QUANTUM FOODS

# Notice of Annual General Meeting and proxy form

for the year ended 30 September 2021

# Quantum Foods Holdings Limited

Notice of annual general meeting, proxy form and summary consolidated financial statements for the year ended 30 September 2021

| Salient features | 2021 | 2020 |
|---|---|---|
| Revenue | **R5 401 million** | R5 095 million |
| Operating profit (before items of a capital nature)* | **R144 million** | R220 million |
| Operating profit | **R148 million** | R218 million |
| Headline earnings | **R102 million** | R156 million |
| Earnings per share | **53.9 cents** | 80.1 cents |
| Headline earnings per share ("HEPS") | **52.2 cents** | 80.5 cents |
| Total dividend per share | **nil** | 16.0 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 HEPS. The principal items excluded under this measurement are profits or losses on disposal of property, plant and equipment and on disposal of interest in associate.*

# Contents

# Letter to the shareholders

13 December 2021

Dear shareholder

## Notice of annual general meeting and proxy form

We are pleased to enclose herewith a detailed notice of Quantum Foods Holdings Limited's ("Quantum Foods" or "the Company" or "the Group") eighth annual general meeting to be held at 11:00 on Friday, 25 February 2022, entirely through electronic means as more fully set out in the notice of annual general meeting.

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 annual 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 annual 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 2021

Notice is hereby given to all shareholders recorded in the securities register of Quantum Foods as at Friday, 14 January 2022, that the eighth annual general meeting of Quantum Foods will be held at 11:00 on Friday, 25 February 2022, through electronic means as more fully set out on page 11 ("the annual general meeting" or "AGM").

The AGM will be conducted entirely through electronic communication in accordance with the provisions of the Companies Act, No. 71 of 2008, as amended (the "Companies Act") and the Company's memorandum of incorporation ("MOI") and accordingly shareholders or their proxies will only participate and vote in the AGM by electronic communication.

## Purpose

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

## Agenda

1. Presentation of the audited annual 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 2021. The audited annual financial statements are available on the Company's website at www.quantumfoods.co.za/financial-reports/.

2. Resolutions:

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

## Ordinary resolutions

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

### 1. Ordinary resolution number 1

#### Re-appointment of auditor

"Resolved that the re-appointment of PricewaterhouseCoopers Inc. as the auditor for the ensuing financial year on the recommendation of the audit and risk committee of the Company is hereby confirmed, and that Mr. Richard James Jacobs, registered in accordance with the Auditing Profession Act, No. 26 of 2005, is hereby confirmed as the individual responsible for performing the function of auditor from February 2022, 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 JSE Limited Listings Requirements ("JSE Listings Requirements") and the provisions of the Companies Act, and recommends their re-appointment.

#### Reason for ordinary resolution number 1

The reason for ordinary resolution number 1 is that the Company, being a public 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.

### 2. Ordinary resolution number 2

#### Re-election of director retiring by rotation

"Resolved that Mr. Wouter André Hanekom, who retires by rotation in terms of clause 29.3.4.1 of the MOI and, being eligible, and offering himself for re-election, be and is hereby re-elected as a director of the Company."

Pursuant to clause 29.3.5 of the MOI, the board of directors of the Company ("Board") recommends the re-election of Mr. Hanekom taking into account his past performance and contribution.

## 3. Ordinary resolution number 3

### Re-election of director retiring by rotation

"Resolved that Mr. Geoffrey George Fortuin, who retires by rotation in terms of clause 29.3.4.1 of the MOI and, being eligible, and offering himself for re-election, be and is hereby re-elected as a director of the Company."

Pursuant to clause 29.3.5 of the MOI, the Board recommends the re-election of Mr. Fortuin taking into account his past performance and contribution.

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

### Reason for ordinary resolutions numbers 2 and 3

The reason for ordinary resolutions numbers 2 and 3 is that these directors will retire at the AGM by rotation in terms of clause 29.3.4 of the MOI and for shareholders to re-elect such directors in terms of clause 29.3.4.4 of the MOI.

## 4. Ordinary resolution number 4

### 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, subject to the passing of ordinary resolution number 3, as recommended by the Board, until the next AGM of the Company to be held in 2023."

## 5. Ordinary resolution number 5

### Re-election of member of the audit and risk committee

"Resolved that Mr. Larry Wilson Riddle, 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 2023."

## 6. Ordinary resolution number 6

### Election of member of the audit and risk committee

"Resolved that Ms. Tanya Golden, being eligible and availing herself for election, be and is hereby 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 2023."

### Reason for ordinary resolutions numbers 4 to 6

The reason for ordinary resolutions numbers 4 to 6 (inclusive) is that the Company, being a public 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.

## 7. Ordinary resolution number 7

### Election of shareholder's nominee: Mr. Gary Ronald Smith

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

A brief CV of Mr. Gary Ronald 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 Braemar Trading Limited, a shareholder holding 31.19% of the voting rights in the Company (as at 30 September 2021), in terms of clause 29.2.3 of the MOI.

# Non-binding advisory votes

## 8. Ordinary resolution number 8

### Non-binding advisory vote on Quantum Foods' remuneration policy

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

### Reason for ordinary resolution number 8

The reason for ordinary resolution number 8 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ("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 8, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 8 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.

## 9. Ordinary resolution number 9

### 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 advisory vote."

### Reason for ordinary resolution number 9

The reason for ordinary resolution number 9 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 9, if passed, will be to endorse the Company's implementation report in respect of its remuneration policy. Ordinary resolution number 9 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 resolutions

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

### 10. 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 until 31 March 2022, and from 1 April 2022 onwards, on the basis set out below:"

| | Fees from 1 April 2022 Rand (exclusive of VAT) | Fees from 1 April 2021 to 31 March 2022 Rand (exclusive of VAT) |
|---|---|---|
| Chairman of the Board | 393 000 | 374 260 |
| Lead independent director | 337 200 | 321 100 |
| Board member (other than the chairman of the Board or the lead independent director) | 279 500 | 266 150 |
| Committee chairman – audit and risk committee | 96 330 | 64 220 |
| Committee chairman (other than the audit and risk committee) | 67 430 | 64 220 |
| Committee member – audit and risk committee | 87 350 | 59 420 |
| Committee member (other than the audit and risk committee) | 62 390 | 59 420 |

#### 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 for the period 1 April 2021 to 31 March 2022 and as from 1 April 2022. A special resolution proposing the approval of the non-executive remuneration was proposed at the AGM held on 19 February 2021 and was not passed, which resulted in the Company not being authorised to remunerate its non-executive directors for their services rendered from 1 April 2021. This special resolution number 1 will enable the Company to retain the services of the non-executive directors and pay its non-executive directors for the services they rendered to the Company as directors for the period 1 April 2021 to 31 March 2022 and for services that will be rendered from 1 April 2022 onwards in accordance with section 66 of the Companies Act.



