	(1 116)
Share of profit of associate company		**209**	706
Profit before income tax		**256 585**	497 788
Income tax expense		**(67 390)**	(135 561)
Profit for the year		**189 195**	362 227
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		**(1 227)**	4 982
For the year		**26 178**	23 627
Deferred income tax effect		**(1 426)**	(18)
Current income tax effect		**(5 903)**	(6 598)
Realised to profit or loss		**(27 883)**	(16 707)
Deferred income tax effect		**18**	568
Current income tax effect		**7 789**	4 110
Movement on foreign currency translation reserve			
Currency translation differences		**13 080**	(36 299)
Total comprehensive income for the year		**201 048**	330 910
Profit for the year attributable to owners of the parent		**189 195**	362 227
Total comprehensive income for the year attributable to owners of the parent		**201 048**	330 910
Earnings per ordinary share (cents)	5	**93**	164
Diluted earnings per ordinary share (cents)	5	**91**	163

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2019

	2019 R'000	2018 R'000
Share capital and treasury shares	**1 441 122**	1 498 707
Opening balance	**1 498 707**	1 552 670
Shares repurchased and cancelled	**(35 179)**	(52 422)
Ordinary shares acquired by subsidiary	**(27 368)**	(2 520)
Ordinary shares transferred – share appreciation rights	**4 962**	979
Other reserves	**(210 432)**	(226 402)
Opening balance	**(226 402)**	(200 991)
Other comprehensive income for the year	**11 853**	(31 317)
Recognition of share-based payments	**8 090**	6 633
Ordinary shares transferred – share appreciation rights	**(3 973)**	(727)
Retained earnings	**606 722**	582 086
Opening balance	**582 086**	339 966
Adjustment to opening retained earnings*	**(795)**	–
Profit for the year	**189 195**	362 227
Dividends paid	**(162 775)**	(119 855)
Ordinary shares transferred – share appreciation rights	**(989)**	(252)
Total equity	**1 837 412**	1 854 391

* *Refer to note 2 for details regarding the restatement of the opening balance of retained earnings on 1 October 2018.*

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2019

	2019 R'000	2018 R'000
CASH FLOW FROM OPERATING ACTIVITIES	**162 706**	431 555
Cash profit from operating activities	**329 847**	547 802
Working capital changes	**(109 244)**	12 889
Cash effect of hedging activities	**(6 736)**	8 884
Cash generated from operations	**213 867**	569 575
Income tax paid	**(51 161)**	(138 020)
CASH FLOW FROM INVESTING ACTIVITIES	**(140 946)**	(87 355)
Additions to property, plant and equipment	**(152 587)**	(115 749)
Additions to intangible assets	**(4)**	(283)
Proceeds on disposal of property, plant and equipment	**3 271**	3 758
Advance of non-interest-bearing loan	**(6 728)**	–
Interest received	**15 102**	24 919
Cash surplus	**21 760**	344 200
CASH FLOW FROM FINANCING ACTIVITIES	**(225 941)**	(175 320)
Repayment of interest-bearing liability	**(98)**	(91)
Shares repurchased	**(35 179)**	(52 422)
Treasury shares acquired by subsidiary	**(27 368)**	(2 520)
Interest paid	**(724)**	(554)
Dividends paid to ordinary shareholders	**(162 572)**	(119 733)
(Decrease)/increase in cash and cash equivalents	**(204 181)**	168 880
Effects of exchange rate changes	**1 314**	(7 888)
Cash and cash equivalents at beginning of year	**422 461**	261 469
Cash and cash equivalents at end of year	**219 594**	422 461

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

SEGMENTAL ANALYSIS

	2019 R'000	2018 R'000
SEGMENT INFORMATION		
Segment revenue	**4 417 674**	4 121 901
Eggs	**1 095 195**	1 206 489
Farming	**1 325 152**	1 232 798
Animal feeds	**1 758 627**	1 460 387
Other African countries	**238 700**	222 227
Segment results – excluding items of a capital nature	**244 611**	472 350
Eggs	**38 341**	286 669
Farming	**112 087**	98 464
Animal feeds	**89 100**	69 413
Other African countries	**14 226**	31 036
Head office costs	**(9 143)**	(13 232)
Items of a capital nature per segment included in other gains/(losses) – net		
Profit/(loss) on disposal of property, plant and equipment before income tax	**622**	929
Eggs	**(96)**	1 943
Farming	**1 053**	(504)
Animal feeds	**(426)**	(510)
Other African countries	**91**	–
Segment results	**245 233**	473 279
Eggs	**38 245**	288 612
Farming	**113 140**	97 960
Animal feeds	**88 674**	68 903
Other African countries	**14 317**	31 036
Head office costs	**(9 143)**	(13 232)
A reconciliation of the segment results to operating profit before income tax is provided below:		
Segment results	**245 233**	473 279
Adjusted for:		
Investment income	**15 102**	24 919
Finance costs	**(3 959)**	(1 116)
Share of profit of associate company	**209**	706
Profit before income tax per statement of comprehensive income	**256 585**	497 788

