NOTICE AND PROXY OF ANNUAL GENERAL MEETING

for the year ended 30 September 2018

QUANTUM FOODS

QUANTUM FOODS HOLDINGS LTD

Notice and proxy of annual general meeting and summary consolidated financial statements for the year ended 30 September 2018

Highlights	2018	2017
Revenue	**R4 122 million**	R4 052 million
Operating profit	**R473 million**	R170 million
Operating profit (before items of a capital nature)*	**R472 million**	R149 million
Headline earnings	**R361 million**	R112 million
Earnings per share	**164.3 cents**	55.7 cents
Headline earnings per share	**163.9 cents**	49.0 cents
Total dividend per share	**90.0 cents**	34.0 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.*

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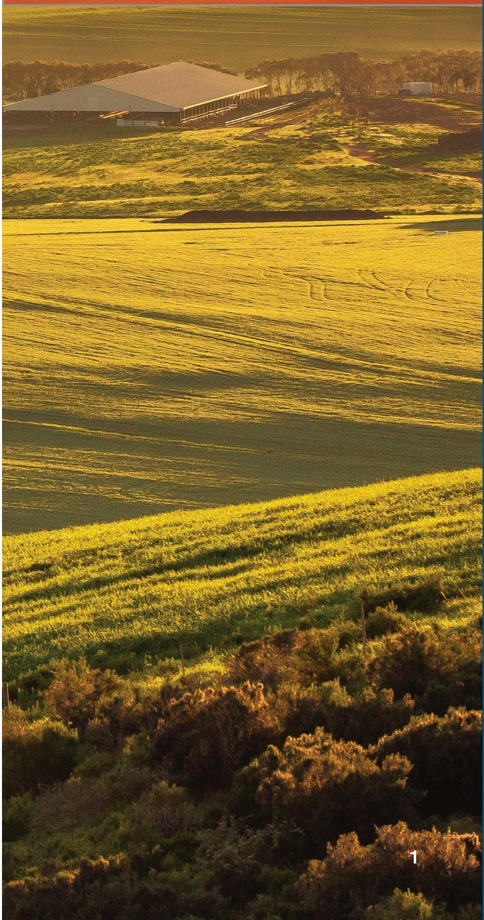
Quantum Foods
is the largest producer of eggs in South Africa.



LETTER TO THE SHAREHOLDERS

14 January 2019

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") fifth annual general meeting to be held at 14:00 on Friday, 15 February 2019, 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 annual report with summary consolidated financial statements will only be mailed to shareholders on request. The full report and full 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 annual 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 2018

Notice is hereby given to all shareholders recorded in the securities register of Quantum Foods as at Friday, 4 January 2019, that the fifth annual general meeting of Quantum Foods will be held at 14:00 on Friday, 15 February 2019, at Rhebokskloof Estate, Agter Paarl, Windmeul ("the annual general meeting" or "AGM").

PURPOSE

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

AGENDA

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 2018. 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 – 10
- Special resolutions 1 – 4

ORDINARY RESOLUTIONS

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

1. Ordinary resolution number 1

Re-appointment of auditors

"Resolved that the re-appointment of PricewaterhouseCoopers Inc. as the auditors for the ensuing year on the recommendation of the audit and risk committee 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 2019, and that the audit and risk committee be authorised to approve their remuneration."

The audit and risk committee 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 public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the AGM of the Company as required by the Companies Act, Act 71 of 2008 ("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."

2.1 **Ordinary resolution number 2**

Re-election of director: Prof. Abdus Salam Mohammad Karaan

2.2 **Ordinary resolution number 3**

Re-election of director: Mr. Patrick Ernest Burton

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**

Confirmation of appointment of director: Ms. Tanya Golden
"Resolved that the appointment of Ms. Tanya Golden as director of the Company who was co-opted to the Board as a director with effect from 10 December 2018, in accordance with the provisions of clause 29.2.6 of the MOI be and is hereby confirmed."

A brief CV of Ms. Golden appears in Annexure 3 to this notice of AGM.

Reason for ordinary resolution number 4

To confirm the appointment of a director who was co-opted to the Board in terms of clause 29.2.6 of the MOI.

4. **Ordinary resolution number 5**

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, subject to the passing of ordinary resolution number 3, until the next AGM of the Company to be held in 2020."

5. **Ordinary resolution number 6**

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 subject to the passing of ordinary resolution number 2, as recommended by the board of directors of the Company, until the next AGM of the Company to be held in 2020."

6. Ordinary resolution number 7

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, as recommended by the board of directors of the Company, until the next AGM of the Company to be held in 2020."

Reason for ordinary resolutions numbers 5 – 7

The reason for ordinary resolutions numbers 5 – 7 is that section 94(2) of the Companies Act requires the Company to elect at least three members of the audit and risk committee at each AGM. 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 of them have academic qualifications or experience in one or more of the following areas, i.e. economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resources.

7. Non-binding advisory votes

7.1 Ordinary resolution number 8

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 of AGM, be hereby endorsed by way of a non-binding advisory vote."

Reason for ordinary resolution number 8

The reason for ordinary resolution number 8 is that the King IV Report on Corporate Governance™ for South Africa, 2016[1] ("King IV") recommends 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. Ordinary resolution number 8 is of an advisory nature only, and 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 making amendments to the Company's remuneration policy.

7.2 Ordinary resolution number 9

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

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

Reason for ordinary resolution number 9

The reason for ordinary resolution number 9 is that King IV recommends that the implementation of 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 the Company's remuneration policies. Ordinary resolution number 9 is of an advisory nature only, and 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.

[1] The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). *Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.*

8. Ordinary resolution number 10

Amendment of 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 set out in Annexure 6 to this notice of AGM."

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

Reason for ordinary resolution number 10

The reason for ordinary resolution number 10 is to obtain the prior approval of shareholders to amend the rules of the Phantom Share Plan, 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 10, 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 annual general meeting 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:

9. 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 2019, until the date of the next AGM of the Company, on the basis set out below:

	Fees from 1 April 2019 until 31 March 2020 Rand (exclusive of VAT)	Fees from 1 April 2018 until 31 March 2019 Rand (exclusive of VAT)
Chairman of the Board	**334 000**	315 000
Lead independent director	**286 500**	270 000
Committee chairman	**57 300**	54 000
Committee member	**53 000**	50 000
Board member (not serving on a committee)	**237 500**	224 000

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 2019, 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.

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

Reason for special resolution number 2

The reason for special resolution number 2 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 Company and its subsidiaries ("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; and
   - 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 26 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 2018.

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 the JSE Listings Requirements.

11. 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; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and

- written notice of any such resolution by the Board shall be given to all shareholders of the Company and any trade union representing its employees –
  - within 10 business days after the Board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous financial assistance during the financial year, exceeds 0.1% of the Company's net worth at the time of the resolution; or
  - within 30 business days after the end of the financial year, in any other case.

