QUANTUM FOODS

2020

NOTICE OF ANNUAL GENERAL MEETING AND PROXY FORM

for the year ended
30 September 2020

Quantum Foods Holdings Limited

Notice of annual general meeting, proxy form and summary consolidated financial statements for the year ended 30 September 2020

Salient features	2020	2019
Revenue	**R5 095 million**	R4 418 million
Operating profit	**R218 million**	R245 million
Operating profit (before items of a capital nature)*	**R220 million**	R245 million
Headline earnings	**R156 million**	R189 million
Earnings per share	**80.1 cents**	92.6 cents
Headline earnings per share	**80.5 cents**	92.3 cents
Total dividend per share	**16.0 cents**	33.0 cents

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

Contents

Letter to the shareholders

18 December 2020

Dear shareholder

Notice of annual general meeting and proxy form

We are pleased to enclose herewith a detailed notice of the Quantum Foods Holdings Limited ("Quantum Foods" or "the Company" or "the Group") seventh annual general meeting to be held at 11:00 on Friday, 19 February 2021, subject to the Company determining that the annual general meeting will be held entirely by electronic means as more fully set out in the notice of annual general meeting, at Rhebokskloof Estate, Agter Paarl, Windmeul.

We have also included the following:

- Summary consolidated annual financial statements with explanatory notes and commentary
- A proxy form

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

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

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

Yours sincerely

MO Gibbons
Company Secretary

Notice of annual general meeting

For the year ended 30 September 2020

Notice is hereby given to all shareholders recorded in the securities register of Quantum Foods as at Friday, 8 January 2021, that the seventh annual general meeting of Quantum Foods will be held at 11:00 on Friday, 19 February 2021, subject to the Company determining that the annual general meeting will be held entirely by electronic means as more fully set out below, at Rhebokskloof Estate, Agter Paarl, Windmeul ("the annual general meeting" or "AGM").

In light of the regulations, directives and/or preventative measures required to be adhered to relating to the COVID-19 pandemic, as published or issued by the relevant South African authorities from time to time, and the guidance from the South African Government regarding the need for social distancing as a result of the COVID-19 pandemic ("the COVID-19 Restrictions"), shareholders are encouraged to make use of proxies for purposes of voting at the AGM.

As a result of the COVID-19 Restrictions, shareholders or their proxies may be prevented from attending the AGM in person. In such circumstances, the Company may determine, by way of notice to shareholders published on the Stock Exchange News Service ("SENS") of the JSE Limited ("JSE") by no later than 10 (ten) business days prior to the AGM, that the annual general meeting will take place entirely by electronic means and/or shareholders or their proxies will be entitled to vote electronically, which notice will include details and instructions in respect of such arrangements.

Purpose

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

Agenda

1. Presentation of the audited annual consolidated financial statements of the Company, including the reports of the directors and the audit and risk committee and the unmodified audit opinion for the year ended 30 September 2020. The audited annual consolidated financial statements are available on the Company's website at www.quantumfoods.co.za/financial-reports/.
2. Resolutions:
   - Ordinary resolutions 1 to 12
   - Special resolution 1

Ordinary resolutions

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

1. ORDINARY RESOLUTION NUMBER 1

Re-appointment of auditors

"Resolved that the re-appointment of PricewaterhouseCoopers Inc. as the auditors for the ensuing financial year on the recommendation of the audit and risk committee of the Company is hereby confirmed, and 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 2021, and that the audit and risk committee be authorised to approve their remuneration."

The audit and risk committee of the Company conducted an auditor suitability assessment on the audit firm and the individual responsible for the audit in terms of paragraph 3.84(g)(iii) as read with paragraph 22.15(h) of the Listings Requirements of the JSE ("JSE Listings Requirements") and recommends their re-appointment.

Reason for ordinary resolution number 1

The reason for ordinary resolution number 1 is that the Company, being a publicly listed company, must have its financial statements audited and such auditor must be appointed or re-appointed, as the case may be, at the AGM of the Company, as required by the Companies Act, Act 71 of 2008, as amended ("the 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 clause 29.3.4.1 of the memorandum of incorporation of the Company ("MOI") and, being eligible, and offering themselves for re-election, be and are hereby re-elected as directors of the Company."

2.1 Ordinary resolution number 2
Re-election of director: Prof. Abdus Salam Mohammad Karaan

2.2 Ordinary resolution number 3
Re-election of director: Ms. Tanya Golden

A brief *curriculum vitae* ("CV") of each of the directors up for re-election to the board of directors of the Company ("Board") appears in Annexure 3 to this notice of AGM ("notice").

Pursuant to clause 29.3.5 of the MOI, the Board recommends the re-election of the directors listed above taking into account each of their past performance and contribution.

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 end of the AGM by rotation in terms of clause 29.3.4 of the MOI and for shareholders to re-elect such directors in terms of clause 29.3.4.4 of the MOI.

3. ORDINARY RESOLUTION NUMBER 4

Confirmation of appointment of director: Mr. Larry Wilson Riddle

"Resolved that the appointment of Mr. Larry Wilson Riddle as a director of the Company who was co-opted onto the Board as an independent non-executive director with effect from 28 September 2020, in accordance with the provisions of clause 29.2.6 of the MOI, be and is hereby confirmed."

A brief CV of Mr. Larry Wilson Riddle appears in Annexure 3 to this notice.