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 International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated annual financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, apart from the adoption of the new and amended standards, as set out below.

1.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 – Financial Instruments; and
- IFRS 15 – Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other new or amended standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

1.2 Impact of standards issued but not yet effective

IFRS 16 – Leases was issued in January 2016. It will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the Group's operating leases. The Group leases various poultry houses, warehouses, machinery, equipment and vehicles under operating lease agreements. As at the reporting date, the Group has non-cancellable operating lease commitments of R52.5 million.

The Group expects to recognise right-of-use assets of approximately R62.5 million on 1 October 2019, and lease liabilities of R77.0 million.

The Group expects that net profit after tax will increase by approximately R0.5 million for 2020 as a result of adopting the new rules. Earnings before interest, taxation, depreciation and amortisation (EBITDA) is expected to increase by approximately R27.6 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

The difference between the non-cancellable operating lease commitments and lease liability on 1 October mainly relates to leases which have extension clauses where management has determined it highly probable that extensions will be done.

The Group intends to apply the modified retrospective transition approach and will not restate comparative information.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers on the Group's annual financial statements. It also discloses the new accounting policies that have been applied from 1 October 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As explained below, IFRS 9 and IFRS 15 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 30 September 2018 but are recognised in the opening statement of financial position on 1 October 2018.

The following tables show the adjustments recognised for each individual line item. 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 numbers provided. The adjustments are explained in more detail below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)	30 September 2018 As originally presented R'000	IFRS 9 impact R'000	1 October 2018 R'000
ASSETS			
Non-current assets	1 091 867	11	**1 091 878**
Deferred income tax	572	11	**583**
Current assets	1 422 816	(1 009)	**1 421 807**
Trade and other receivables	425 424	(1 009)	**424 415**
Total assets	2 514 683	(998)	**2 513 685**
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent	1 854 391	(795)	**1 853 596**
Retained earnings	582 086	(795)	**581 291**
Non-current liabilities	234 405	(203)	**234 202**
Deferred income tax	220 559	(203)	**220 356**
Total liabilities	660 292	(203)	**660 089**
Total equity and liabilities	2 514 683	(998)	**2 513 685**

There was no impact on the statement of comprehensive income.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(b) IFRS 9 – Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 – Financial Instruments from 1 October 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements (refer to note 2(a) adjacent). In accordance with the transitional provisions in IFRS 9(7.2.15), comparative figures have not been restated.

There has been no change to the classification and measurement of financial assets and financials liabilities of the Group, except for the impact of the new impairment requirements. IFRS 9 did not result in significant changes to accounting policies.

(i) Derivatives and hedging activities

The foreign currency forwards in place as at 30 September 2018 qualified as cash flow hedges under IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

For foreign currency forwards, the Group only designates the spot component of the change in fair value in cash flow hedge relationships. The spot component is determined with reference to the relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as forward points. It is discounted, where material. Changes in the fair value related to forward points were recognised in the statement of profit or loss prior to 1 October 2017. The Group continues to recognise this cost of hedging (forward points) immediately in profit and loss.

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to IFRS 9's new expected credit loss ("ECL") model:

- trade receivables for sales of inventory;
- other receivables; and
- cash and cash equivalents.

The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table alongside. While cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring ECL, which uses a lifetime expected loss allowance for all trade receivables. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to such trade receivable and the economic environment. Forward-looking information includes expected economic growth and employment rates and the potential impact thereof on our customers. Trade receivables have been grouped together based on shared characteristics and the days past due. Shared characteristics refer to type of product sold to the customer. The calculation of the ECL takes into account the insurance cover in place.