Reason for 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 Company's 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 annual general meeting 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.

In as much as the section 45 Board resolution contemplates that such financial assistance will, in the aggregate, exceed one-tenth 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.

12. 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 ("related" and "inter-related" will herein have the meanings attributed to those terms in section 2 of the Companies Act), or for the purchase of any securities of the Company or a related or inter-related company, on the terms and conditions and for the amounts that the Board may determine."

The main purpose for this authority is to grant the Board the authority to 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.

13. 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, 4 January 2019.

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, 8 February 2019, with the last day to trade being Tuesday, 5 February 2019.

APPROVALS REQUIRED FOR ORDINARY AND SPECIAL RESOLUTIONS

Ordinary resolutions numbers 1 to 7 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 8 and 9 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 10 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, Sandton, 2196, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them by no later than Wednesday, 13 February 2019, 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.

By order of the Board

Marisha Gibbons
Company Secretary

Quantum Foods Holdings Ltd
14 January 2019

ANNEXURE 1

QUANTUM FOODS HOLDINGS LTD

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 September 2018

COMMENTARY

Introduction

The financial performance of 2018 was truly exceptional, supported by significant tailwinds experienced by the egg business. The year was characterised by the impact of the highly pathogenic Avian Influenza ("AI") outbreaks in South Africa, which caused a substantial increase in egg prices. These outbreaks further increased biosecurity and logistics costs and resulted in a significant reduction in the feed volumes required by the Group's internal layer farms.

The effects of the AI outbreak in 2017 continued into 2018. These effects included a nationwide egg shortage, which had a significant impact on the egg industry generally and on the Group in particular.

Due to the outbreak, the commercial layer population in South Africa declined from a high of approximately 24.4 million hens during 2017 to a low of approximately 21 million in 2018. The resultant lower supply of eggs caused egg prices to increase by 23.7% year on year.

The Group experienced a further outbreak of AI early in the 2018 financial year. While management expertise gained from the 2017 outbreak was effectively applied to reduce the impact, additional costs were incurred throughout the business to mitigate the risk of further AI outbreaks. These costs included additional biosecurity measures on farms, in the feed mills as well as the egg packing stations.

The South African economy remains under pressure and fell into a recession during the year. It is particularly concerning that South Africa has suffered from a per capita income decline since 2013. Per capita income growth is the most important driver of protein consumption.

Operational overview

The main cost drivers that impact Quantum Foods' operations are maize and soybean meal prices. Fortunately, raw material costs were lower during the year due to the good South African maize and soybean meal harvests in 2017.

Although the maize crop in 2018 was not as large as in 2017, sufficient maize was produced for domestic consumption. Maize prices, however, started to increase from February 2018.

Soybean meal prices were more volatile and traded between US$300 to US$380 per ton during the year. This instability not only resulted in an increased risk of procuring key raw materials at suboptimal price points, but also led to increased difficulty in managing margins. This was particularly evident in the feed business.

For the egg business, a longer maize position was held by utilising lower maize prices on SAFEX earlier in the year. This further contributed to the business's profit.

Overall, operational costs in the Group were well managed given the additional costs incurred following the AI outbreak.

Segmental overview

Nova Feeds' profit declined in the year under review. External sales volumes grew by 6.1%, margins came under pressure and the business felt the impact of reduced tons of feed supplied to the Group's Nulaid farms as a result of the AI outbreaks in 2017 and early in 2018. Generally, the feed industry remains highly competitive. Despite this, the Nova Feeds business continues to perform well and additional capital was allocated to increase capacity in 2019.

The broiler farming business performed well on commercial level and record-high productivity levels were achieved. Unfortunately, the excellent performance by parent breeder operations seen in previous years was not repeated.

The introduction of new Cobb500 male line genetics resulted in commercial broilers performing well in terms of growth (with fewer mortalities and improved feed consumption). There were, however, negative impacts. These included reduced egg production and hatchability at breeder level. The Group subsequently made several changes to the management of the parent flock and breeder productivity began to improve toward the end of the 2018 financial year. Hatchery capacity was successfully enhanced and the Group achieved a 6% increase in day-old chick volumes.

The productivity of the layer farming business continued to improve. The layer breeders outperformed the Lohmann breed standards again and, commercially, all short-term productivity indicators are improving. The productivity index for commercial layers improved by nearly 2%.

The sales volume of day-old layer chicks increased by 61.8%. However, due to a large rearing farm being affected by AI, point-of-lay sales declined by 22.5%. Additional commercial layer capacity was successfully created during the year to mitigate the production losses caused by the AI outbreak.

The egg business delivered a strong performance on the back of favourable industry conditions. Due to AI, egg prices increased by 23.7% and volumes declined by 7.4% year on year. This price movement was a significant contributor to, and positively impacted, the profitability of the egg business. The business improved its operational efficiencies and compares well with similar operations globally. A further success was the change in customer mix in the northern part of South Africa, whereby the quantity of graded eggs supplied to the formal market reduced and the quantity of ungraded eggs supplied directly from farms increased. This resulted in improved efficiencies in both channels.

The Group ensured that all key customers' egg volume requirements were met during the year, with only one significant customer being out of stock for a short period during the initial AI outbreak. The geographical spread of the Group's egg farms throughout South Africa mitigates the disease risk, however, distributing eggs to the Western Cape from the Gauteng/North West layer farms created a logistical challenge. This challenge was managed exceptionally well by the egg business, which is now being led by a much stronger management team than two years ago.

Quantum Foods' other Africa businesses performed well. Macro-economic factors in all three countries were more favourable during the past year than in 2017.

Uganda experienced a complete turnaround year on year. This was partly due to a substantial decline in 2018 maize prices following a good harvest after two previously dry seasons. The financial benefits of the Masindi egg farm investment also commenced.

In Zambia, the Mega Eggs business performed well and earnings from the Lusaka breeder farm started to improve towards the end of the financial period. The investment in a new feed mill at the Lusaka farm was completed in September 2018.

The Mozambican business posted its maiden profit. The characteristics of the South African egg market influenced the Mozambican market and egg prices increased while feed prices decreased. The business was able to sell a larger percentage of eggs to the formal retail market. Capital was successfully invested to ensure better protection at chicken houses during periods of extreme heat, which negatively impacted the business's layer flock in 2017.

Financial overview

Group revenue increased by 1.7% to R4 122 million, with a 1.4% increase of R52 million in South African operations and 8.7% increase of R18 million in other African operations. Revenue from other African operations contributed 5.4% to Group revenue for 2018 (2017: 5.0%).