### 11. Special resolution number 2

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

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

- the general repurchase of the shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter-party;
- this general authority shall only be valid until the next AGM of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;

- an announcement must be published as soon as the Company or its subsidiaries have acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the Board approving the repurchase, that the Company and its subsidiaries have satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was performed, there have been no material changes to the financial position of the Group;
- the general repurchase is authorised by the MOI and the memorandum of incorporation of the Company's subsidiaries, respectively;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five-business-day period;
- the Company may, at any point in time, only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company or its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless they have put in place a repurchase programme where the dates and quantities of the securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the repurchase programme have been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

## Reason for special resolution number 2

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

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

## Additional information relating to special resolution number 2

1. The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 2 to the extent that the directors, after considering the maximum number of shares to be repurchased, are of the opinion that for a period of 12 months after the date of this notice and the date of the repurchase, respectively:
    - The Company and the Group will be able to pay its debts in the ordinary course of business.
    - The assets of the Company and the Group will be in excess of the liabilities of the Company and the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group.
    - The ordinary share capital and reserves of the Company and the Group will remain adequate for ordinary business purposes.
    - The working capital of the Company and the Group will be sufficient for ordinary business purposes.

2. Prior to commencing any repurchase, the Board shall take a resolution confirming that it has authorised the repurchase, that the Group has passed the solvency and liquidity test and that, since it was performed, there have been no material changes to the financial position of the Group.

3. General information in respect of major shareholders and the share capital of the Company is contained in Annexure 2 of this notice. There has been no material change in the financial or trading position of the Company and its subsidiaries subsequent to the publication of the Company's audited financial statements for the year ended 30 September 2021.

## 12. Special resolution number 3

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

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

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

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



### Reason for special resolution number 3

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

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

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

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

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

## 13. Special resolution number 4

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

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

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

The Board undertakes that it will not adopt a resolution to authorise such financial assistance, unless the Board is satisfied that:

- immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

### Reason for special resolution number 4

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

## 14. Directors' note

The directors of the Company, whose names appear on pages 48 and 49 of the 2021 integrated report, 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.

## 15. 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, 14 January 2022.

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, 18 February 2022, with the last day to trade being Tuesday, 15 February 2022.

## Approvals required for ordinary and special resolutions

Ordinary resolutions numbers 1 to 9 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 8 and 9 are non-binding advisory votes.

Special resolutions numbers 1 to 4 contained in this notice require 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. Presentation of suitable identification by such proxies and proof of authority will be required when registering their participation in the meeting. The person so appointed as proxy need not be a shareholder of the Company.

Proxy forms must be completed, signed and lodged together with the proof of authority of the person signing the form in a representative capacity, and lodged with the transfer secretaries of the Company, being Computershare Investor Services (Pty) Ltd, *via* email to proxy@computershare.co.za, to preferably be received by them by no later than Wednesday, 23 February 2022, at 11:00 (South African time), provided that any proxy form not emailed to the transfer secretaries by this time may be emailed to proxy@computershare.co.za 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 in the form of, *inter alia*, a letter of representation.

## Proof of identification required

In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the AGM must 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 a passport will be accepted as sufficient identification, which identification will be required when registering for participation in the meeting.

## Electronic participation

1. The Company has retained the services of its transfer secretaries, Computershare Investor Services (Pty) Ltd ("Computershare"), to remotely host the AGM on an interactive electronic platform to facilitate remote participation and voting by shareholders. Computershare will also act as scrutineer for purposes of the AGM.

2. Shareholders wishing to participate in and/or vote electronically at this virtual AGM should:

   2.1 Register online, at https://meetnow.global/ZA at no cost, by no later than 11:00 on Wednesday, 23 February 2022. Shareholders may still register online after this date and time, provided, however, that for them to participate and/or vote electronically at the meeting they must be verified and registered before the commencement time of the meeting.

   2.2 During this registration process, upload proof of identification (i.e. South African identity document, South African driver's licence or passport) and authority (where acting in a representative capacity) and, if a dematerialised shareholder without own name registration, also the letter of representation referred to on page 10, as well as provide their name, email address and contact number.

   2.3 Following successful registration, shareholders will receive from Computershare Investor Services (Pty) Ltd (the transfer secretaries), a meeting link and invitation code in order to connect electronically to the meeting.

3. Shareholders should note that the cost of electronic participation (e.g. mobile data consumption or internet connectivity) in the meeting will be for the participant's account.

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

5. The participant acknowledges that the electronic communication services 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 they will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the electronic communication services or any defect in it or from total or partial failure of the electronic communication services and connections linking the electronic communication services to the AGM.

6. Shareholders should note that voting at the meeting will take place by way of a poll and accordingly each shareholder will have one vote in respect of each company share held.

By order of the Board

**Marisha Gibbons**
Company Secretary

Quantum Foods Holdings Limited
13 December 2021

# Annexure 1

## Quantum Foods Holdings Limited

**SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 30 September 2021

## Commentary

Quantum Foods' 2021 performance was below expectation. Trading conditions were challenged by higher feed costs, the South African outbreak of highly pathogenic avian influenza ("HPAI"), the business closure of a Western Cape broiler abattoir customer and muted consumer expenditure. In addition, lower production at certain operations and above-target cost per unit increases in key product categories weakened the Group's overall financial results. Quantum Foods was privileged to operate at full capacity, even during the strictest lockdown restrictions. We are therefore grateful that we did not suffer the same financial pressures that many participants in the South African economy endured.