The Group has a history of minimal bad debt write-offs and has credit insurance in place over a large portion of its trade debtors.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

2. CHANGES IN ACCOUNTING POLICIES (continued)

The loss allowances for trade receivables as at 30 September 2018 reconcile to the opening loss allowances on 1 October 2018 as follows:

	Trade receivable – impairment provision R'000
At 30 September 2018 – calculated under IAS 39	**21 873**
Amount restated through opening retained earnings	**1 009**
Opening loss allowance as at 1 October 2018 – calculated under IFRS 9	**22 882**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due and/or when the legal process has not enabled recovery.

(c) IFRS 15 – Revenue from Contracts with Customers – Impact of adoption

The new standard is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer. IFRS 15 establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Group's revenue consists mostly of the sale of eggs, animal feed and live birds, delivered to customers at the customers' premises. There are no material changes to the revenue recognition for revenue from sale of goods under IFRS 15.

	2019 R'000	2018 R'000
3. REVENUE		
Disaggregation of revenue from contracts with customers:		
Revenue		
Eggs	**1 095 195**	1 206 489
Layer farming*	**197 058**	183 901
Broiler farming**	**1 128 094**	1 048 897
Animal feeds	**1 758 627**	1 460 387
Zambia***	**144 538**	128 522
Uganda***	**48 966**	49 263
Mozambique****	**45 196**	44 442
	4 417 674	4 121 901

* *Layer farming sales include the sale of day-old pullets and point-of-lay hens.*
** *Broiler farming sales include the sales of day-old broilers and live birds.*
*** *Includes the sale of animal feeds, commercial eggs and day-old chicks.*
**** *Includes the sale of commercial eggs.*

	2019 R'000	2018 R'000
4. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	**105 091**	74 063
Unrealised – reflected in carrying amount of biological assets	**790**	(775)
Realised – reflected in cost of goods sold	**104 301**	74 838
Agricultural produce fair value adjustment	**40 015**	344 783
Unrealised – reflected in carrying amount of inventory	**(2 891)**	1 142
Realised – reflected in cost of goods sold	**42 906**	343 641
Foreign exchange differences	**339**	4 413
Financial instruments fair value adjustments	**3 003**	(1 243)
Foreign exchange contract cash flow hedging ineffective losses	**447**	(2 873)
Profit on disposal of property, plant and equipment	**622**	929
	149 517	420 072

5. EARNINGS PER ORDINARY SHARE

Basic

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

	2019 R'000	2018 R'000
Profit for the year	**189 195**	362 227
Weighted average number of ordinary shares in issue ('000)	**204 298**	220 468

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 period attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the period:

	2019 R'000	2018 R'000
Profit for the year	**189 195**	362 227
Diluted weighted average number of ordinary shares in issue ('000)	**207 185**	222 821

Headline earnings is calculated in accordance with Circular 4/2018 issued by the South African Institute of Chartered Accountants.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

	2019 R'000	2018 R'000
5. EARNINGS PER ORDINARY SHARE (continued)		
Reconciliation between profit for the period attributable to owners of the parent and headline earnings		
Profit for the year	**189 195**	362 227
Remeasurement of items of a capital nature		
Profit on disposal of property, plant and equipment	**(554)**	(782)
Gross	**(622)**	(929)
Tax effect	**68**	147
Headline earnings for the year	**188 641**	361 445
Earnings per share (cents)	**93**	164
Diluted earnings per share (cents)	**91**	163
Headline earnings per share (cents)	**92**	164
Diluted headline earnings per share (cents)	**91**	162
6. CONTINGENT LIABILITIES		
Guarantees in terms of loans by third parties to contracted service providers	**23 861**	29 550

Litigation

Customer claim

The Group received a summons in the 2016 reporting period in respect of a claim for performance of day-old pullets delivered to the customer. The claim was withdrawn as part of a settlement agreement. The settlement had no adverse financial impact on the Group.

Allegations of anti-competitive trade practices – Zambia

The Group received a notice of investigation in the 2016 reporting period from the Zambian Competition and Consumer Protection Commission ("ZCCPC") regarding alleged violation of the Competition and Consumer Protection Act ("CCPA"). The investigation was finalised in March 2018, and Quantum Foods Zambia Ltd was found to be in contravention with certain provisions of the CCPA. An appeal was lodged at the Competition and Consumer Protection Tribunal for Zambia. The matter was settled with the ZCCPC within the reporting period and the provision previously recognised was reversed. The settlement had no adverse financial impact on the Group.