Revenue from South African operations:

- Decreased by R25 million for the feed segment. This is a result of the adjustment to selling prices in response to lower average raw material costs, while volumes sold increased by 6.1%.
- Decreased by R78 million for the farming segment. Similar to the feed segment, broiler selling prices were reduced as a result of lower average feed costs, while the layer farming business had less volumes to sell.
- Increased by R155 million for the eggs segment, where an average price increase of 23.7% and a volume decline of 7.4% was achieved.

Cost of sales decreased by 2.1% to R3 188 million. Cost of sales include 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 2018 amounted to R418 million (2017: R165 million), with the increase mostly reflective of the improved margins in the layer farming and egg businesses. Gross profit, excluding these fair value adjustments, increased by R394 million to R1 353 million at a margin of 32.8% (2017: 23.7%).

Cash operating expenses increased by 8.3% in 2018. Factors contributing to this increase ahead of inflation include:

- additional AI risk mitigation measures that were implemented;
- increased operational costs of the Western Cape broiler farms owned by the Group following the exit of some contract producers during the previous year; and
- increased short-term incentive benefits payable to qualifying management.

Operating profit, before items of a capital nature, increased by 216% to R472 million for the period under review.

South African operations recorded a 165% increase of R283 million to a profit of R455 million at a margin of 11.7% (2017: 4.5%). Eggs and farming improved by R240 million and R51 million respectively, while feeds weakened by R8 million. Eggs profit benefited from substantially higher margins due to the increase in selling prices, lower feed production costs and improved operational efficiency. Included in farming profits are the proceeds from an insurance claim for AI of R22 million, while the majority of the AI losses were incurred in the previous year. Feeds profit benefited from the increase in sales volumes to the external market. However, profit was negatively affected by the decline in volumes required by the internal layer farming business and lower margins achieved on external sales. Other African operations recorded an increase in earnings of R41 million, which resulted in a profit of R31 million. Earnings increased in all three countries supported by improved operating conditions.

Headline earnings per share ("HEPS") increased to 163.9 cents from 49.0 cents per share in 2017.

Cash inflow from operations amounted to R432 million for the reporting period. This includes a reduced investment of R13 million in working capital.

Capital expenditure for the period amounted to R116 million, with the main items being a project to increase capacity at the broiler hatchery in Hartbeespoort, building a new feed mill in Lusaka, expanding the Masindi layer farm in Uganda, expanding the feed mills in Pretoria and Olifantskop, expanding the layer hatchery in Bronkhorstspruit, as well as capital expenditure to renovate previously dormant commercial layer houses in South Africa.

Cash and cash equivalents increased from R261 million at 30 September 2017 to R422 million at 30 September 2018.

The Group had minimal borrowings at 30 September 2018,which comprised an arrangement to purchase electricity generated from solar panels, 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 its declaration of a total gross final dividend of 70 cents per share, the Board further considered the cash generated by, and the healthy cash position of, the Group at 30 September 2018.

Full year dividend at a HEPS cover of 4 times	41 cents
Special dividend due to 2018 cash generation	49 cents
Total dividend (2017: 34 cents per share)	90 cents
Less Interim dividend declared	(20 cents)
Total final dividend	70 cents

During the year under review, Quantum Foods bought back and cancelled 11 784 941 shares at a cost of R52.4 million. In addition, a subsidiary of Quantum Foods purchased 546 815 shares at a cost of R2.5 million. These shares are held as treasury shares. The issued share capital at 30 September 2018 is 210 529 716 shares. The Board intends to continue with the repurchase of shares.

The applicable dates are as follows:

Last date of trading *cum* dividend	Tuesday, 15 January 2019
Trading *ex* dividend commences	Wednesday, 16 January 2019
Record date	Friday, 18 January 2019
Dividend payable	Monday, 21 January 2019

Share certificates may not be dematerialised or materialised between Wednesday, 16 January 2019 and Friday, 18 January 2019, both days inclusive.

Prospects

There is uncertainty about the size of the maize crop that will be planted for the 2019 season. However, given the surplus maize stock harvested in 2018, there should be an adequate supply of maize domestically. Globally, stock levels of maize and soybean meal remain sufficient.

A major uncertainty for the Group going forward is the rand to US dollar exchange rate. Volatility in exchange rates directly impact maize and soybean meal prices.

The current dynamics experienced in the egg market are significantly different to what Quantum Foods experienced 12 months ago. Sufficient layer hens have been placed in South Africa to ensure that supply will exceed demand. The Group expects egg prices to decrease in 2019 – a testimony to the cyclical nature of the egg business. However, the egg business is in a much stronger position to navigate the expected headwinds. This includes, for example, improved management and operational efficiency, assisted by the replacement of egg grading and packing equipment in the Group's largest packing stations. The broiler and feed businesses have further demonstrated their resilience through their strong contributions to the Group's profitability. The other African businesses have experienced management teams and that, together with investments made to expand capacity, should result in improved resilience from these businesses going forward.

By order of the Board

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

28 November 2018

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 17 to 25 of this Notice and Proxy of Annual General Meeting, which comprise the summary consolidated statement of financial position as at 30 September 2018, 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 2018.

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 International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements 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 28 November 2018. 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: DG Malan
Registered auditor
Stellenbosch

28 November 2018

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2018

	2018 R'000	2017 R'000
ASSETS		
Non-current assets	**1 091 867**	1 076 838
Property, plant and equipment	**1 071 869**	1 051 259
Intangible assets	**10 637**	13 304
Investment in associate	**8 789**	8 083
Deferred income tax	**572**	4 192
Current assets	**1 422 816**	1 177 817
Inventories	**240 396**	201 789
Biological assets	**332 058**	299 345
Trade and other receivables	**425 424**	411 395
Derivative financial instruments	**–**	1 876
Current income tax	**2 477**	1 943
Cash and cash equivalents	**422 461**	261 469
Total assets	**2 514 683**	2 254 655
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent	**1 854 391**	1 691 645
Share capital	**1 500 248**	1 552 670
Treasury shares	**(1 541)**	–
Other reserves	**(226 402)**	(200 991)
Retained earnings	**582 086**	339 966
Total equity	**1 854 391**	1 691 645
Non-current liabilities	**234 405**	237 034
Interest-bearing liability	**6 128**	6 227
Deferred income tax	**220 559**	223 199
Provisions for other liabilities and charges	**7 718**	7 608
Current liabilities	**425 887**	325 976
Trade and other payables	**424 661**	321 549
Derivative financial instruments	**1 127**	–
Current income tax	**–**	4 336
Interest-bearing liability	**99**	91
Total liabilities	**660 292**	563 010
Total equity and liabilities	**2 514 683**	2 254 655