## Operating environment

Favourable events during the year included South Africa's 2020/2021 maize harvest of approximately 16.2 million tons, which is the second-largest crop on record. The Rand also strengthened by 8.6% against the US dollar when compared to the 2020 financial year. However, feed raw material costs increased in 2021 due to the sharp increase in global commodity prices and an increase in logistics costs.

The increase in global commodity prices resulted primarily from an expectation that less favourable weather conditions in the key planting areas of South America and North America would affect the 2021 harvest. The cost of key raw materials (including maize, bran, hominy chop and soybean meal) and the cost of other feed ingredients and additives increased.

The April 2021 outbreak of HPAI in South Africa affected many businesses in the poultry industry. These impacts were direct, through the loss of poultry stock, and/or indirect, through, *inter alia*, the loss of feed sales volumes and the inability to export livestock as customers' country borders were closed.

According to the South African Poultry Association, the layer flock decreased from 28.6 million in September 2020 to 26.5 million in September 2021. This decrease included approximately 2 million layer birds that producers destroyed to limit the spread of HPAI.

Egg prices increased in the second half of FY2021 on the back of the lower national egg supply. South Africa's broiler flock was impacted by HPAI particularly at breeder level. This resulted in lower production of broiler hatching eggs and, subsequently, a lower supply of broiler chicks and broiler meat to the market.



Incidents of civil unrest in South Africa in July 2021 impacted many of the Group's customers, particularly in the Gauteng and KwaZulu-Natal provinces. The Group was able to continue its operations throughout this period of the civil unrest and its customers managed to resume operations fairly quickly. The civil unrest did not result in significant financial losses for the Group.

## Segmental review

### Animal feeds

*Nova Feeds'* performance was satisfactory. Sales volumes declined by 6% due to, *inter alia*, a sharp increase and sustained high-level of raw material costs, aggressive competitor activity, the impact of HPAI on customers and certain customers investing in their own feed production facilities. However, since 2017, *Nova Feeds'* external sales volumes have increased by an average of 6.4% per year.

This is compared to a 1.1% increase per year in South Africa's feed volumes, as reported by the Animal Feed Manufacturers Association. Internal volumes transferred to the layer and broiler farming businesses also declined. This decline was due to the lower number of layer hens in production, which negatively affected cost recovery.

Margins per ton improved mainly due to improved operational efficiencies. The nominal increase in operating costs was well managed. However, the increase in per unit cost was disproportionate given the fixed cost element and lower total volumes. Load shedding remains a challenge. However, investments made to increase production capacity at the Pretoria and Malmesbury feed mills as well as to equip the Paterson feed mill with a generator resulted in factories keeping up with demand.

## Broiler farming

The financial and operational performance of the broiler farming businesses was below expectation.

The challenges at the broiler breeder level continued and the number of day-old chicks produced per parent hen declined in FY2021 due to lower egg production efficiencies and hatchability. This resulted in an increase in the cost per unit given the fixed cost element of this business.

The Company procured hatching eggs from third-party producers to meet its delivery obligations for day-old chicks. However, the HPAI outbreak at various third-party broiler breeder operations impacted available supply. The Company therefore reduced day-old chick production and sales volumes, which contributed to lower earnings.

In line with the Company's growth strategy, we made the decision to discontinue importing grandparent stock. The grandparent farm in the North West province (Bulhoek), will be repurposed to rear and breed with parent stock. This will enable the Group to produce additional day-old chick volumes. To further support the growth strategy, the board of directors ("Board") approved a project to increase production capacity at the Hartbeespoort broiler hatchery in FY2021. However, due to the scope of the project, the increased capacity is only expected to be available from FY2023.

The operational efficiency of commercial broiler farming remained high. Earnings were negatively impacted by end-customers requiring smaller and lighter products in response to ongoing economic pressure. This resulted in the Group selling a lower total weight to abattoir customers. Consequently, decreased margins arose from fixed cost production components. The acquisition and successful integration of the Western Cape Helderfontein broiler farm was a highlight. This transaction ensures an uninterrupted broiler supply chain in the Western Cape and provides a basis from which to increase future volumes.

Earnings were further negatively impacted by the business closure of a Western Cape abattoir customer that the Group supplied live birds and day-old broiler chicks to as well as feed *via* third-party contract producers.

Above-target operating cost increases in the broiler farming business were exacerbated by the lower volumes of livestock sold and further reduced earnings in this business.

## Layer farming

The financial and operational performance of the layer farming business was below expectation, with the exception of the layer breeder business. The layer breeder business again performed well, with satisfactory efficiencies in egg production per hen housed and hatchability as well as an increase in sales of day-old chicks to external customers in the first half of FY2021. However, sales of livestock to neighbouring countries were interrupted in the second half of FY2021. This followed the outbreak of HPAI in South Africa, which resulted in the closure of customer country borders. This resulted in lower day-old pullet production volumes and an underrecovery of costs in this period.

The layer rearing business, which produces point-of-lay hens, performed better than in the previous year. FY2020 was significantly affected by customers either cancelling or delaying point-of-lay orders. Consequently, the Group experienced substantially higher feed costs and the late transfer of birds to layer farms, which negatively impacted earnings. The disrupted depopulation of point-of-lay hens was resolved in FY2021, resulting in improved efficiencies when compared to FY2020.

However, FY2021 earnings were negatively affected by lower volumes of point-of-lay hens sold to external customers and lower margins. Volumes were, *inter alia*, affected by the outbreak of HPAI. Margins were impacted by the higher cost of production resulting from higher feed costs not being fully recovered in the final product selling prices. The Company experienced an HPAI outbreak at its Fransrug layer rearing farm in the Western Cape and lost approximately 84 000 hens in May 2021 at a direct cost of R5 million.

Production efficiencies at commercial egg farms were lower when compared to FY2020. This was driven by an increase in the number of older and younger layer flocks in production, neither of which produced optimally when compared to FY2020. Consequently, fewer birds were in the peak production phase during FY2021. This cycle is a direct consequence of the disruption to the layer placement programme in FY2020, which was detailed earlier in this report. This cycle is temporary and will fully correct itself in FY2022.