Dispute with egg contract producer

The Group has an outstanding trade receivable from a previous egg contract producer. The producer had filed a counterclaim against the Group for alleged breach of the terms of the terminated agreement. The claim was withdrawn as part of a settlement agreement. The settlement had no adverse financial impact on the Group.

7. FUTURE CAPITAL COMMITMENTS

Capital expenditure approved by the Board and contracted for amounts to R14.6 million (2018: R50.0 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R86.0 million (2018: R95.3 million).

8. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final dividend of 25 cents per ordinary share has been approved and declared by the Board for the year ended 30 September 2019, on 28 November 2019. This will only be reflected in the statement of changes in equity in the next reporting period.

Additional information disclosed:

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

Dividends will be paid net of dividends tax of 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 20 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 25 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.

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 consolidated annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditors' report thereon are available for inspection at the Company's registered office.

Annexure 2

SHAREHOLDER ANALYSIS

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Ordinary shares	2 843	83.1	29 079 834	14.5
Individuals	294	8.6	8 156 838	4.1
Nominees and trusts	285	8.3	162 788 044	81.4
Investment companies and corporate bodies	3 422	100.0	200 024 716	100.0

Non-public/public shareholders

Pursuant to the JSE Listings Requireents and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2019, is as follows:

Analysis of shareholding – ordinary shares

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Public shareholding				
Major shareholding				
Allan Gray (on behalf of clients)	1	0.0	30 711 985	15.4
Old Mutual (on behalf of clients)	1	0.0	15 252 602	7.6
Other shareholders	3 414	99.9	76 781 890	38.4
Non-public shareholding				
Major shareholding				
Zeder Investments Ltd	1	0.0	61 620 084	30.8
Other shareholders				
Directors	4	0.1	8 550 209	4.3
Quantum Foods (Pty) Ltd	1	0.0	7 107 946	3.5
	3 422	100.0	200 024 716	100.0

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Distribution of ordinary shareholders				
Number of shares				
1 – 1 000 shares	1 509	44.0	514 300	0.3
1 001 – 10 000 shares	1 132	33.0	4 559 993	2.3
10 001 – 100 000 shares	632	18.5	20 539 487	10.3
100 001 – 1000 000 shares	125	3.7	33 071 003	16.5
1 000 001 shares and over	24	0.7	141 339 933	70.6
	3 422	100.0	200 024 716	100.0

Annexure 3

DIRECTORS UP FOR RE-ELECTION

Mr. Wouter André Hanekom (60) (“André”)

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 human capital; 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.

Mr. Geoffrey George Fortuin (53) (“Geoff”)

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.

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

Annexure 4

MEMBERS OF THE AUDIT AND RISK COMMITTEE

Current and re-appointed:

Mr. Patrick Ernest Burton (67) ("Patrick")

Lead independent non-executive director
Patrick was appointed to the Board on 29 July 2014.

Qualifications:

BCom (Hons) Financial Management, HDip in Tax Law

Quantum Foods Board and committee membership:

Non-executive director; audit and risk (chairman); and remuneration and human capital (chairman)

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

Prof. Abdus Salam Mohammad Karaan (51) ("Mohammad")

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.

Mr. Geoffrey George Fortuin (53) ("Geoff")

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

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

Annexure 5

Remuneration report

FY2020 REMUNERATION POLICY

Introduction

This remuneration policy is a summary and should be read in conjunction with the full remuneration report, as set out in the 2019 integrated report and the full remuneration policy that is available online at www.quantumfoods.co.za/company-documents.

Remuneration governance

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

The duties and responsibilities of the RHCC primarily revolve around the organisation-wide remuneration policy, as well as monitoring the effectiveness of management and succession planning. The detailed list of the RHCC's duties and responsibilities is set out in its committee charter. These should be read together with the remuneration policy.

The charter is available online at www.quantumfoods.co.za/company-documents.

At a minimum, the RHCC meets twice every financial year. Selected individuals may attend these meetings by invitation from the RHCC.

Remuneration philosophy incorporating fair and responsible remuneration

Quantum Foods' remuneration framework supports the delivery of the Company's business strategy. The RHCC'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 RHCC observes the principle of fair and responsible remuneration. The RHCC continuously 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, Act 55 of 1998 as amended ("Employment Equity Act"), the RHCC oversees the results of the Company's TASK and ExecEval grading system. This system enables the RHCC 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. Preference is given to students that will enhance the transformation profile of the Group.