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2018

	Notes	2018 R'000	2017 R'000
Revenue		**4 121 901**	4 051 890
Cost of sales		**(3 187 855)**	(3 257 803)
Gross profit		**934 046**	794 087
Other income		**33 148**	19 775
Other gains/(losses) – net	3	**420 072**	199 910
Sales and distribution costs		**(232 391)**	(215 953)
Marketing costs		**(15 205)**	(12 056)
Administrative expenses		**(118 196)**	(108 643)
Other operating expenses		**(548 195)**	(507 005)
Operating profit		**473 279**	170 115
Investment income		**24 919**	8 066
Finance costs		**(1 116)**	(1 665)
Share of profit of associate company		**706**	1 095
Profit before income tax		**497 788**	177 611
Income tax expense		**(135 561)**	(49 994)
Profit for the year		**362 227**	127 617
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		**4 982**	4 039
For the year		**23 627**	(12 096)
Deferred income tax effect		**(18)**	(568)
Current income tax effect		**(6 598)**	3 955
Realised to profit or loss		**(16 707)**	17 706
Deferred income tax effect		**568**	(47)
Current income tax effect		**4 110**	(4 911)
Movement on foreign currency translation reserve			
Currency translation differences		**(36 299)**	2 340
Total comprehensive income for the year		**330 910**	133 996
Profit for the year attributable to owners of the parent		**362 227**	127 617
Total comprehensive income for the year attributable to owners of the parent		**330 910**	133 996
Earnings per ordinary share (cents)	4	**164**	56
Diluted earnings per ordinary share (cents)	4	**163**	56

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2018

	2018 R'000	2017 R'000
Share capital and treasury shares	**1 498 707**	1 552 670
Opening balance	**1 552 670**	1 581 402
Shares repurchased and cancelled	**(52 422)**	(28 732)
Ordinary shares acquired by subsidiary	**(2 520)**	–
Ordinary shares transferred – share appreciation rights	**979**	–
Other reserves	**(226 402)**	(200 991)
Opening balance	**(200 991)**	(211 432)
Other comprehensive income for the year	**(31 317)**	6 379
Recognition of share-based payments	**6 633**	4 062
Ordinary shares transferred – share appreciation rights	**(727)**	–
Retained earnings	**582 086**	339 966
Opening balance	**339 966**	226 178
Profit for the year	**362 227**	127 617
Dividends paid	**(119 855)**	(13 829)
Ordinary shares transferred – share appreciation rights	**(252)**	–
Total equity	**1 854 391**	1 691 645

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2018

	2018 R'000	2017 R'000
Cash flow from operating activities	**431 555**	257 688
Cash profit from operating activities	**547 802**	200 373
Working capital changes	**12 889**	115 232
Cash effect of hedging activities	**8 884**	3 413
Cash generated from operations	**569 575**	319 018
Income tax paid	**(138 020)**	(61 330)
Cash flow from investing activities	**(87 355)**	(32 745)
Additions to property, plant and equipment	**(115 749)**	(72 227)
Additions to intangible assets	**(283)**	(812)
Proceeds on disposal of property, plant and equipment	**3 758**	32 228
Interest received	**24 919**	8 066
Cash surplus	**344 200**	224 943
Cash flow from financing activities	**(175 320)**	(43 709)
Repayment of interest-bearing liability	**(91)**	(84)
Shares repurchased	**(52 422)**	(28 732)
Treasury shares acquired by subsidiary	**(2 520)**	–
Interest paid	**(554)**	(1 073)
Dividends paid to ordinary shareholders	**(119 733)**	(13 820)
Increase in cash and cash equivalents	**168 880**	181 234
Effects of exchange rate changes	**(7 888)**	724
Cash and cash equivalents at beginning of year	**261 469**	79 511
Cash and cash equivalents at end of year	**422 461**	261 469

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018

	2018 R'000	2017 R'000
SEGMENT INFORMATION		
Segment revenue	**4 121 901**	4 051 890
Eggs	**1 206 489**	1 051 375
Farming	**1 232 798**	1 310 907
Animal feeds	**1 460 387**	1 485 255
Other African countries	**222 227**	204 353
Segment results – excluding items of a capital nature	**472 350**	149 496
Eggs	**286 669**	46 460
Farming	**98 464**	47 285
Animal feeds	**69 413**	77 786
Other African countries	**31 036**	(9 655)
Head office costs	**(13 232)**	(12 380)
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	**929**	20 619
Eggs	**1 943**	(1 457)
Farming	**(504)**	18 422
Animal feeds	**(510)**	3 441
Other African countries	**–**	213
Segment results	**473 279**	170 115
Eggs	**288 612**	45 003
Farming	**97 960**	65 707
Animal feeds	**68 903**	81 227
Other African countries	**31 036**	(9 442)
Head office costs	**(13 232)**	(12 380)
A reconciliation of the segment results to profit before income tax is provided below:		
Segment results	**473 279**	170 115
Adjusted for:		
Investment income	**24 919**	8 066
Finance costs	**(1 116)**	(1 665)
Share of profit of associate company	**706**	1 095
Profit before income tax per statement of comprehensive income	**497 788**	177 611

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

(continued)

for the year ended 30 September 2018

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.

2. ACCOUNTING POLICIES

These summary consolidated financial statements incorporate accounting policies that are consistent with those applied in the Group's consolidated financial statements for the year ended 30 September 2018 and with those of previous financial years, except for the adoption of the following amendments to the published standards that became effective for the current reporting period beginning on 1 October 2017:

- *Amendment to IAS 12 – 'Income taxes'*
- *Amendments to IAS 7 – 'Cash flow statements'*

The adoption of these amendments to the standards did not have any material impact on the Group's results and cash flows for the year ended 30 September 2018 and the financial position at 30 September 2018.

	2018 R'000	2017 R'000
3. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	**74 063**	40 810
Unrealised – reflected in carrying amount of biological assets	**(775)**	17 425
Realised – reflected in cost of goods sold	**74 838**	23 385
Agricultural produce fair value adjustment	**344 783**	143 754
Unrealised – reflected in carrying amount of inventory	**1 142**	2 325
Realised – reflected in cost of goods sold	**343 641**	141 429
Foreign exchange differences	**4 413**	1 891
Financial instruments fair value adjustments	**(1 243)**	(3 563)
Foreign exchange contract cash flow hedging ineffective losses	**(2 873)**	(3 601)
Profit on disposal of property, plant and equipment	**929**	20 619
	420 072	199 910

	2018 R'000	2017 R'000
4. 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 in issue during the year:		
Profit for the year	**362 227**	127 617
Weighted average number of ordinary shares in issue ('000)	**220 468**	229 124
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 in issue during the period:		
Profit for the year	**362 227**	127 617
Diluted weighted average number of ordinary shares in issue ('000)	**222 821**	229 124
Headline earnings is calculated in accordance with Circular 4/2018 issued by the South African Institute of Chartered Accountants.		
Reconciliation between profit for the period attributable to owners of the parent and headline earnings		
Profit for the year	**362 227**	127 617
Remeasurement of items of a capital nature		
Profit on disposal of property, plant and equipment	**(782)**	(15 314)
Gross	**(929)**	(20 619)
Tax effect	**147**	5 305
Headline earnings for the year	**361 445**	112 303
Earnings per share (cents)	**164**	56
Diluted earnings per share (cents)	**163**	56
Headline earnings per share (cents)	**164**	49
Diluted headline earnings per share (cents)	**162**	49

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

(continued)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
5. CONTINGENT LIABILITIES		
Guarantees in terms of loans by third parties to contracted service providers	**29 550**	24 355

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 matter will be defended in the High Court.