The Board supports the confirmation of appointment of the above director.

Reason for ordinary resolution number 4

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

4. ORDINARY RESOLUTION NUMBER 5

Election of a shareholder's nominee: Mr. Bob Dobbie

"Resolved that Mr. Bob Dobbie be and is hereby elected as a director of the Company."

A brief CV of Mr. Bob Dobbie appears in Annexure 3 to this notice.

Reason for ordinary resolution number 5

To vote on the election of a person who was nominated for election to the Board as an independent non-executive director, by a shareholder holding 31.72% of the voting rights in the Company (as at 30 September 2020), in terms of clause 29.2.3 of the MOI.

5. ORDINARY RESOLUTION NUMBER 6

Election of a shareholder's nominee: Mr. Fortune Mojapelo

"Resolved that Mr. Fortune Mojapelo be and is hereby elected as a director of the Company."

A brief CV of Mr. Fortune Mojapelo appears in Annexure 3 to this notice.

Reason for ordinary resolution number 6

To vote on the election of a person who was nominated for election to the Board as an independent non-executive director, by a shareholder holding 31.72% of the voting rights in the Company (as at 30 September 2020), in terms of clause 29.2.3 of the MOI.

6 **ORDINARY RESOLUTION NUMBER 7**

Election of a shareholder's nominee: Mr. Gary Vaughan-Smith

"Resolved that Mr. Gary Vaughan-Smith be and is hereby elected as a director of the Company."

A brief CV of Mr. Gary Vaughan-Smith appears in Annexure 3 to this notice.

Reason for ordinary resolution number 7

To vote on the election of a person who was nominated for election to the Board as a non-executive director, by a shareholder holding 32.25% of the voting rights in the Company (as at 30 September 2020), in terms of clause 29.2.3 of the MOI.

7. **ORDINARY RESOLUTION NUMBER 8**

Re-election of member of the audit and risk committee

"Resolved that Prof. Abdus Salam Mohammad Karaan, being eligible and availing himself for re-election, be and is hereby re-elected 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, until the next AGM of the Company to be held in 2022."

8. **ORDINARY RESOLUTION NUMBER 9**

Re-election of member of the audit and risk committee

"Resolved that Mr. Geoffrey George Fortuin, being eligible and availing himself for re-election, be and is hereby re-elected as a member of the audit and risk committee of the Company, as recommended by the Board, until the next AGM of the Company to be held in 2022."

9. **ORDINARY RESOLUTION NUMBER 10**

Election of member of the audit and risk committee

"Resolved that Mr. Larry Wilson Riddle, being eligible and availing himself for election, be and is hereby elected as a member of the audit and risk committee of the Company, subject to the passing of ordinary resolution number 4, as recommended by the Board, until the next AGM of the Company to be held in 2022."

A brief CV of each of these independent non-executive directors appears in Annexure 4 to this notice.

Reason for ordinary resolutions numbers 8 to 10

The reason for ordinary resolutions numbers 8 to 10 (inclusive) is that the Company, being a publicly listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be elected, or re-elected, as the case may be, at each AGM of such company. A brief CV of each of these independent non-executive directors appears in Annexure 4 to this notice. As is evident from the CVs of these directors, all have academic qualifications or experience in one or more of the following areas: economics, law, corporate governance, finance, accounting, commerce, public affairs or human resources.

Non-binding advisory votes

10. **ORDINARY RESOLUTION NUMBER 11**

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

Reason for ordinary resolution number 11

The reason for ordinary resolution number 11 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV")[1] recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 11, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 11 is of a non-binding advisory nature only. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy, and to the extent that this resolution is voted against by 25% or more of the votes exercised in relation thereto, the Board will engage with shareholders as to the reasons therefore and will make recommendations based on the feedback received.

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

11. ORDINARY RESOLUTION NUMBER 12

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

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

Reason for ordinary resolution number 12

The reason for ordinary resolution number 12 is that King IV recommends, and the JSE Listings Requirements require, that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 12, if passed, will be to endorse the Company's implementation report in respect of its remuneration policy. Ordinary resolution number 12 is of a non-binding advisory nature only. However, the Board will take the outcome of the vote into consideration when making amendments to the Company's remuneration policy and the implementation thereof, and to the extent that this resolution is voted against by 25% or more of the votes exercised in relation thereto, the Board will engage with shareholders as to the reasons therefore and will make recommendations based on the feedback received.

Special resolution

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

12. 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 of the Company as from 1 April 2021, on the basis set out below:

	Annual fees payable from 1 April 2021 (exclusive of VAT)
Chairman of the Board	R374 260
Lead independent director	R321 100
Committee chairman	R64 220
Committee member	R59 420
Board member (not serving on a committee)	R266 150

Reason for special resolution number 1

The reason for special resolution number 1 is to approve the annual remuneration payable by the Company to its non-executive directors for their services as directors of the Company as from 1 April 2021. This will enable the Company to pay its non-executive directors for the services they render to the Company as directors.

13. DIRECTORS NOTE

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 contains all information required by law and the JSE Listings Requirements.

14. 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 this notice is Friday, 8 January 2021.

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 in and vote at the AGM is Friday, 12 February 2021, with the last day to trade being Tuesday, 9 February 2021.