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 within the economic, social and environmental context within which the Group operates, are summarised in the table below:

Component	Policy and link to business strategy
TGP (fixed; applicable to all employees) Social – ensuring the necessary skills for optimal people capacity and culture	Aimed at attracting and retaining talent and ensuring competitiveness. 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 PwC's REMChannel® Survey. The RHCC 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. Collective bargaining agreements for unionised employees are negotiated annually. The average salary for each job category is reviewed annually, bearing in mind the affordability restraints of the Company.
Benefits (fixed) Social – allowing employees the flexibility of structuring benefits according to individual requirements.	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. 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.

Component	Policy and link to business strategy
STIs (variable) 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.	The short-term incentive ("STI") constitutes a performance bonus. This bonus is designed to motivate and reward senior management for its contribution to the achievement of targets related to main business drivers, ultimately increasing shareholder value. **Performance conditions:** • Headline earnings before tax per share ("HEBTPS") target – the calculation for the achievement of the target is based on an audited and agreed comparative base for the previous financial 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. • Operational efficiency – the efficiency calculation is based on targets set for broiler breeder production efficiency, sales efficiency at the egg packing stations, layer-type hen production efficiency and operating cost management. Broiler breeder production efficiency is measured as the number of day-old chicks produced per broiler-type parent hen placed at the start of a laying cycle. Sales efficiency at the egg packing station is measured as the percentage of eggs sold as second-grade eggs. Layer-type hen production efficiency is measured as the layer productivity index which incorporates egg production, feed per egg produced and mortality over the laying cycle. Operating cost per unit produced is measured on a weighted average basis for the South African operations of the Group. The targets are commercially sensitive and therefore not disclosed. • 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 determines the HEBTPS, EP and operational efficiency targets for the operations in Mozambique, Zambia and Uganda. The table below provides more detail on the measurement of STI achievements for the Group:

	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

Component	Policy and link to business strategy
LTIs (variable) Economic – drives share price growth and by extension, the creation of shareholder value.	The long-term incentive ("LTI") consists of a Share Apreciation Rights ("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. 50% of the SAR award is subject to performance conditions set out below. The remaining 50% is subject to continued employment. As the SAR Plan includes an inherent hurdle based on share price growth, no value will accrue to participants regardless of the performance condition being met, should the share price not grow over a three to five-year period from the grant date. **Performance condition:** • Growth in Group headline earnings per share ("HEPS") – the hurdle for vesting is compound average growth ("CAGR") in HEPS equal to the consumer price index ("CPI"), plus 1% growth with full vesting at CPI plus 5% growth. The Board can increase the baseline HEPS for an allocation to ensure that the target for the vesting of this component is fair and reasonable to both shareholders and participants.

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 remuneration framework above. 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 payable to participants. The bonus pool for the HEBTPS and EP components is self-funding, meaning that the achievement of targets is calculated after taking the bonus pool into account. The portion of the bonus dependent on operational efficiency targets, however, is not dependent on the achievement of HEBTPS targets.

Earning potential for STI

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

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 on page 36. Linear vesting from 0% applies for partial achievement of performance measures.*

Senior management with significant responsibility have an STI earning potential of 35% of TGP. Selected other senior management have an STI earning potential of 15% of TGP.

The aggregate payment is determined by the bonus pool cap. The bonus pool cap is calculated based on the participant's cost to company, as well as the maximum earning potential depending on the participant's level.

2020 STI performance measures

The RHCC has changed the measurement for the achievement of financial and operational targets for the STI for 2020.

The STI is based on three performance measures that are applicable to all eligible employees for the 2020 financial year, as set out in the table below:

Performance measure	Weighting %	On-target performance	Stretch performance
Achievement of the Group's HEBTPS target	**50**	110.0* cents per share	123.3* 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.	

* *Targets for 2020. At performance of HEBTPS of 110.0 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. During 2019 the Group repurchased and cancelled 10 505 000 and purchased 8 083 426 shares as treasury shares. The Board intends to continue with the repurchase of shares.*

HEBTPS targets

In determining the HEBTPS target for 2020, the RHCC considered the expected pressure on earnings from the eggs business, where egg selling prices are expected to be under increased pressure due to the projected imbalance in the supply and demand of eggs during the next financial year. Based on the historical performance of the Group, the RHCC considers the HEBTPS target set for 2020 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 RHCC to establish minimum and maximum potential bonus pay-outs.