## Eggs

The egg business performed well. While operating efficiencies were slightly lower than the excellent FY2020 performance, they remained high. Efficiencies were negatively affected by the eggs produced by the relatively higher number of older birds in production for a period during the year, which generally resulted in a higher percentage of second-grade eggs.

Cost increases were well managed and increased below inflation. Volumes sold by the egg business reduced by 9.7%. This was due to the lower production on the Company's commercial egg farms. The outbreak of HPAI substantially reduced South Africa's layer flock and the ensuing reduction in the national egg supply supported higher egg selling prices during the second half of FY2021.

## Other African countries

Despite the difficult economic circumstances experienced in Zambia during 2021, the Zambian business produced excellent financial results. Performance was supported by farm productivity, which remained satisfactory, the increase in demand and selling prices for day-old chicks and eggs, and excellent cost management.

The Ugandan business delivered an improved financial performance, supported by the higher demand for day-old chicks. The egg business produced higher volumes due to a higher number of hens in production. Egg selling prices declined year on year and were especially low during periods of strict COVID-19 lockdown. These periods of lockdown restricted the movement of people and the normal export of eggs to neighbouring countries, contributing to an imbalance in supply and demand. Farm productivity declined at the breeder business and Masindi egg farm due to, *inter alia*, disease challenges. Improving farm efficiencies is a focus area for the local management team, supported by management and veterinary expertise from South Africa.

COVID-19 related disruption in supply chains impacted the planned replenishment of parent stock in Uganda and Zambia. This contributed to lower efficiencies at breeder level, which impacted the volume and cost of day-old chick production.

Productivity and selling prices in Mozambique improved. However, this improvement was insufficient to recover the increase in production costs, which was driven by sharp increases in feed cost. The business remained profitable at an earnings before interest, taxes, depreciation and amortisation ("EBITDA") level.

There was no outbreak of HPAI within the other African countries.

# Financial overview



Group revenue increased by 6.0% to R5.4 billion, with a 5.5% increase of R264 million in the South African operations and a 15.0% increase of R42 million in the operations of the other African countries. Revenue from other African countries contributed 5.9% of the Group's revenue for FY2021 (FY2020: 5.5%).

Revenue from South African operations:

- Increased by R203 million for the feeds segment. This increase of 9.1% is due to the adjustment of selling prices for higher input costs. External volumes sold decreased by 6.0%.
- Increased by R62 million for the farming segment. Broiler farming revenue increased due to higher selling prices, with selling prices adjusted for higher input costs, while volumes were lower. Layer farming revenue decreased by R18 million due to decreased volumes.
- Decreased by R1 million for the eggs segment, where an average price increase of 10.5% and a volume decrease of 9.7% was achieved.

Cost of sales increased by 7.9% to R4.3 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 2021 amounted to R87 million (2020: R100 million), with the decrease mostly reflective of the decreased margins in the egg business. Gross profit, excluding these fair value adjustments, decreased by R25 million to R1 149 million at a margin of 21.3% (2020: 23.0%).

Bergsig Breeders (Pty) Ltd (previously accounted for as an associate) repurchased the Company's 29.9% investment in its issued share capital for R14.2 million on 18 June 2021. A profit of R4.0 million was realised and included in other gains/(losses) – net in profit or loss.

Cash operating expenses increased by 3.6% compared to FY2020. The increase in operating costs on a per unit basis was negatively impacted by lower volumes in key product categories.

Operating profit before items of a capital nature decreased by 34.3% to R144 million for the period under review. South African operations recorded a 42.7% decrease of R97 million to a profit of R130 million at a margin of 2.6% (FY2020: 4.7%). Feeds improved by R2 million, while eggs and farming weakened by R11 million and R87 million, respectively. Feeds profit benefited from the improvement in efficiencies. Farming profits were negatively affected by a combination of external and internal factors. External factors include, *inter alia*, the outbreak of HPAI, the business closure of a Western Cape abattoir customer, and the after effects of the disrupted layer placement cycle resulting from changes in demand in FY2020. Egg profitability was mostly affected by lower sales volumes. Other African countries recorded an increase in profits of R25 million, mainly due to increased profitability from the Zambian business.

Profit before tax decreased by 34.0% to R142 million. HEPS decreased to 52.2 cents from the 80.5 cents per share of FY2020.

Cash inflow from operating activities amounted to R24 million for the reporting period. This includes an increased investment of R259 million in working capital, primarily resulting from the increased cost of feed raw materials, higher selling prices and an increase in bird numbers on layer farms by the end of FY2021.

Capital expenditure for the period amounted to R109 million. Main projects and maintenance capital included the breeder farm expansion in Uganda, capacity expansion at the Malmesbury and Pretoria feed mills, refurbishment of layer farms, projects to ensure fire risk compliance and the installation of solar systems at three plants.

Cash flow from investing activities include R55 million for the acquisition of Helderfontein broiler farm in the Western Cape.

Cash and cash equivalents decreased from R252 million as at 30 September 2020 to R73 million at 30 September 2021.

Other non-current liabilities as at 30 September 2021 comprise deferred tax and a provision for long service bonuses. The balance increased from 30 September 2020 primarily due to increased investment in biological assets and taxation allowances for capital expenditure completed during the year.

The statement of income for the year ended 30 September 2020 was restated following discovery of a prior period error in the classification of expenses. The error resulted in a misclassification of cost of sales expenditure as administrative and other operating expenses. The restatement did not impact basic and diluted earnings and HEPS.

## Dividend

The Board's decision to not declare a final dividend for FY2021 considered:

- The potential impact of further HPAI outbreaks on the Group's future earnings and cash flow position
- The Group's cash position as at 30 September 2021, including considering the approved capital programme and the expected continued high-level of investment in working capital due to the high raw material costs
- The concomitant pressure expected on margins, resulting from high raw material costs (especially impacting the egg business)
- Continued uncertainty about the extent of COVID-19's impact on the economy (specifically consumer expenditure)
- The requirement to preserve cash for any acquisitive growth opportunities that may become available

## Outlook

The challenging trading conditions experienced by the poultry industry in 2021 are expected to continue in 2022.