Approvals required for ordinary and special resolutions

Ordinary resolutions numbers 1 to 12 contained in this notice 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 and the JSE Listings Requirements. Ordinary resolutions numbers 11 and 12 are non-binding advisory votes.

Special resolution number 1 contained in this notice requires approval by at least 75% of the votes exercised on the resolution by shareholders present or represented by proxy at the AGM, subject to the provisions of the Companies Act, the MOI 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, participate in 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, Private Bag X9000, Saxonwold, 2132, South Africa, or emailed to proxy@computershare.co.za, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, South Africa, to be received by them by no later than Wednesday, 17 February 2021, at 11:00 (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 AGM, to obtain the necessary authority to do so.

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

Proof of identification required

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

Electronic participation

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

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

    - complete the proxy form and return it to the transfer secretary in accordance with the instructions on page 7; or

    - contact their CSDP or broker in accordance with page 7.

3. Shareholders or their proxies who wish to participate in the AGM *via* the teleconference facility must notify the Company by emailing the company secretary at Marisha.Gibbons@quantumfoods.co.za by no later than Friday, 12 February 2021. The company secretary will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act and thereafter, if validated, provide further details on using the teleconference facility.

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

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

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

7. Notwithstanding the above, as a result of the COVID-19 Restrictions, the Company may determine, by way of notice to shareholders published on SENS by no later than 10 (ten) business days prior to the AGM, that the annual general meeting will take place entirely by electronic means and/or shareholders or their proxies will be entitled to vote electronically, which notice will include details and instructions in respect of such arrangements.

By order of the Board

Marisha Gibbons
Company Secretary

Quantum Foods Holdings Limited
18 December 2020

Annexure 1

Quantum Foods Holdings Limited

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2020

Commentary

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

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

Operating environment

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

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

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

Segmental overview

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

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

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

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

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

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

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

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

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

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

Financial overview and dividend

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

Revenue from South African operations:

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

Cost of sales increased by 16.2% to R3.9 billion. Cost of sales includes the fair value adjustments of biological assets (livestock) and agricultural produce (eggs) that were realised and included in other gains and losses in the statement of comprehensive income. These fair value adjustments for the year ended 30 September 2020 amounted to R100 million (2019: R147 million), with the decrease mostly reflective of the decreased margins in the egg business. Gross profit, excluding these fair value adjustments, increased by R81 million to R1 250 million at a margin of 24.5% (2019: 26.5%).

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

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

Profit before tax decreased by 16% to R215 million.

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

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

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

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

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

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

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

DIVIDEND

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

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

The applicable dates are as follows:

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

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

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

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

Outlook

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

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

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

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

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

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

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 14 to 26 of the Notice of annual general meeting and proxy form, which comprise the summary consolidated statement of financial position as at 30 September 2020, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Quantum Foods Holdings Limited for the year ended 30 September 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's ("JSE") requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act 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 ("IFRS") and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

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

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act 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: RJ Jacobs
Registered Auditor

Stellenbosch
25 November 2020

Summary consolidated statement of financial position

As at 30 September 2020

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

Summary consolidated statement of comprehensive income

For the year ended 30 September 2020

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

Summary consolidated statement of changes in equity

For the year ended 30 September 2020

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

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

Summary consolidated statement of cash flows

For the year ended 30 September 2020

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

Notes to the summary consolidated financial statements

For the year ended 30 September 2020

Segmental analysis

	2020 R'000	2019 R'000
Segment information		
SEGMENT REVENUE	**5 095 085**	4 417 674
Eggs	**1 229 592**	1 095 195
Farming	**1 350 043**	1 325 152
Animal feeds	**2 237 071**	1 758 627
Other African countries	**278 379**	238 700
SEGMENT RESULTS – EXCLUDING ITEMS OF A CAPITAL NATURE	**219 556**	244 611
Eggs	**6 254**	38 341
Farming	**121 505**	112 087
Animal feeds	**99 288**	89 100
Other African countries	**5 899**	14 226
Head office costs	**(13 390)**	(9 143)
ITEMS OF A CAPITAL NATURE PER SEGMENT INCLUDED IN OTHER GAINS/(LOSSES) – NET		
(Loss)/profit on disposal of property, plant and equipment before income tax	**(1 088)**	622
Eggs	**(1)**	(96)
Farming	**(267)**	1 053
Animal feeds	**(989)**	(426)
Other African countries	**169**	91
SEGMENT RESULTS	**218 468**	245 233
Eggs	**6 253**	38 245
Farming	**121 238**	113 140
Animal feeds	**98 299**	88 674
Other African countries	**6 068**	14 317
Head office costs	**(13 390)**	(9 143)
A RECONCILIATION OF THE SEGMENT RESULTS TO OPERATING PROFIT BEFORE INCOME TAX IS PROVIDED BELOW:		
Segment results	**218 468**	245 233
Adjusted for:		
Investment income	**6 010**	15 102
Finance costs	**(8 579)**	(3 959)
Share of (loss)/profit of associate companies	**(432)**	209
Profit before income tax per statement of comprehensive income	**215 467**	256 585

1. BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE for summary financial statements, and the requirements of the Companies Act, applicable to summary financial statements. The Listings Requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated annual financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, apart from the adoption of the new and amended standards, as set out below.