Operational targets

The 2019 targets were for farming production and egg packing station efficiency only, with targets set for feed conversion ratios and egg production efficiency for layer-type chickens, breeder performance of broiler-type hens and egg packing station efficiencies. None of these targets incorporated the importance of managing operating cost increases to ensure margin optimisation.

To determine operational targets for 2020, the RHCC considered a new methodology to calculate the production efficiency of layer-type hens as well as the importance of managing operating costs across the Group's operations. Measurements for the breeding efficiency of broiler-type hens and egg packing station efficiency were retained. However, the weighting was reduced to one quarter each from one third each in 2019.

The measurement for the egg production efficiency of layer-type hens was aligned with the internationally recognised performance efficiency factor ("PEF") calculation used to measure the production efficiency of broiler-type birds. The measurement for 2020 will incorporate 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 will be 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 RHCC considers the targets to be sufficiently stretching to ensure that, if achieved, they would optimise Group profitability.

The 2020 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 RHCC considers these measurements as the most important in each of the businesses to increase earnings and realise the Company's business strategy.

RHCC discretion

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

A trigger event, at the absolute discretion of the RHCC, 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.

SARs

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 quantum 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 quantum of an award. The SAR Plan is intended to promote the continued financial growth of the Group. The RHCC determines the allocation to qualifying employees on an annual basis.

Rule changes proposed at the 2020 AGM

Rule changes to introduce malus and clawback in the SAR Plan are proposed to shareholders at the AGM. Please note ordinary resolution number 9 set out on page 5. After approval, a summary of the malus and clawback provisions will be included in our future remuneration reports.

LTI allocation methodology

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 considered. Top-up awards are made annually.

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

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.

Performance conditions for vesting

50% of the award is subject to performance conditions, while 50% is based on continued employment. The LTI performance conditions are illustrated below. None of the SARs will vest if growth in HEPS falls below the threshold. There is no resetting of performance conditions, and the relevant tranche will lapse if the applicable performance conditions are not met.

Performance conditions	Threshold	Stretch
Compound annual growth-rate ("CAGR") in HEPS	**CPI + 1%** **0% vesting**	CPI + 5% 100% vesting

Awards vest on the third, fourth and fifth anniversary of the award date, with a twelve-month exercise period after vesting.

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 2019. 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 Rules, 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.

Executive directors' service agreements

Executive directors' service agreements are prepared with input from the RHCC. 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 RHCC 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.

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 RHCC is satisfied that the use of this report is appropriate in the context of Quantum Foods and its business.

Non-executive directors' fees

NEDs are paid a quarterly retainer fee in cash. 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 RHCC 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 re-imbursed for any related disbursements.

Shareholder engagement methods

In line with the King IV 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 RHCC 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 RHCC 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 RHCC reserves the right to modify aspects of the remuneration framework in line with best practice and shareholders' interests.

IMPLEMENTATION OF THE REMUNERATION POLICY IN 2019

TGP

The RHCC approved a salary increase mandate of 6% (2018: 6.5%) of total cost to company for non-sectoral employees and executives, and a 6% (2018: 6.5%) basic pay increase for sectoral employees.

STI outcomes

R19.9 million of the R24.2 million bonus pool cap accrued to participants of the STI in 2019.

The R19.9 million comprised an amount of R19.5 million for participants measured against the Group's and South Africa's operational performance as well as an amount of R0.4 million for participants measured against the Group's Other African businesses' performance.

The table below sets out the STI performance outcomes for 2019:

Performance measure	Weighting %	Target performance	Stretch performance	Actual performance	Actual achievement (% of measure)	STI outcome (% of STI)
Group and SA operations						
HEBTPS	50	118.7 cents	133.0 cents	131.4 cents	88.6	44.3
EP	25	Three year rolling average improvement is R42.4 million			100	25.0
Operational efficiency	25	See below			61.7	15.4
Total	100					84.7

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	1/3	0
Eggs per hen housed and feed conversion rate – layer hens	1/3	85.0
Egg packing station efficiencies	1/3	100.0
Weighted average achievement	100%	61.7

Different targets are set for each Other African business and the table below provides a summary of the STI outcome of 2019.