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

Allegations of anti-competitive trade practices – Zambia

The Group received a notice of investigation in the 2016 reporting period from the Zambian Competition and Consumer Protection Commission regarding alleged violation of the Competition and Consumer Protection Act ("the Act"). The investigation was finalised in March 2018 and Quantum Foods Zambia Ltd was found to be in contravention of certain provisions of the Act. An appeal has been lodged at the Competition and Consumer Protection Tribunal for Zambia. This previously disclosed contingent liability, meets the provision recognition criteria as per IAS 37. In accordance with IAS 37, a provision of R5.6 million was raised in this reporting period.

Dispute with egg contract producer

The Group has an outstanding trade receivable from a previous egg contract producer. The producer has filed a counterclaim against the Group for alleged breach of the terms of the terminated agreement. The claim of the Group and the counterclaim have been referred to arbitration.

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

6. FUTURE CAPITAL COMMITMENTS

Capital expenditure approved by the Board and contracted for amounts to R50.0 million (2017: R23.9 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R95.3 million (2017: R42.5 million).

7. EVENTS AFTER THE REPORTING PERIOD

Dividend

A gross final dividend of 70 cents per ordinary share has been approved and declared by the Board for the year ended 30 September 2018, on 28 November 2018. 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 56 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 70 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 210 529 716 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.

8. PREPARATION OF FINANCIAL STATEMENTS

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

9. AUDIT

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

The Group’s auditors have not reviewed nor reported on any of the comments relating to prospects.

ANNEXURE 2

SHAREHOLDER ANALYSIS

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Ordinary shares				
Individuals	2 821	80.4	30 363 152	14.4
Nominees and trusts	326	9.3	9 568 001	4.6
Investment companies and corporate bodies	361	10.3	170 598 563	81.0
	3 508	100.0	210 529 716	100.0
Non-public/public shareholders				
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2018, is as follows:				
Analysis of shareholding - ordinary shares				
Public shareholding				
Major shareholding				
Allan Gray (on behalf of clients)	1	0.0	30 800 857	14.6
Other shareholders	3 500	99.9	109 283 974	51.9
Non-public shareholding				
Major shareholding				
Zeder Investments Ltd	1	0.0	61 620 084	29.3
Other shareholders				
Directors	5	0.1	8 490 382	4.0
Quantum Foods (Pty) Ltd	1	0.0	334 419	0.2
	3 508	100.0	210 529 716	100.0
Distribution of ordinary shareholders				
Number of shares				
1 – 1 000 shares	1 469	41.9	517 107	0.2
1 001 – 10 000 shares	1 171	33.3	4 721 661	2.2
10 001 – 100 000 shares	697	19.9	23 119 697	11.0
100 001 – 1 000 000 shares	136	3.9	34 222 265	16.3
1 000 001 shares and over	35	1.0	147 948 986	70.3
	3 508	100.0	210 529 716	100.0

ANNEXURE 3

DIRECTORS UP FOR RE-ELECTION

Prof. Abdus Salam Mohammad Karaan (50)
Independent non-executive director
Mohammad was appointed to the Board on 10 June 2014.

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

Quantum Foods Board and committee membership:
Non-executive director, audit and risk, social and ethics (chairman).

Mohammad joined the Development Bank of Southern Africa in Johannesburg as an economist and later returned to Stellenbosch to join the Rural Foundation as head of research. In 1997, he joined Stellenbosch University as a lecturer in the Agricultural Faculty. In October 2008, he became dean of the Faculty of AgriSciences at Stellenbosch University. He serves on various boards.

Mr. Patrick Ernest Burton (66)
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), 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 sits on the board of directors of various listed and unlisted companies.

CONFIRMATION OF DIRECTOR’S APPOINTMENT

Ms. Tanya Golden (46)
Independent non-executive director
Tanya was appointed to the Board on 10 December 2018.

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

Tanya is a senior counsel and has been a member of the Cape Bar for the past twenty years. She has served as Chairperson of the Cape Bar Council and is presently the Chairperson of the Cape Bar Transformation Committee and the National Transformation Chairperson for the General Council of the Bar.

Tanya served as a member of the Financial Services Board Enforcement Tribunal and was previously appointed by the MEC of Health, to serve on one of the Department’s Hospital board’s and as chairperson for 3 years.

ANNEXURE 4

MEMBERS OF THE AUDIT AND RISK COMMITTEE

Current and re-appointed:

Mr. Patrick Ernest Burton (66)
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), 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 sits on the board of directors of various listed and unlisted companies.

Prof. Abdus Salam Mohammad Karaan (50)
Independent non-executive director
Mohammad was appointed to the Board on 10 June 2014.

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

Quantum Foods Board and committee membership:
Non-executive director, audit and risk, social and ethics (chairman).

Mohammad joined the Development Bank of Southern Africa in Johannesburg as an economist and later returned to Stellenbosch to join the Rural Foundation as head of research. In 1997, he joined Stellenbosch University as a lecturer in the Agricultural Faculty. In October 2008, he became dean of the Faculty of AgriSciences at Stellenbosch University. He serves on various boards.

Mr. Geoffrey George Fortuin (52)
Independent non-executive director
Geoff was appointed to the Board on 28 April 2015.

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

Quantum Foods Board and committee membership:
Non-executive director, audit and risk

Geoff is 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.

ANNEXURE 5

REMUNERATION REPORT

FY2019 Remuneration policy

This remuneration policy is a summary, and should be read in conjunction with the full remuneration report, as set out in the 2018 integrated report and the full remuneration policy that is available online at www.quantumfoods.co.za/annual-reports/

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 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 are 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 in every financial year. Selected individuals may attend these meetings by invitation from the RHCC.