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

(a) New and amended standards adopted by the Group

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

(a) Adjustments recognised on adoption of IFRS 16

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

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

Notes to the summary consolidated financial statements (continued)

For the year ended 30 September 2020

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

	30 September 2020 R'000	1 October 2019 R'000
Land and buildings	**22 849**	21 817
Plant, machinery and equipment	**8 600**	16 149
Vehicles	**26 460**	29 581
TOTAL RIGHT-OF-USE ASSETS	**57 909**	67 547

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

Consolidated statement of financial position (extract)	30 September 2019 As originally presented R'000	IFRS 16 impact R'000	1 October 2019 R'000
Assets			
NON-CURRENT ASSETS	1 181 521	62 023	1 243 544
Property, plant and equipment	1 160 768	(5 524)	1 155 244
Right-of-use assets	–	67 547	67 547
TOTAL ASSETS	2 514 329	62 023	2 576 352
Equity and liabilities			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	1 837 412	(9 864)	1 827 548
Retained earnings	606 722	(9 864)	596 858
NON-CURRENT LIABILITIES	256 790	51 786	308 576
Interest-bearing liability	6 021	(6 021)	–
Lease liability	–	61 906	61 906
Deferred income tax	242 843	(4 099)	238 744
CURRENT LIABILITIES	420 127	20 101	440 228
Trade and other payables	420 019	(361)	419 658
Interest-bearing liability	108	(108)	–
Lease liability	–	20 570	20 570
TOTAL LIABILITIES	676 917	71 887	748 804
TOTAL EQUITY AND LIABILITIES	2 514 329	62 023	2 576 352

No impact on the statement of comprehensive income.

(i) Impact on segment disclosures and earnings per share

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

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

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

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

(ii) Practical expedients applied

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

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

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

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

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments

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

(ii) Extension and termination options

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

Critical judgements in determining the lease term

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

Notes to the summary consolidated financial statements (continued)

For the year ended 30 September 2020

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

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

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

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

**** *Includes the sale of commercial eggs.*

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

	2020 R'000	2019 R'000
5. EARNINGS PER ORDINARY SHARE		
Basic		
The calculation of basic earnings per share is based on profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	**154 899**	189 195
Weighted average number of ordinary shares in issue ('000)	**193 291**	204 298
Diluted		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive contingent ordinary shares. Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share.		
The calculation of diluted earnings per share is based on profit for the year attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	**154 899**	189 195
Diluted weighted average number of ordinary shares in issue ('000)	**199 653**	207 185
Headline earnings is calculated in accordance with Circular 1/2019 issued by SAICA.		
Reconciliation between profit attributable to owners of the parent and headline earnings		
Profit for the year	**154 899**	189 195
Remeasurement of items of a capital nature		
Loss/(profit) on disposal of property, plant and equipment	**752**	(554)
Gross	**1 088**	(622)
Tax effect	**(336)**	68
Headline earnings for the year	**155 651**	188 641
Earnings per share (cents)	**80.1**	92.6
Diluted earnings per share (cents)	**77.6**	91.3
Headline earnings per share (cents)	**80.5**	92.3
Diluted headline earnings per share (cents)	**78.0**	91.0
6. CONTINGENT LIABILITIES		
Guarantees in terms of loans by third parties to contracted service providers	**23 231**	23 861
No litigation matters with potential material consequences exist at the reporting date.		

Notes to the summary consolidated financial statements (continued)

For the year ended 30 September 2020

7. FUTURE CAPITAL COMMITMENTS

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

8. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final gross cash dividend of 10.0 cents per ordinary share has been approved and declared by the Board for the year ended 30 September 2020, on 26 November 2020. This will only be reflected in the statement of changes in equity in the next reporting period.

Additional information disclosed:
These dividends are declared from income reserves and qualify as a dividend as defined in the Income Tax Act, No. 58 of 1962.

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

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

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

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

There have been no other events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the summary consolidated financial statements by the Board.

9. PREPARATION OF FINANCIAL STATEMENTS

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

10. AUDIT

The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection on the Company's website, https://quantumfoods.co.za/financial-reports/ or at the Company's registered office.

Annexure 2

Shareholder analysis

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Ordinary shares				
Individuals	3 818	91.2	19 782 770	9.9
Nominees and trusts	221	5.3	5 312 082	2.7
Investment companies and corporate bodies	146	3.5	174 929 864	87.5
Total	4 185	100.0	200 024 716	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 2020, is as follows:				
Analysis of shareholding and shareholders holding 5% or more ordinary shares				
PUBLIC SHAREHOLDING				
Major shareholding				
Astral Operations Limited	1	0.0	19 550 855	9.8
Other shareholders	4 177	99.9	37 966 166	19.0
NON-PUBLIC SHAREHOLDING				
Major shareholding				
Aristotle Africa S.à r.l.	1	0.0	62 640 678	31.3
Country Bird Holdings (Pty) Ltd	1	0.0	61 620 084	30.8
Other shareholders				
Directors and prescribed officers	4	0.1	12 485 528	6.2
Quantum Foods (Pty) Ltd	1	0.0	5 761 455	2.9
	4 185	100.0	200 024 716	100.0
DISTRIBUTION OF ORDINARY SHAREHOLDERS				
Number of shares				
1 – 1 000 shares	2 686	64.2	597 140	0.3
1 001 – 10 000 shares	1 029	24.5	3 922 061	2.0
10 001 – 100 000 shares	421	10.1	12 475 868	6.2
100 001 – 1000 000 shares	40	1.0	10 520 822	5.3
1 000 001 shares and over	9	0.2	172 508 825	86.2
	4 185	100.0	200 024 716	100.0

Annexure 3

Directors up for re-election

PROF. ABDUS SALAM MOHAMMAD KARAAN (52) ("MOHAMMAD")

Lead independent non-executive director

Mohammad joined the Board on 10 June 2014.