We anticipate that feed raw material costs will remain high due to the expectation for international prices and cost of logistics remaining high. The cost of feed raw materials will further be influenced by any fluctuations in the value of the Rand, primarily against the US dollar. The Rand has been relatively strong in 2021. Any weakening in the currency will negatively impact the Group, despite optimal procurement performance.

The availability of feed raw materials is expected to be sufficient. South Africa's excellent 2021 maize crop should result in sufficient carry over of maize stock into the next season. Even if South Africa experiences average summer rainfall in maize-producing areas, South Africa's maize supply should be sufficient for the next year. Global supply of soybean meal is expected to be sufficient, despite relatively lower stock levels.

The potential further impact of HPAI remains uncertain. For Quantum Foods, the potential impact specifically relates to the supply of broiler hatching eggs and egg production. The geographical spread of Quantum Foods' operations and the third-party farms supplying the Group will reduce the potential impact. However, the Group has several large facilities at which an outbreak of HPAI, would have a significant effect. All reasonably possible measures are being taken to protect Quantum Foods' farms against this risk. The Group reduced the financial risk of HPAI in FY2021 by incorporating limited insurance against outbreaks for a period of 12 months in its risk management strategy. Insuring against HPAI will be considered annually going forward.

A further concern is South Africa's weak economic growth prospects. Reliable electricity supply and the ability of municipal infrastructure are key requirements for economic growth, which will drive future consumer expenditure.

Following elections in Zambia in August 2021, early indications are that the new ruling party is supportive of foreign investment and business in general. This would support the country's economic growth prospects and lead to increased demand for the Group's products. Trading conditions in Uganda are expected to improve. Less severe COVID-19 restrictions will result in a return to more normal domestic and export trading patterns. This will benefit the Group, as we have invested in expanded capacity. Dedicated management focus and the ability to reach operations were restricted in FY2021 due to COVID-19. Lifting of these restrictions should result in improved production efficiencies in Uganda and Mozambique. If realised, the improved production efficiencies will support increased earnings.



The Group's product portfolio comprises products that support efficient livestock production either in the form of animal feed or efficient converters of animal feed into protein. The resilience of this product portfolio was evident during the COVID-19 lockdown periods and in general, the Group's product portfolio has proved its resilience in a weaker consumer environment. The Group continually invests in improving efficiencies and growing volumes. Together with the strength of the business portfolio, improved operational efficiency and continued focus on cost management, this should ensure a successful year ahead.

By order of the Board

**WA Hanekom**
Chairman

**HA Lourens**
Chief Executive Officer

26 November 2021

# Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Quantum Foods Holdings Limited

## Opinion

The summary consolidated financial statements of Quantum Foods Holdings Limited, set out on pages 18 to 27 of the Notice of annual general meeting and proxy form, which comprise the summary consolidated statement of financial position as at 30 September 2021, 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 2021.

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

## Summary consolidated financial statements

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

## The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 24 November 2021. 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 requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

## Auditor's responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
**Director: R Jacobs**
Registered Auditor

Stellenbosch, South Africa
24 November 2021

# Summary consolidated statement of financial position

as at 30 September 2021

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **1 360 639** | 1 222 063 |
| Property, plant and equipment | **1 243 120** | 1 140 282 |
| Right-of-use assets | **95 108** | 57 909 |
| Intangible assets | **7 098** | 5 832 |
| Investment in associates | **10 310** | 13 679 |
| Trade and other receivables | **4 033** | 4 035 |
| Deferred income tax | **970** | 326 |
| **Current assets** | **1 423 865** | 1 422 723 |
| Inventories | **383 450** | 297 872 |
| Biological assets | **403 308** | 354 511 |
| Trade and other receivables | **562 933** | 518 043 |
| Derivative financial instruments | **23** | – |
| Current income tax | **840** | 516 |
| Cash and cash equivalents | **73 311** | 251 781 |
| **Total assets** | **2 784 504** | 2 644 786 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves attributable to owners of the parent** | **1 999 802** | 1 885 642 |
| Share capital | **1 465 069** | 1 465 069 |
| Treasury shares | **(8 315)** | (19 338) |
| Other reserves | **(65 769)** | (85 089) |
| Retained earnings | **608 817** | 525 000 |
| **Total equity** | **1 999 802** | 1 885 642 |
| **Non-current liabilities** | **360 101** | 283 597 |
| Lease liabilities | **85 155** | 53 692 |
| Deferred income tax | **266 590** | 221 475 |
| Provisions for other liabilities and charges | **8 356** | 8 430 |
| **Current liabilities** | **424 601** | 475 547 |
| Trade and other payables | **396 740** | 444 384 |
| Derivative financial instruments | **–** | 6 |
| Current income tax | **2 639** | 12 989 |
| Lease liabilities | **23 860** | 18 168 |
| Provisions for other liabilities and charges | **1 362** | – |
| **Total liabilities** | **784 702** | 759 144 |
| **Total equity and liabilities** | **2 784 504** | 2 644 786 |

# Summary consolidated statement of comprehensive income

for the year ended 30 September 2021

| | Notes | 2021 R'000 | Restated* 2020 R'000 |
|---|---|---|---|
| Revenue | 3 | **5 401 116** | 5 095 085 |
| Cost of sales | | **(4 339 005)** | (4 021 182) |
| Gross profit | | **1 062 111** | 1 073 903 |
| Other income | | **10 201** | 10 655 |
| Other gains/(losses) – net | 4 | **72 304** | 92 500 |
| Sales and distribution costs | | **(263 528)** | (263 434) |
| Marketing costs | | **(15 065)** | (13 941) |
| Administrative expenses | | **(143 972)** | (132 073) |
| Net impairment losses on trade and other receivables | | **(9 050)** | – |
| Other operating expenses | | **(565 412)** | (549 142) |
| Operating profit | | **147 589** | 218 468 |
| Investment income | | **4 747** | 6 010 |
| Finance costs | | **(11 844)** | (8 579) |
| Share of profit/(loss) of associate companies | | **1 767** | (432) |
| Profit before income tax | | **142 259** | 215 467 |
| Income tax expense | | **(36 464)** | (60 568) |
| **Profit for the year** | | **105 795** | 154 899 |
| **Other comprehensive income for the year** | | | |
| *Items that may subsequently be reclassified to profit or loss:* | | | |
| Fair value adjustments to cash flow hedging reserve | | **7 993** | (1 714) |
| For the year | | **57 668** | 41 349 |
| Deferred income tax effect | | **(6)** | 1 |
| Current income tax effect | | **(16 141)** | (11 579) |
| Realised to profit or loss | | **(46 567)** | (43 730) |
| Deferred income tax effect | | **(1)** | 1 427 |
| Current income tax effect | | **13 040** | 10 818 |
| Movement on foreign currency translation reserve | | | |
| Currency translation differences | | **8 651** | (45 680) |
| **Total comprehensive income for the year** | | **122 439** | 107 505 |
| Profit for the year attributable to owners of the parent | | **105 795** | 154 899 |
| Total comprehensive income for the year attributable to owners of the parent | | **122 439** | 107 505 |
| Earnings per ordinary share (cents) | 5 | **53.9** | 80.1 |
| Diluted earnings per ordinary share (cents) | 5 | **53.0** | 77.6 |