Remuneration philosophy and 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 AND POSITIVE OUTCOME	POLICY AND LINK TO BUSINESS STRATEGY
TGP (fixed; applicable to all employees) Social – ensuring the necessary skills to enhance and maintain a performance culture.	Aimed at attracting and retaining talent and ensuring competitiveness. Quantum Foods participates in reputable South African salary surveys 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 surveys and benchmarks that are used include PwC's REMChannel® Survey. The RHCC is satisfied that these surveys and benchmarks are 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 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 cell phone 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 AND POSITIVE OUTCOME	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 STI constitutes a performance bonus. This bonus is designed to motivate and reward 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 egg layer farm production efficiency, broiler breeder production efficiency and sales efficiency at the egg packing stations. Egg production efficiency is measured as a combination of the number of eggs produced per layer-type hen placed at the start of a laying cycle and the feed consumed during the laying cycle. 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 stations is measured based on the percentage of eggs sold as second grade eggs. Separate efficiency targets are set for STI participants employed in the other African operations of the Group.
LTIs (variable) Economic – drives share price growth and by extension, the creation of shareholder value.	The LTI consists of an equity settled Share Appreciation Right ("SAR") scheme designed to attract and retain talent over the long term, as well as align the interests of employees with that of shareholders. 50% of the SAR award is subject to performance conditions (set out below). The remaining 50% is subject to continued employment. As the SAR 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. 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 guaranteed pay.

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 Group-wide 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 scheme (as summarised above in the remuneration framework). 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.

Earnings 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 33. Linear vesting applies for partial achievement of performance measures.*

Senior management with African country, national, or significant regional responsibility have an STI earning potential of 35% of TGP. Other senior management reporting directly to the executive team have an STI earning potential of 15% of TGP.

The maximum 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 maximum earning potential depending on the participant's level. The STI scheme is based on three performance measures that are applicable to all eligible employees for the 2019 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%**	118.7* cents per share	133.0* 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 table egg production and day-old broiler chick production as well as a target for the percentage of second grade eggs sold at the egg packing stations.	

* *Targets for 2019. At performance of HEBTPS of 118.7 cents per share or lower, the bonus will be nil. The measurement of HEBTPS is impacted by the actual weighted average number of shares in issue. During 2018 the Group repurchased and cancelled 11 784 941 shares. The Board intends to continue with the repurchase of shares.*

2019 STI performance measures

The RHCC has changed the measurement for the achievement of financial and operational targets for the STI for 2019.

Operational targets

The 2018 targets were for farming production efficiency only, with targets set for feed conversion ratios of broiler and layer-type chickens, and for egg production efficiency on layer farms. Two out of the three targets for 2018 were for the layer farming business, with no operating efficiency targets set for the egg business.

In determining the operational targets for 2019, the RHCC therefore considered the importance of optimal efficiency in the egg packing stations. The measurements for the layer farming business were retained. However, the weighting was reduced to one third from two thirds in 2018. The measurement for the broiler farming business was changed to align with the breeding standards for day-old chicks produced per breeder hen placed at the start of the laying cycle. A target for the percentage of second-grade eggs sold at the egg packing stations was included as a new measurement for the egg business. Each of these three operational efficiency measurements will contribute one third to the STI. The RHCC considers these measurements as the most important in each of the businesses to increase earnings and realise the Company's business strategy.

HEBTPS targets

In determining the HEBTPS targets for 2019 the RHCC considered the exceptional financial performance achieved in the 2018 financial year by the egg business, where egg prices increased by 23.7% as a result of a shortage of eggs in South Africa following the outbreak of AI in 2017. Based on historical performance of the Group the RHCC considers the HEBTPS target set for 2019 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 Board to establish minimum and maximum potential bonus pay-outs.

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

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.

LTI scheme

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

Share appreciation rights

Shareholders approved the scheme and rules of the equity-settled Phantom SAR Plan ("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 of the strike price from the award date to the exercise date. 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.

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 value to the multiple. In determining annual top-up allocations, only unvested past allocations 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")	**CPI + 1%**	CPI + 5%
In HEPS	**0% vesting**	100% vesting

Awards vest on the 3rd, 4th and 5th 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 6.9% of Quantum Foods' issued share capital. The individual employee limit is 1 million shares, which amounts to 0.48% 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 rules, 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 other employees, apart from 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.

The survey and benchmark that is used in determining executive directors' remuneration is the Executive directors' remuneration practices and trends report (PwC). The RHCC is satisfied that the use of this report is appropriate in the context of Quantum Foods and its business.

Non-executive director fees

NEDs are paid a quarterly retainer fee in cash. The fee reflects the NED's assigned responsibilities. The fee is evaluated annually and every two years movements are informed using the Non-executive directors' fees practices and trends report (PwC). 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 reimbursed for any related disbursements.

Shareholder engagement methods

In line with 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 2018

TGP

The RHCC approved a salary increase mandate of 6.5% of total cost to company for non-sectoral employees and executives, and a 6.5% basic pay increase for sectoral employees. The RHCC reviewed executive directors' remuneration in 2018 to ensure market alignment. Remuneration was then adjusted accordingly, as required.

STI outcomes

R19.6 million of the bonus pool cap of R22.3 million accrued to participants of the STI in 2018. The table below sets out the STI performance outcomes for 2018:

Performance measure	Weighting	Actual achievement
HEBTPS	**50%**	50%
EP	**25%**	25%
Farming production efficiency	**25%**	14%
Total	**100%**	89%

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

Performance measure	Weighting	Actual achievement
Feed conversion rate – live broilers	**1/3**	100%
Feed conversion rate – eggs	**1/3**	70%
Eggs per hen housed	**1/3**	0%
Weighted average achievement	**100%**	57%

The table below sets out the STIs of executive directors and prescribed officers in 2018, based on the achievement of performance targets:

Participant	2018 STI amount R'000	Actual STI (as % of TGP)	STI earning potential (as % of TGP)
HA Lourens	**3 121**	89.2%	100%
AH Muller	**1 491**	66.9%	75%
HE Pether	**922**	66.9%	75%

LTI outcomes

The first tranche of SARs (granted in 2015) vested in 2018. The table below sets out the achievement of the performance conditions for the SAR awards that vested during 2018.

Performance measure	Threshold	Stretch	Actual**
Compound annual growth in adjusted headline earnings per share	CPI plus 1% growth	CPI plus 5% growth	CPI plus 15.1% growth
2015 SAR allocation*	33.7 cents	37.6 cents	49.0 cents***
Vesting %	0%	100%	100%
Vesting date	27 February 2018		
Performance period	1 October 2014 – 30 September 2017		
Employment period	27 February 2015 – 27 February 2018		

* *2015 adjusted headline earnings per share was 28.1 cents per share.*
** *Actual vesting is dependent on the employee being in service on the date of vesting.*
*** *2017 headline earnings per share.*

During the year under review, 6 460 040 SARs, at a strike price of R3.906 per share, were granted. The baseline HEPS of 49.0 cents per share for the 2018 allocation is the actual HEPS recorded for 2017. The Board did not increase the baseline HEPS for the 2018 allocation. Therefore, the total 100% vesting for the performance component of the 2018 allocation will be realisable at CAGR in HEPS of CPI plus 5%, from the baseline of 49.0 cents per share.