Qualifications

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

Quantum Foods Board and committee membership

Non-executive director; audit and risk; and social and ethics (chairman).

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

MS. TANYA GOLDEN (48) ("TANYA")

Independent non-executive director

Tanya joined the Board on 10 December 2018.

Qualifications

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

Quantum Foods Board and committee membership

Non-executive director; social and ethics.

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

Confirmation of director appointment

MR. LARRY WILSON RIDDLE (61) ("LARRY")

Independent non-executive director

Larry was appointed to the Board on 28 September 2020.

Qualifications

BCom, BAccSc (Hons), CA(SA).

Quantum Foods Board and committee membership

Non-executive director; audit and risk; and remuneration.

Larry previously held the positions of commercial director and group corporate & external affairs director of Illovo Sugar Africa (Pty) Ltd ("Illovo") for seven years and three years respectively. He held a number of senior management positions within Illovo including general manager of the Illovo South African Operations prior to his appointment as a director. Larry played a key role in looking after the Illovo Joint Ventures and Associate companies in the Illovo group, including Gledhow Sugar Company, Glendale Distilling Company, Lacsa (Pty) Ltd and Relax Ltd. He was chairman of a number of the Illovo retirement funds. He is a past chairman of the South African Sugar Millers' Association NPC and the Ethanol Producers Association of Southern Africa. Larry is currently an independent non-executive director of Gledhow Sugar Company (Pty) Ltd and Crookes Brothers Ltd.

Nomination of directors for election

MR. BOB DOBBIE (64) ("BOB")

Nominated for appointment as independent non-executive director

Bob has 43 years industry and international experience which includes 15 years' operating and managing GGP, GP farms, hatcheries, 5 year's technical service to GP, PS, broiler farms, hatcheries in the Middle East, Europe, Central and Eastern Europe, Russia, Africa and partially in the USA. He has 8 year's experience managing customer relationships, sales, and account management in the Middle East, Africa, East and West Europe, Russia, Turkey and Asia. His regional experience includes 5 years fiscal responsibility and management of regional teams and accounts, responsible for export and import of livestock. In total, Bob has 10 years' experience in being responsible for business growth, performance, budgets, key accounts, relationships, acquisitions, marketing and staff development plans for all regions outside North America and Europe, and joint venture and acquisition experiences in Turkey, Brazil, India, New Zealand, Australia, Thailand, China, RSA, brand integrations Brazil, India, NZ, Australia and China. Bob is currently the President of International Business at Aviagen.

MR. FORTUNE MOJAPELO (44) ("FORTUNE")

Nominated for appointment as independent non-executive director

Qualifications

B.Sc. (Actuarial Science).

Fortune is the co-founder and CEO of Bushveld Minerals Limited, a mineral exploration company focused on developing mineral projects on the Bushveld Complex of South Africa discoveries in Africa. He is also the co-founder and director of VM Investment (Pty) Ltd a principal investment company focused on investment opportunities in Africa with a bias for the mineral resource sector. Fortune's previous experience includes being the co-founder and director of Lemur Resources Limited based in Perth, Australia; a greenfield coal exploration license in Madagascar; consultant at Decipher Consulting; and business analyst at McKinsey & Company.

MR. GARY VAUGHAN-SMITH (57) ("GARY")

Nominated for appointment as non-executive director

Qualifications

B.Sc. (Hons) Mathematical Statistics, M.Phil. Finance, Fellow of the Institute of Actuaries.

Gary is the founding partner and CEO of Silverstreet Capital LL.P London, UK, an asset management business focused on investing in the African agricultural sector. He has extensive experience in the African agricultural sector in Eastern and Southern Africa, including poultry, beef, processing, storage, seed and primary production. He has overseen investments of over R6bn into the African agricultural sector, many of which have been greenfield developments. Between 2001 and 2006, Gary was Head of the Alternative Investment Group at ABN AMRO Asset Management, based in London, and between 1990 and 2001, he was at Gartmore Investments Ltd, initially heading the Quantitative Investment team and then Head of Gartmore's Global Portfolio Team, also in London. Gary has broad experience in sourcing funding for projects and new investments. He has overseen the establishment of high ethical, environmental, social and governance standards in the companies that the Silverlands Funds have invested in.

Annexure 4

Members of the audit and risk committee

Current and/or up for re-election or election:

PROF. ABDUS SALAM MOHAMMAD KARAAN (52) ("MOHAMMAD")

Lead independent non-executive director

Mohammad joined the Board on 10 June 2014.

Qualifications

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

Quantum Foods Board and committee membership

Non-executive director; audit and risk; and social and ethics (chairman).

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

MR. GEOFFREY GEORGE FORTUIN (54) ("GEOFF")

Independent non-executive director

Geoff joined the Board on 28 April 2015.

Qualifications

BCom (Acc) *Cum Laude*, BCom (Acc)(Hons), CA(SA).