* *Refer to note 10 for details regarding the restatement of prior period figures.*

# Summary consolidated statement of changes in equity

for the year ended 30 September 2021

| | 2021<br>R'000 | 2020<br>R'000 |
|---|---|---|
| **Share capital and treasury shares** | **1 456 754** | 1 445 731 |
| Opening balance | **1 445 731** | 1 441 122 |
| Ordinary shares acquired by subsidiary | **–** | (4 296) |
| Ordinary shares transferred - share appreciation rights | **11 023** | 8 905 |
| **Other reserves** | **(65 769)** | (85 089) |
| Opening balance | **(85 089)** | (210 432) |
| Other comprehensive income for the year | **16 644** | (47 394) |
| Common control reserve reclassified to retained earnings | **–** | 167 877 |
| Recognition of share-based payments | **11 147** | 14 746 |
| Ordinary shares transferred – share appreciation rights | **(8 471)** | (9 886) |
| **Retained earnings** | **608 817** | 525 000 |
| Opening balance | **525 000** | 606 722 |
| Adjustment to opening retained earnings – IFRS 16 adoption | **–** | (9 864) |
| Profit for the year | **105 795** | 154 899 |
| Dividends paid | **(19 426)** | (59 861) |
| Common control reserve reclassified to retained earnings | **–** | (167 877) |
| Ordinary shares transferred - share appreciation rights | **(2 552)** | 981 |
| **Total equity** | **1 999 802** | 1 885 642 |

# Summary consolidated statement of cash flows

for the year ended 30 September 2021

| | Note | 2021 R'000 | 2020 R'000 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **24 348** | 216 311 |
| Cash profit from operating activities | | **295 297** | 332 548 |
| Working capital changes | | **(259 292)** | (70 312) |
| Cash effect of hedging activities | | **11 076** | 2 718 |
| Cash generated from operations | | **47 081** | 264 954 |
| Income tax paid | | **(22 733)** | (48 643) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | **(153 272)** | (85 413) |
| Additions to property, plant and equipment | | **(107 095)** | (91 155) |
| Additions to intangible assets | | **(1 507)** | – |
| Proceeds on disposal of property, plant and equipment | | **1 277** | 411 |
| Interest in associate acquired | | **(10 251)** | – |
| Business combination | 8 | **(54 682)** | – |
| Proceeds on disposal of investment in associate | | **14 239** | – |
| Interest received | | **4 747** | 5 331 |
| Cash (deficit)/surplus | | **(128 924)** | 130 898 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **(51 031)** | (94 463) |
| Principal elements of lease payments | | **(20 941)** | (22 441) |
| Treasury shares acquired by subsidiary | | **–** | (4 296) |
| Interest paid | | **(10 698)** | (7 909) |
| Dividends paid to ordinary shareholders | | **(19 392)** | (59 817) |
| (Decrease)/increase in cash and cash equivalents | | **(179 955)** | 36 435 |
| Effects of exchange rate changes | | **1 485** | (4 248) |
| Cash and cash equivalents at beginning of year | | **251 781** | 219 594 |
| Cash and cash equivalents at end of year | | **73 311** | 251 781 |

# Notes to the summary consolidated financial statements

for the year ended 30 September 2021

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| **SEGMENT INFORMATION** | | |
| **Segment revenue** | **5 409 490** | 5 102 999 |
| Eggs | **1 228 789** | 1 229 592 |
| Farming | **1 420 004** | 1 357 957 |
| Animal feeds | **2 440 511** | 2 237 071 |
| Other African countries | **320 186** | 278 379 |
| Less: Internal revenue | **(8 374)** | (7 914) |
| Farming | **(8 374)** | (7 914) |
| **External revenue** | **5 401 116** | 5 095 085 |
| Eggs | **1 228 789** | 1 229 592 |
| Farming | **1 411 630** | 1 350 043 |
| Animal feeds | **2 440 511** | 2 237 071 |
| Other African countries | **320 186** | 278 379 |
| **Segment results – excluding items of a capital nature** | **144 298** | 219 556 |
| Eggs | **(5 003)** | 6 254 |
| Farming | **34 275** | 121 505 |
| Animal feeds | **100 916** | 99 288 |
| Other African countries | **30 834** | 5 899 |
| Head office costs | **(16 724)** | (13 390) |
| **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 | **(674)** | (1 088) |
| Eggs | **(13)** | (1) |
| Farming | **(778)** | (267) |
| Animal feeds | **(106)** | (989) |
| Other African countries | **223** | 169 |
| Profit on disposal of interest in associate before income tax | **3 965** | – |
| Head office costs | **3 965** | – |
| **Segment results** | **147 589** | 218 468 |
| Eggs | **(5 016)** | 6 253 |
| Farming | **33 497** | 121 238 |
| Animal feeds | **100 810** | 98 299 |
| Other African countries | **31 057** | 6 068 |
| Head office costs | **(12 759)** | (13 390) |
| **A reconciliation of the segment results (operating profit) to profit before income tax is provided below:** | | |
| Segment results | **147 589** | 218 468 |
| Adjusted for: | | |
| Investment income | **4 747** | 6 010 |
| Finance costs | **(11 844)** | (8 579) |
| Share of profit/(loss) of associate companies | **1 767** | (432) |
| Profit before income tax per statement of comprehensive income | **142 259** | 215 467 |

## 1. Basis of preparation

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

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.