Unvested LTIs

The table below discloses the value of each executive director and prescribed officer's LTIs at 30 September 2018, whether allocated, settled, or forfeited, as well as the 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 date	Opening number	Granted during the year	Grant price Cents	Forfeited during the year	Settled during the year	Closing number	Indicative value R'000
HA Lourens									
	2015/02/27	Note 1	774 376	–	315	–	258 126	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	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

Note 2: Vesting in three equal tranches on 18/02/2019, 18/02/2020 and 18/02/2021

Note 3: Vesting in three equal tranches on 23/02/2020, 23/02/2021 and 23/02/2022

Note 4: Vesting in three equal tranches on 22/02/2021, 22/02/2022 and 22/02/2023

LTIs settled during the year resulted in the first 212 396 of the maximum of 14.5 million shares being transferred to participants.

The table below discloses the value of each executive director and prescribed officer's LTIs at 30 September 2017, whether allocated, settled, or forfeited, as well as the 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 date	Opening number	Granted during the year	Grant price Cents	Forfeited during the year	Settled during the year	Closing number	Indicative value R'000
HA Lourens									
	2015/02/27	Note 1	**774 376**	**–**	**315**	**–**	**–**	**774 376**	**Nil**
	2016/02/18	Note 2	**634 240**	**–**	**266**	**–**	**–**	**634 240**	**216**
	2017/02/23	Note 3		**2 280 786**	**309**	**–**	**–**	**2 280 786**	**Nil**
AH Muller									
	2015/02/27	Note 1	**477 854**	**–**	**315**	**–**	**–**	**477 854**	**Nil**
	2016/02/18	Note 2	**187 902**	**–**	**266**	**–**	**–**	**187 902**	**64**
	2017/02/23	Note 3		**510 736**	**309**	**–**	**–**	**510 736**	**Nil**
HE Pether									
	2015/02/27	Note 1	**224 410**	**–**	**315**	**–**	**–**	**224 410**	**Nil**
	2016/02/18	Note 2	**122 190**	**–**	**266**	**–**	**–**	**122 190**	**42**
	2017/02/23	Note 3		**402 570**	**309**	**–**	**–**	**402 570**	**Nil**

Note 1: Vesting in three equal tranches on 27/02/2018, 27/02/2019 and 27/02/2020
Note 2: Vesting in three equal tranches on 18/02/2019, 18/02/2020 and 18/02/2021
Note 3: Vesting in three equal tranches on 23/02/2020, 23/02/2021 and 23/02/2022

Remuneration outcomes for 2018

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 2018 and 2017, respectively:

30 September 2018	Basic salary R'000	Benefits R'000	STI R'000	LTI* R'000	Directors' fees R'000	Total R'000
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**
30 September 2017						
HA Lourens	2 698	356	1 516	–	–	4 570
AH Muller	1 635	271	707	–	–	2 613
HE Pether	1 013	251	475	–	–	1 739
Total	5 346	878	2 698	–	–	8 922

* *Number of SARs exercised during the year under review multiplied by the share price on exercise date less the strike price payable of the SARs on grant date. The first vesting of SARs allocated was in 2018.*

NED fees

The table below sets out the fees paid to NEDs in 2018:

Name	2018 R'000
WA Hanekom	**402**
N Celliers	**266**
Prof. ASM Karaan	**318**
PE Burton	**344**
GG Fortuin	**266**

Approval

The RHCC is satisfied that there were no material deviations from the remuneration policy during 2018. This remuneration report was approved by the RHCC on 16 November 2018.

ANNEXURE 6

This annexure contains a summary of the proposed amendments to the Company's rules of the Phantom Share Plan, as referred to in ordinary resolution number 10 in the notice to which this annexure is attached.

Background to the proposed amendments to Phantom Share Plan Rules

The table below sets out a summary of the key rule changes proposed and the reasons why the rule changes will enhance the Phantom Share Plan:

PROPOSED RULE CHANGE	REASON WHY ENHANCING
The amendment to the calculation of the monetary value of Phantom Shares to include special dividends declared between the date of allocation and the date of vesting in the exercise price	Improved alignment of participants and shareholders in respect of distributions of cash
The market value definition to include the volume weighted average price	The existing rules specify daily closing prices which could lead to anomalies when low volumes of shares are traded
Introduction of specific rules applying to early retirement which clarify the application of the rules to retirement and early retirement	Improved clarity of the position of participants that retire before 60 in relation to allocated but unvested rights.
Increase of the maximum share threshold that may be allocated to a particular person, from 1 million to 4.5 million shares	Enable settlement of awards made to the CEO

The reason for ordinary resolution number 10 is to obtain the approval of shareholders to amend the rules of the Phantom Share Plan, such approval being required in terms of paragraph 14.2, read with paragraph 14.1, of Schedule 14 of the JSE Listings Requirements.

1.1 The amendment of the existing clause 2.1.21 by a partial deletion and an insertion, so that such clause will thereafter read as follows:

*"2.1.21 "**Exercise Price**": an amount equal to the volume weighted average price per Share determined over a period of 3 (three) trading days on the JSE immediately preceding the date on the Exercise Notice, plus the Exercise Price Adjustment;"*

1.2 The insertion of a new clause number 2.1.22, to read as follows:

*"2.1.22 "**Exercise Price Adjustment**": the aggregate of any Special Dividends declared during the period between the Date of Grant and the Vesting Date;"*

1.3 The amendment of the existing clause 2.1.28 (new clause number 2.1.29) by inserting the words "the applicable" before *"SAICA"* and replacing the words *"Circular 2/2013"* with *"circular"* so that such clause will thereafter read as follows:

*"2.1.29 "**HEPS**": the headline earnings per share of the Company as determined in accordance with the applicable SAICA circular;"*

1.4 The amendment of the existing clause 2.1.32 (new clause number 2.1.33) by inserting the words *"an amount equal to the volume weighted"* before *"average"* and deleting the words *"closing price"* and *"on the JSE for the"* and replacing it with *"determined over a period of"* and deleting the word *"immediately"* and replacing it with *"on the JSE"*, so that such clause will thereafter read as follows:

*"2.1.33 "**Market Value**": an amount equal to the volume weighted average price per Share determined over a period of 20 (twenty) trading days on the JSE prior to the day on which a determination of the Market Value of the Shares is to be made for the purposes of these Rules, as certified by the secretary of the Company for the time being;"*

1.5 The insertion of a new clause number 2.1.34, to read as follows:

*"2.1.34 "**Normal Dividend**": an ordinary dividend declared in a Financial Year, not specifically classified as a Special Dividend, as determined by the board of directors of the Company;"*