Performance measure	Weighting %	Actual achievement %	STI outcome %
HEBTPS	50	0	0
EP	25	56.7	14.2
Operational efficiency	25	50.3	12.6
Total	100		26.8

The table below sets out the STIs of executive directors and prescribed officers in 2019, based on the achievement of performance targets:

Participant	STI earning potential (as a % of TGP)*	Achievement of performance conditions %	Actual STI (as % of TGP)	2019 STI amount included in single figure table R'000
HA Lourens	100	84.7	84.7	**3 143**
AH Muller	75	84.7	63.5	**1 502**
HE Pether	75	84.7	63.5	**928**

LTI outcomes

The first tranche of SARs granted in 2016 and the second tranche of SARs granted in 2015 vested in 2019. The tables below set out the achievement of the performance conditions for the SAR awards that vested during 2019.

2016 grant	Threshold	Stretch	Actual
Performance measure = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	CPI plus 39.4% growth
2016 SAR allocation*	65.0 cents	72.6 cents	163.9 cents**
Vesting (%)	0	100	100
Vesting date			18 February 2019
Performance period			1 October 2015 – 30 September 2018
Employment period			18 February 2016 – 18 February 2019

* *2016 adjusted HEPS was 54.0 cents per share.*
** *2018 HEPS.*

2015 Grant	Threshold	Stretch	Actual
Performance measure = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	CPI plus 50.2% growth
2015 SAR allocation***	35.7 cents	41.4 cents	163.9 cents****
Vesting (%)	0	100	100%
Vesting date			27 February 2019
Performance period			1 October 2014 – 30 September 2018
Employment period			27 February 2015 – 27 February 2019

*** *2015 adjusted HEPS was 28.1 cents per share.*
**** *2018 HEPS.*

LTIs granted during 2019

During the year under review, 6 049 032 SARs, at a strike price of R4.25 per share, were granted. The baseline HEPS of 163.90 cents per share for the 2019 allocation is the actual HEPS recorded for 2018. The Board did not increase the baseline HEPS for the 2019 allocation. Therefore, the total 100% vesting for the performance component of the 2019 allocation will be realisable at CAGR in HEPS of CPI plus 5% from the baseline of 163.90 cents per share.

Unvested LTIs

The table below discloses the number of each executive director's 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	Vesting/ Exercise date	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 Cents	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.

The table below discloses the number of each executive director's and prescribed officer's LTIs at 30 September 2018, 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.

Date awarded	Vesting/ Exercise date	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 Cents	Cash value of instruments on exercise R'000	Closing number	Indicative value R'000
HA Lourens											
2015/02/27	Note 1	774 376	–	315	–	258 126	258 126	460	375	516 250	569
2016/02/18	Note 2	634 240	–	266	–	–	–	–	–	634 240	1 008
2017/02/23	Note 3	2 280 786	–	309	–	–		–		2 280 786	2 639
2018/02/22	Note 4	–	2 267 972	391	–	–		–		2 267 972	780
AH Muller											
2015/02/27	Note 1	477 854	–	315	–	159 284	159 284	474	254	318 570	351
2016/02/18	Note 2	187 902	–	266	–	–	–	–	–	187 902	299
2017/02/23	Note 3	510 736	–	309	–	–		–		510 736	591
2018/02/22	Note 4	–	656 978	391	–	–		–		656 978	226
HE Pether											
2015/02/27	Note 1	224 410	–	315	–	–	–	–	–	224 410	247
2016/02/18	Note 2	122 190	–	266	–	–	–	–	–	122 190	194
2017/02/23	Note 3	402 570	–	309	–	–		–		402 570	466
2018/02/22	Note 4	–	345 174	391	–	–		–		345 174	119

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.

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)
Remaining number of shares that may be transferred to settle the LTI	12 977 705

Remuneration outcomes for 2019

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 2019 and 2018, respectively:

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**
30 September 2018						
HA Lourens	2 995	389	3 121	375	–	6 880
AH Muller	1 862	295	1 491	254	–	3 902
HE Pether	1 092	263	922	–	–	2 277
Total	5 949	947	5 534	629	–	13 059

NED fees

The table below sets out the fees paid to NEDs.

Name	2019 R'000	2018 R'000
WA Hanekom	**428**	402
N Celliers	**282**	266
Prof. ASM Karaan	**338**	318
PE Burton	**390**	344
GG Fortuin	**282**	266
T Golden	**175**	–

APPROVAL

The RHCC is satisfied that there were no material deviations from the remuneration policy during 2019.