## 2. Accounting policies

These summary consolidated financial statements incorporate accounting policies that are consistent with those applied in the Group's consolidated financial statements for the year ended 30 September 2021 and with those of previous financial years, except for the adoption of the following amendments to the published standards that became effective for the current reporting period beginning on 1 October 2020:

- Amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – the definition of material
- Amendment to IFRS 3 – Business Combinations – definition of a business

The adoption of these amendments to the standards did not have any material impact on the Group's results and cash flows for the year ended 30 September 2021 and the financial position at 30 September 2021.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2021

## 3. Revenue

Disaggregation of revenue from contracts with customers:

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| **Revenue** | | |
| Eggs | **1 435 398** | 1 431 460 |
| – included in eggs segment | **1 228 789** | 1 229 592 |
| – included in other African countries segment | **206 609** | 201 868 |
| Layer farming* | **256 165** | 266 012 |
| – included in farming segment | **219 597** | 237 671 |
| – included in other African countries segment | **36 568** | 28 341 |
| Broiler farming** | **1 225 492** | 1 134 661 |
| – included in farming segment | **1 192 033** | 1 112 372 |
| – included in other African countries segment | **33 459** | 22 289 |
| Animal feeds | **2 484 061** | 2 262 952 |
| – included in animal feeds segment | **2 440 511** | 2 237 071 |
| – included in other African countries segment | **43 550** | 25 881 |
| | **5 401 116** | 5 095 085 |

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

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



## 4. Other gains/(losses) – net

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| Biological assets fair value adjustment | **29 663** | 70 265 |
| Unrealised – reflected in carrying amount of biological assets | **(18 894)** | (4 598) |
| Realised – reflected in cost of goods sold | **48 557** | 74 863 |
| Agricultural produce fair value adjustment | **38 195** | 25 813 |
| Unrealised – reflected in carrying amount of inventory | **(26)** | 248 |
| Realised – reflected in cost of goods sold | **38 221** | 25 565 |
| Foreign exchange differences | **(5 370)** | (64) |
| Financial instruments fair value adjustments | **(3)** | (33) |
| Foreign exchange contract cash flow hedging ineffective gain/(loss) | **6 528** | (2 393) |
| Loss on disposal of property, plant and equipment | **(674)** | (1 088) |
| Profit on disposal of interest in associate | **3 965** | – |
| | **72 304** | 92 500 |

| | 2021 R'000 | 2020 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:

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| Profit for the year | **105 795** | 154 899 |
| Weighted average number of ordinary shares in issue ('000) | **196 126** | 193 291 |

### 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:

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| Profit for the year | **105 795** | 154 899 |
| Diluted weighted average number of ordinary shares in issue ('000) | **199 691** | 199 653 |

Headline earnings is calculated in accordance with Circular 1/2021 (2020: Circular 1/2019) issued by the SAICA.

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

| | 2021 R'000 | 2020 R'000 |
|---|---|---|
| Profit for the year | **105 795** | 154 899 |
| Remeasurement of items of a capital nature | | |
| Loss on disposal of property, plant and equipment | **453** | 752 |
| Gross | **674** | 1 088 |
| Tax effect | **(221)** | (336) |
| Profit on disposal of interest in associate | **(3 965)** | – |
| Gross | **(3 965)** | – |
| Tax effect | **–** | – |
| Headline earnings for the year | **102 283** | 155 651 |
| Earnings per share (cents) | **53.9** | 80.1 |
| Diluted earnings per share (cents) | **53.0** | 77.6 |
| Headline earnings per share (cents) | **52.2** | 80.5 |
| Diluted headline earnings per share (cents) | **51.2** | 78.0 |

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2021

## 6. Contingent liabilities

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

## 7. Future capital commitments

Capital expenditure approved by the Board and contracted for amounts to R12.3 million (2020: R27.0 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R154.7 million (2020: R135.5 million).

## 8. Business combination

### Helderfontein Broiler Farm

On 31 January 2021, 100% of the issued shares in LP Buhr Boerdery (Pty) Ltd was acquired. LP Buhr Boerdery (Pty) Ltd owns Helderfontein Broiler Farm, a broiler chickens rearing business based in the Western Cape. Helderfontein Broiler Farm has been a contract grower to the Group for the last 25 years.

The acquisition of LP Buhr Boerdery (Pty) Ltd is considered a business combination in terms of IFRS 3 – Business Combinations. The acquisition consists of the assets, employees (and related liabilities) for a total consideration of R54.7 million which does not include any settlement in respect of the pre-existing contract grower agreement. Details of the purchase consideration and the net assets acquired are as follows:

| | 2021 R'000 |
|---|---|
| *Fair value* | |
| Property, plant and equipment | 73 124 |
| Inventory | 1 390 |
| Trade and other receivables | 287 |
| Trade and other payables | (131) |
| Deferred income tax liabilities | (19 988) |
| **Purchase consideration – settled in cash** | 54 682 |

The acquisition ensures an uninterrupted broiler supply chain in the Western Cape, enables the Group to continue to serve its customer base and also provides a basis from which to increase volumes in future.

The acquired business contributed no material revenue and operating profit due to the business previously being a contract grower to the Group. Similarly, if the acquisition had occurred on 1 October 2020, the contribution to revenue and operating profit for the reporting period from the acquired business would not be material.

## 9. Events after the reporting period

### Dividend

The Board has resolved not to declare a final dividend for the year ended 30 September 2021 (2020: 10 cents).

The Group considered the impact of the COVID-19 pandemic post 30 September 2021 and concluded that the significant accounting judgements, estimates and assumptions applied in the preparation of these summary consolidated 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.