1.6 The amendment of the existing clause 2.1.37 (new clause number 2.1.39) by deleting the word *"Exercise"* and replacing it with *"Phantom Share Right"*, so that such clause will thereafter read as follows:

*"2.1.39 "**Phantom Share Right**" or "**PSR**": the right to the excess of the Exercise Price over the Grant Price that vests on the Exercise thereof in a Participant in terms of this Plan, provided that the Participant will not become entitled to receive the excess in cash, but will be entitled to receive Shares or a portion of a Share calculated by dividing the excess with the Phantom Share Right Price;"*

1.7 The insertion of a new clause number 2.1.40, to read as follows:

*"2.1.40 "**Phantom Share Right Price**": an amount equal to the volume weighted average price per Share determined over a period of 3 (three) trading days on the JSE immediately preceding the date on the Exercise Notice;"*

1.8 The insertion of a new clause number 2.1.47, to read as follows:

*"2.1.47 "**Special Dividend**": any dividend declared exceeding the Normal Dividend, calculated on a per Share basis and specifically classified as a Special Dividend;"*

1.9 The amendment of the existing clause 5.2 by deleting the number *"1 000 000 (one million)"* and replacing it with *"4 500 000 (four million five hundred thousand)"*, so that such clause will thereafter read as follows:

"5.2 The maximum number of Shares that may be transferred to any one Participant in respect of this Plan shall not, in aggregate, exceed 4 500 000 (four million five hundred thousand) Shares."

1.10 The amendment of the existing clause 6.1.2 by deleting the reference to *"King III"* and replacing it with *"King IV"*.

1.11 The amendment of the existing clause 6.2.2.2 by inserting the words *"unless it falls within a Closed Period, in which case the period can be extended to after the Closed Period"*, so that such clause will thereafter read as follows:

"6.2.2.2 indicate that the Employee must Accept the Grant in writing within the period specified in the Grant (being a period of not more than 30 (thirty) days after the Date of Grant, unless it falls within a Closed Period, in which case the period can be extended to after the Closed Period);"

1.12 The amendment of the existing clause 8.2 by inserting the words *"Date"* after *"Exercise"* under A and deleting the word *"Exercise"* and replacing it with *"Phantom Share Right"* under B, so that such clause will thereafter read as follows:

*"8.2 '**A**' represents the excess of the Exercise Price over the Grant Price that vests on the Exercise Date in a Participant in terms of this Plan;*

*'**B**' represents Phantom Share Right Price;"*

1.13 The amendment of the existing clause 9.5 by inserting the words *"unvested or"* after *"remains"* and by deleting the word "retirement", so that such clause will thereafter read as follows:

"9.5 If, while any portion of a Participant's PSRs remains unvested or unexercised, such Participant ceases to be an Employee by reason of his retrenchment, death, any corporate action undertaken by the Company or a reason other than listed in Rule 9.3, the Participant, the executor of his deceased estate or his heirs and legatees, as the case may be, will be entitled to the same rights, and be subject to the same conditions, under this Plan as if the Participant had continued to be an Employee."

1.14 The insertion of a new clause number 9.6, to read as follows:

"9.6 For the avoidance of doubt, in the context of this Plan, retirement will be treated as follows:

9.6.1 ***Retirement age of 60 and over***

9.6.1.1 Should a Participant retire at the age of 60 or over, all of such Participant's Vested and unvested PSRs that remains unexercised will be retained by the Participant and the Participant will be entitled to the same rights, and be subject to the same conditions, under this Plan as if the Participant had continued to be an Employee,

9.6.2 ***Retirement age under 60***

*9.6.2.1 Should a Participant retire before the age of 60 ("****Early Retirement****"):*

9.6.2.1.1 all of the Participant's unvested PSRs will lapse, except to the extent that the Directors may determine otherwise in their absolute discretion;

*9.6.2.1.2 such Participant shall be entitled, within 30 (thirty) days of ceasing to be an Employee of the relevant Employer Company ("****Thirty Day Period****") as a result of Early Retirement, to Exercise its unexercised Vested PSRs in accordance with the provisions of the Plan, provided that after the Thirty Day Period, all unexercised Vested PSRs will lapse, except to the extent that the Directors may determine otherwise in their absolute discretion."*

ANNEXURE 7

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 8

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 28 November 2018 and are signed on its behalf by:

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

ANNEXURE 9

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, specifically relating to:

- stakeholder management, engagement and reporting;
- health and public safety, including occupational health and safety and the quality of the Group's products and services;
- 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 investments.

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 committee monitored the strategy and targets of the Company in line with the new B-BBEE codes. Read more about the Group's B-BBEE strategy on page 57 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 58 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 53 of the integrated report.
Occupational compliance	During the year, the SEC noted progress in obtaining occupational certificates for various business premises. This is an ongoing process and R3.0 million (2017: R2.2 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.

TOPIC	PROGRESS AND ACTIONS ARISING
Employment equity and training	The SEC monitored employment equity and training as set out on page 54 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. During the year, the Group made Tip-offs Anonymous lines that use local contact details available to stakeholders in each of Quantum Foods' other African operations. The values programme was rolled out 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 61 of the integrated report.

The SEC evaluated and approved the non-financial information contained in the 2018 integrated 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 2019. 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 achieve compliance with the amended AgriBEE Sector Code, with a particular focus on ownership. The Group will also invest in strengthening its existing business activities that support transformation and empowerment. This includes, for example, supplier and enterprise development.

Prof. ASM Karaan
Chairman

Wellington
27 November 2018

ANNEXURE 10

DIRECTORS' INTEREST IN SHARES

As at 30 September 2018, the aggregate of the direct and beneficial interest of directors was 4.03% (2017: 3.64%) of the issued share capital of the Company. Indirect interest through listed public companies have not been taken into account. Individual directors' interest in the issued share capital of the Company is reflected below.

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

	Number of shares			% of issued ordinary share capital
	Direct	Indirect	Total	
30 September 2018				
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	**–**	**–**	**–**	**–**
	876 477	**7 613 905**	**8 490 382**	**4.033**
30 September 2017				
HA Lourens	580 005	–	580 005	0.261
AH Muller	171 079	–	171 079	0.077
WA Hanekom	–	7 250 048	7 250 048	3.261
N Celliers	–	–	–	–
Prof. ASM Karaan	–	86 147	86 147	0.039
PE Burton	–	3 000	3 000	0.001
GG Fortuin	–	–	–	–
	751 084	7 339 195	8 090 279	3.639

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)
GG Fortuin
Prof. ASM Karaan
N Celliers
T Golden
HA Lourens (CEO)*
AH Muller (CFO)*

* *Executive*

COMPANY SECRETARY

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

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