This remuneration report was approved by the RHCC on 13 November 2019.

Annexure 6

GOING CONCERN STATEMENT

The audit and risk committee (“the committee”) has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Company and has made recommendations to the Board in accordance therewith. The Board’s statement regarding the going concern status of the Company, as supported by the committee, is included in the directors’ responsibility report in Annexure 8.

Annexure 7

DIRECTORS' RESPONSIBILITY

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

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

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

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

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

The summary consolidated financial statements of the Group were approved by the Board on 27 November 2019 and are signed on its behalf by:

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

Annexure 8

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

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;
- broad-based black economic empowerment ("B-BBEE");
- diversity management;
- labour relations and working conditions;
- training and skills development;
- management and monitoring of the Group's environmental impact;
- ethics management; and
- corporate social investment.

A focus on the above 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 the 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.

During the year, the SEC's key focus areas were as follows:

Topic	Progress and actions arising
B-BBEE and targets	The SEC monitored the strategy and targets of the Company to improve on the non-compliance score achieved in 2018. 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 (more detail is available on page 51 of the integrated report). The SEC specifically monitored the Group's enterprise and supplier development initiatives, with a focus on creating additional employment opportunities. Read more about the Group's B-BBEE strategy on page 51 of the integrated report.
Sponsorships and charitable donations	The SEC monitored the various product donations and continues to monitor the Group's social responsibility initiatives, which are detailed on page 52 of the integrated report.
Water, energy and waste disposal management	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. Read more on page 47 of the integrated report.

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 R22.3 million (2018: R3 million) of capital was allocated 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	The SEC monitored employment equity and training as set out on page 48 of the integrated report.
Animal welfare	The SEC monitored engagement with the NSPCA and other stakeholders to ensure that animal welfare remains a priority.
Ethics management	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). 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. Read more about the Group's measures to ensure proper ethics management on page 54 of the integrated report.

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 future focus for 2020. This will be supported by ongoing monitoring of the various topics that form the committee's mandate.

Topic	Areas of future focus
B-BBEE and targets	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.

Prof. ASM Karaan
Chairman

Wellington
15 November 2019

Annexure 9

DIRECTORS' INTEREST IN SHARES

As at 30 September 2019, the aggregate of the direct and beneficial interest of directors was 4.28% (2018: 4.03%) of the issued share capital of the Company. Indirect interest through listed public companies has not been taken into account. Individual directors' interests in the issued share capital of the Company is reflected below.

Since the end of the financial year and until the date of the integrated report, there were no material changes in the interest of the directors.

	Number of shares			
30 September 2019	**Direct**	**Indirect**	**Total**	**% of issued ordinary shares capital**
HA Lourens	**744 297**	**–**	**744 297**	**0.372**
AH Muller	**271 506**	**–**	**271 506**	**0.136**
WA Hanekom	**–**	**7 524 758**	**7 524 758**	**3.762**
N Celliers	**–**	**–**	**–**	**–**
Prof. ASM Karaan	**–**	**–**	**–**	**–**
PE Burton	**–**	**9 648**	**9 648**	**0.005**
GG Fortuin	**–**	**–**	**–**	**–**
T Golden*				
	1 015 803	**7 534 406**	**8 550 209**	**4.275**

	Number of shares			
30 September 2018	**Direct**	**Indirect**	**Total**	**% of issued ordinary shares capital**
HA Lourens	648 113	–	648 113	0.308
AH Muller	228 364	–	228 364	0.108
WA Hanekom	–	7 524 758	7 524 758	3.574
N Celliers	–	–	–	–
Prof. ASM Karaan	–	86 147	86 147	0.041
PE Burton	–	3 000	3 000	0.001
GG Fortuin	–	–	–	–
	678 477	7 613 905	8 490 382	4.033

* *Appointed during the year.*

CORPORATE INFORMATION

QUANTUM FOODS HOLDINGS LTD

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

DIRECTORS

WA Hanekom (chairman)
PE Burton (lead independent director)
GG Fortuin
Prof. ASM Karaan
N Celliers
T Golden (appointed 10 December 2018)
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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Fax: 011 688 5209

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Stellenbosch 7599
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AUDITOR

PricewaterhouseCoopers Inc.

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