Quantum Foods Board and committee membership

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

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

MR. LARRY WILSON RIDDLE (61) ("LARRY")

Independent non-executive director

Larry was appointed to the Board on 28 September 2020.

Qualifications

BCom, BAccSc(Hons), CA(SA).

Quantum Foods Board and committee membership

Non-executive director; audit and risk; and remuneration.

Larry previously held the positions of commercial director and group corporate & external affairs director of Illovo Sugar Africa (Pty) Ltd ("Illovo") for seven years and three years respectively. He held a number of senior management positions within Illovo including general manager of the Illovo South African Operations prior to his appointment as a director. Larry played a key role in looking after the Illovo Joint Ventures and Associate companies in the Illovo group, including Gledhow Sugar Company, Glendale Distilling Company, Lacsa (Pty) Ltd and Relax Ltd. He was chairman of a number of the Illovo retirement funds. He is a past chairman of the South African Sugar Millers' Association NPC and the Ethanol Producers Association of Southern Africa. Larry is currently an independent non-executive director of Gledhow Sugar Company (Pty) Ltd and Crookes Brothers Ltd.

Annexure 5

Remuneration report

Introduction

This remuneration policy is a summary and should be read in conjunction with the full remuneration report, as set out in the 2020 integrated report and the full remuneration policy that is available online at www.quantumfoods.co.za/company-documents.

REMUNERATION GOVERNANCE

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

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

- Maintaining and approving human resource policies
- Monitoring the impact and implementation of applicable labour legislation that does not fall within the scope of the SEC
- Determining the remuneration packages of directors and the executive committee
- Determining performance targets for STIs
- Determining the outcome of STI performance targets
- Determining the number of awards to be made to participants under the SAR Plan
- Determining the outcome of LTI performance conditions
- Ensuring that all remuneration packages are fair, market-related and responsible
- Ensuring that directors' remuneration is accurately, completely and transparently disclosed and reported on
- Establishing the criteria to evaluate the performance of the executive committee and directors
- Evaluating and approving the Group's remuneration philosophy, strategy and policy

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

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

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

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

Remuneration philosophy incorporating fair and responsible remuneration

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

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

Fair and responsible remuneration

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

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

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

REMUNERATION FRAMEWORK

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

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

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

Component	Policy and link to business strategy
STIs (variable) **Economic – drives sound operational efficiency that assist the Group's ability to recover rising input costs and improved returns on the asset base. This enables the creation of shareholder value.**	The STI constitutes a performance bonus. This bonus is designed to motivate and reward senior management for their contribution to the achievement of targets related to main business drivers, ultimately increasing shareholder value. **Performance conditions:** • HEBTPS target – the calculation for the achievement of the target is based on an audited and agreed comparative base for the previous financial year. HEBTPS has a 50% weight. The HEBTPS measure has been retained for the 2021 year. • Growth in economic profit ("EP") – the growth calculation is based on the weighted average cost of capital over a rolling three-year period, applied to the average net asset base of the Group. EP has a 25% weight. The EP measure has been retained for the 2021 year. • 25% operational efficiency – the efficiency calculation is based on targets set for the percentage of second-grade eggs sold at egg packing stations, day-old chicks produced per broiler-type breeder hen placed at the start of the laying cycle, layer-type hen production efficiency, and operating cost management. Each of the four operational efficiency measures contribute one quarter to the overall operational efficiency performance measure. The operational efficiency measures have been retained for the 2021 financial year and have a 25% weight. • Separate targets for HEBTPS and operational efficiency are set for STI participants employed in the Group's other African operations to align the earnings achieved in each region. Growth in EP is also measured by country. Executive management determine the HEBTPS, EP and operational efficiency targets for the operations in Mozambique, Zambia and Uganda. The table below provides more detail on the measurement of STI across the Group:

	HEBTPS	EP	Operational efficiency
CEO, CFO and executives	Group target	Group target	RSA target
Other RSA participants	Group target	Group target	RSA target
African country manager	Group target	Group target	Country target
Other African participants	Country target	Country target	Country target

Component	Policy and link to business strategy
LTIs (variable) **Economic – drives share price growth and by extension, the creation of shareholder value.**	The LTI consists of an Equity-Settled SAR Plan designed to attract and retain talent over the long term, as well as align the interests of employees with that of shareholders. Participation in the LTI is restricted to the CEO, CFO, executive committee and a small percentage of the Group's senior management. 50% of the SAR award is subject to performance conditions set out below. The remaining 50% is subject to continued employment. SARs vest in equal tranches over a three, four and five year period. As the SAR Plan includes an inherent hurdle based on share price growth, no value will accrue to participants regardless of the performance or continued employment conditions being met, should the share price not grow over a three to five-year period from the grant date. Performance condition measured over three, four and five year performance periods respectively: • Growth in Group HEPS – the hurdle for vesting is compound average growth ("CAGR") in HEPS of higher than the CPI, plus 1% growth with full vesting at CPI plus 5% growth. The Board has the discretion to increase the baseline HEPS for an allocation to ensure that the target for the vesting of this component is fair and reasonable to both shareholders and participants.

Pay mix

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

TGP

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

ANNUAL REVIEWS AND TGP INCREASES

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

STIs

Based on business and individual performance, executives and selected senior managers may participate in the STI. A maximum bonus pool is calculated annually to govern the total amount of the STIs that can become payable to participants. The maximum bonus pool is calculated based on the participant's cost to company, as well as the maximum earning potential depending on the participant's level. The actual bonus pool for the HEBTPS and EP components is self-funding, meaning that the achievement of targets is calculated after taking the actual bonus pool expense into account. The portion of the actual bonus pool dependent on achievement of operational efficiency targets, however, is not dependent on the achievement of HEBTPS or EP targets and is determined separately.

EARNINGS POTENTIAL FOR STI

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

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

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

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

2021 STI PERFORMANCE MEASURES

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

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

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

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

HEBTPS targets

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

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

Operational targets

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

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

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

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

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

The 2021 weighting of the operational targets will be:

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

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

Remco discretion

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

Malus and clawback

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

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

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

LTIs

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

SAR

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

Rule changes approved at the February 2020 AGM

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

LTI allocation methodology

The SAR allocation levels are set out below:

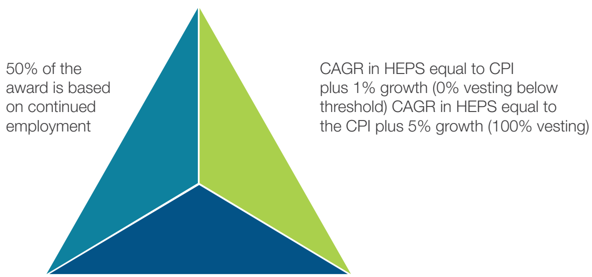
Position	SAR allocation level (as a multiple of TGP)
CEO	**7**
CFO and executives	**3**
Senior management	**1**

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

Vesting profile, performance period and conditions for vesting

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

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



- SARs vest in three equal tranches on third, fourth and fifth anniversary of award date
- 12-month exercise period
- No resetting of performance conditions is allowed and the relevant tranche will lapse if the applicable performance conditions are not met

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

Settlement

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

Dilution limit

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

Early termination

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

Malus and clawback

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

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

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

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

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

NON-EXECUTIVE DIRECTORS' FEES

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

SHAREHOLDER ENGAGEMENT METHODS

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

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

Implementation of the remuneration policy in 2020

TGP

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

STI OUTCOMES

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

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

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

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

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

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

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

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

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

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

LTI OUTCOMES

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

* *2017 adjusted HEPS was 28.2 cents per share*
** *2019 HEPS*

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

* *2016 adjusted HEPS was 54.0 cents per share*
** *2019 HEPS*

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

* *2015 adjusted HEPS was 28.1 cents per share*
** *2019 HEPS*

LTIs granted during 2020

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

Unvested LTIs

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

Date awarded		Opening number	Granted during the year	Grant/ strike price Cents	Forfeited during the year	Vested during the year	Number exercised during the year	Exercise price	Cash value of instruments on exercise R'000	Closing number	Indicative value R'000
HA Lourens											
2015/02/27	Note 1	258 124	–	315	–	258 124	258 124	421	275	–	–
2016/02/18	Note 2	422 828	–	266	–	422 828	211 412	430	346	211 416	899
2017/02/23	Note 3	2 280 786	–	309	–	760 262	760 262	430	917	1 520 524	5 804
2018/02/22	Note 4	2 267 972	–	391	–	–	–	–	–	2 267 972	6 314
2019/02/11	Note 5	1 912 728	–	425	–	–	–	–	–	1 912 728	3 739
2020/02/17	Note 6	–	1 404 498	357	–	–	–	–	–	1 404 498	3 560
AH Muller											
2015/02/27	Note 1	159 286	–	315	–	159 286	159 286	418	165	–	–
2016/02/18	Note 2	125 268	–	266	–	62 634	62 634	580	197	62 634	266
2017/02/23	Note 3	510 736	–	309	–	170 244	170 244	580	461	340 492	1 300
2018/02/22	Note 4	656 978	–	391	–	–	–	–	–	656 978	1 829
2019/02/11	Note 5	497 266	–	425	–	–	–	–	–	497 266	972
2020/02/17	Note 6	–	433 542	357	–	–	–	–	–	433 542	1 099
HE Pether											
2015/02/27	Note 1	74 802	–	315	–	74 804	74 802	579	198	–	–
2016/02/18	Note 2	81 460	–	266	–	40 730	40 730	579	128	40 730	173
2017/02/23	Note 3	402 570	–	309	–	134 190	134 190	579	362	268 380	1 024
2018/02/22	Note 4	345 174	–	391	–	–	–	–	–	345 174	961
2019/02/11	Note 5	315 264	–	425	–	–	–	–	–	315 264	616
2020/02/17	Note 6	–	273 492	357	–	–	–	–	–	273 492	693

Note 1: Vesting in three equal tranches on 27/02/2018, 27/02/2019 and 27/02/2020. Awards must be exercised within 12 months of vesting.
Note 2: Vesting in three equal tranches on 18/02/2019, 18/02/2020 and 18/02/2021. Awards must be exercised within 12 months of vesting.
Note 3: Vesting in three equal tranches on 23/02/2020, 23/02/2021 and 23/02/2022. Awards must be exercised within 12 months of vesting.
Note 4: Vesting in three equal tranches on 22/02/2021, 22/02/2022 and 22/02/2023. Awards must be exercised within 12 months of vesting.
Note 5: Vesting in three equal tranches on 11/02/2022, 11/02/2023 and 11/02/2024 Awards must be exercised within 12 months of vesting.
Note 6: Vesting in three equal tranches on 17/02/2023, 17/02/2024 and 17/02/2025 Awards must be exercised within 12 months of vesting.

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

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

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

Reconciliation of LTI

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

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

REMUNERATION OUTCOMES FOR 2020

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

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

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

NED FEES

The table below sets out the fees paid to NEDs:

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

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

Approval

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

Annexure 6

Going concern statement

The audit and risk committee ("the committee") has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Company and has made recommendations to the Board in accordance therewith. The Board's statement regarding the going concern status of the Company, as supported by the committee, is included in the directors' responsibility report in Annexure 7.

Annexure 7

Directors' responsibility

In accordance with the requirements of the Companies Act, the Board is responsible for the preparation of the summary consolidated financial statements of Quantum Foods. The audited annual financial statements of the Group for the year ended 30 September 2020, from which these summary consolidated financial statements have been derived, were prepared in accordance with IFRS and comply with the requirements of the Companies Act and the JSE Listings Requirements.

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

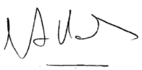
The Board is ultimately responsible for the internal control processes of Quantum Foods. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to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

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

In accordance with paragraph 7.F.6 of the JSE Listings Requirements, the Board confirms that the Company (i) is in compliance with the provisions of the Companies Act; and (ii) operating in conformity with its memorandum of incorporation.

Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation, which includes the evaluation and expected impact of the COVID-19 pandemic on the Group, that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

The summary consolidated financial statements of the Group were approved by the Board on 25 November 2020 and are signed on its behalf by:



WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

Annexure 8

Report of the social and ethics committee

The SEC is guided by the five main focus areas, as set out in Regulation 43 of the Companies Regulations, 2011. These are social and economic development; good corporate citizenship; environment, health and safety; consumer relationships; and labour and employment.

The SEC monitors the sustainable development and non-financial performance of the Group relating to:

- Stakeholder management, engagement and reporting
- Health and public safety, including occupational health and safety and the quality of the Group's products and services
- B-BBEE
- Diversity management
- Labour relations and working conditions
- Human capital management, including training and skills development
- Management and monitoring of the Group's environmental impact
- Ethics management
- Corporate social investment

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

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

Topic	Progress and actions arising
B-BBEE and targets	The SEC monitored the strategy and targets of the Company to improve on the level 8 compliance score achieved in 2019. A key focus remains on improving the ownership score, which reduced in 2019 following the repurchase of shares previously held by black economic empowerment parties inherited from Pioneer Foods. *More detail is available on page 53 of the integrated report.* The SEC, together with the Board, regularly monitors B-BBEE compliance and targets and in doing so aims to present a B-BBEE ownership structure for approval by shareholders. The SEC specifically monitored the Group's enterprise and supplier development initiatives, with a focus on creating additional employment opportunities. *Read more about the Group's B-BBEE strategy on page 53 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. *These are detailed on pages 53 to 54 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 49 of the integrated report.*

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

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

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

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

Prof. ASM Karaan
Chairman

Wellington
23 November 2020

Annexure 9

Directors' and prescribed officer interest in shares

As at 30 September 2020, the aggregate of the direct and beneficial interest of directors and prescribed officer was 6.24% (2019: 4.31%) of the issued share capital of the Company. Indirect interest through listed public companies were not taken into account. Individual directors' interests in the issued share capital of the Company are reflected below.

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

	Number of shares			
30 September 2020	**Direct**	**Indirect**	**Total**	**% of issued ordinary shares capital**
HA Lourens	**1 428 563**	**–**	**1 428 563**	**0.714**
AH Muller	**515 851**	**–**	**515 851**	**0.258**
WA Hanekom	**–**	**10 355 320**	**10 355 320**	**5.177**
N Celliers^	**–**	**–**	**–**	**–**
Prof. ASM Karaan	**–**	**–**	**–**	**–**
PE Burton^	**–**	**–**	**–**	**–**
GG Fortuin	**–**	**–**	**–**	**–**
T Golden	**–**	**–**	**–**	**–**
LW Riddle*	**–**	**–**	**–**	**–**
HE Pether#	**185 794**	**–**	**185 794**	**0.093**
	2 130 208	**10 355 320**	**12 485 528**	**6.242**

	Number of shares			
30 September 2019	**Direct**	**Indirect**	**Total**	**% of issued ordinary shares capital**
HA Lourens	744 297	–	744 297	0.372
AH Muller	271 506	–	271 506	0.136
WA Hanekom	–	7 524 758	7 524 758	3.762
N Celliers	–	–	–	–
Prof. ASM Karaan	–	–	–	–
PE Burton	–	9 648	9 648	0.005
GG Fortuin	–	–	–	–
T Golden*				
HE Pether#	72 592	–	72 592	0.036
	1 088 395	7 534 406	8 622 801	4.311

* *Appointed during the year.*
^ *Resigned during the year.*
\# *Prescribed officer.*

Corporate information

Quantum Foods Holdings Limited

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

Directors

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

* *Executive*

Company secretary

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

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Transfer secretaries

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Fax: 011 688 5209

Sponsor

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Registration number 2000/023249/07)
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Auditor

PricewaterhouseCoopers Inc.

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