## 10. Restatement

In September 2021 a prior period error was discovered in the classification of expenses. The error resulted in costs directly related to manufactured products being classified as administrative expenses and other operating expenses. The classification error had no impact on the profit for the prior period or on the costing of inventory as these costs were correctly capitalised to inventory. The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

| | 2020 Previously reported R'000 | (Increase)/ decrease R'000 | 2020 Restated R'000 |
|---|---|---|---|
| **Statement of comprehensive income extract** | | | |
| Cost of sales | (3 945 221) | (75 961) | (4 021 182) |
| Other operating expenses | (616 566) | 67 424 | (549 142) |
| Administrative expenses | (140 610) | 8 537 | (132 073) |
| Profit before income tax | 215 467 | – | 215 467 |

Basic and diluted earnings and headline earnings per share have not been impacted as a result of the restatement. The restatement did not affect any notes in the summary consolidated financial statements.

## 11. Preparation of financial statements

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

## 12. 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 | 3 822 | 92.0 | 19 711 555 | 9.9 |
| Nominees and trusts | 199 | 4.8 | 5 014 640 | 2.5 |
| Investment companies and corporate bodies | 131 | 3.2 | 175 298 521 | 87.6 |
| Total | 4 152 | 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 2021, 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 |
| Country Bird Holdings (Pty) Ltd | 1 | 0.0 | 11 411 181 | 5.7 |
| Other shareholders | 4 144 | 99.9 | 27 007 899 | 13.6 |
| **NON-PUBLIC SHAREHOLDING** | | | | |
| *Major shareholding* | | | | |
| Aristotle Africa S.à r.l. | 1 | 0.0 | 65 057 163 | 32.5 |
| Braemar Trading Limited | 1 | 0.0 | 61 620 084 | 30.8 |
| *Other shareholders* | | | | |
| Directors | 3 | 0.1 | 12 900 142 | 6.4 |
| Quantum Foods (Pty) Ltd (treasury shares) | 1 | 0.0 | 2 477 392 | 1.2 |
| | 4 152 | 100.0 | 200 024 716 | 100.0 |
| **DISTRIBUTION OF ORDINARY SHAREHOLDERS** | | | | |
| Number of shares | | | | |
| 1 – 1 000 shares | 2 836 | 68.3 | 597 140 | 0.3 |
| 1 001 – 10 000 shares | 894 | 21.6 | 3 922 061 | 2.0 |
| 10 001 – 100 000 shares | 375 | 9.0 | 12 475 868 | 6.2 |
| 100 001 – 1000 000 shares | 37 | 0.9 | 10 520 822 | 5.3 |
| 1 000 001 shares and over | 10 | 0.2 | 172 508 825 | 86.2 |
| | 4 152 | 100.0 | 200 024 716 | 100.0 |

* *The Company only has one class of shares, ordinary shares of no par value. The total value of stated capital is R1 465 million (2020: R1 465 million).*

# Annexure 3

## Directors up for re-election

### Mr. Wouter André Hanekom (62) ("Andre")

Chairman

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

Qualifications

CA(SA).

Quantum Foods Board and committee membership

Board chairman, social and ethics, remuneration, and nomination (chairman).

André joined Bokomo Breakfast Cereals in 1988 as a financial manager. He was later appointed as operational executive and, in 1994, he was appointed as chief executive officer of Bokomo. After the merger between Sasko and Bokomo, André served as the executive responsible for Sasko Milling and Baking, after which he was appointed as chief executive officer of Pioneer Foods in 1999. André retired as chief executive officer of Pioneer Foods in March 2013.

### Mr. Geoffrey George Fortuin (54) ("Geoff")

Lead 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

Lead independent 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.

## Nomination of a director for election

### Mr. Gary Ronald Smith (53) ("Gary")

Nominated for election as a non-executive director

Qualifications

B.Compt (Hons), CA (Zimbabwe).

Gary currently holds the position of financial advisor for Pioneer Development Company (Private) Limited, based in Harare, Zimbabwe and has accumulated 27 years' experience in various financial roles for various companies across different sectors. Gary sits on multiple boards of African based companies in agricultural, property, retail, equipment and consumables trading and investment sectors.

# Annexure 4

## Members of the audit and risk committee

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

### Mr. Geoffrey George Fortuin (54) ("Geoff")

Lead 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

Lead independent 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 (62) ("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, remuneration, and nomination.

Larry previously held the positions of commercial director and group corporate and 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 former 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.



### 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, and audit and risk.

Tanya is a senior counsel and has been a member of the Cape Bar for more than 20 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.

# Annexure 5

## Remuneration policy

### Introduction

This remuneration policy is a summary and should be read in conjunction with the full remuneration report, as set out in the 2021 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 are taken.

*The membership and meeting attendance records of the Remco are disclosed in the corporate governance report on page 64 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, ethical and responsible remuneration

The Remco observes the principle of remuneration that is fair, ethical and responsible. 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. The bursary programme supports students studying towards tertiary qualifications in the areas of agriculture and science. 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)**<br><br>**Social – ensuring the necessary skills for a performance culture.** | Aimed at attracting and retaining talent and ensuring competitiveness.<br><br>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.<br><br>Collective bargaining agreements for unionised employees are negotiated annually.<br><br>The average salary for each job category is reviewed annually, bearing in mind the Company's affordability constraints.<br><br>Surveys and benchmarks used in determining executive directors' remuneration include PwC's executive directors' remuneration practices and trends report, which it publishes on its website during June/July of each year, as well as analyses of remuneration paid by comparator companies. The Remco is satisfied that the use of these surveys and benchmarks is appropriate in the context of Quantum Foods and its business. |
| **Benefits (fixed: applicable to all employees)**<br><br>**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, travel allowances, as well as additional benefits such as 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: applicable to senior management)**<br><br>**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.<br><br>Performance conditions:<br><br>• 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 FY2022.<br>• Growth in 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 2022 year.<br>• Operational efficiency – the efficiency calculation is based on targets set for the percentage of second-grade eggs sold at egg packing stations, the percentage of 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 amended for FY2022 as follows:<br>  – The measurement target for broiler-type breeder efficiency has been amended<br>  – The measurement target for operating cost management has been amended<br><br>Details are set out in the STI section on page 35.<br><br>• Separate targets for HEBTPS and operational efficiency are set for STI participants employed in the Group's other African countries to align the earnings achieved in each region. Growth in EP is also measured by country. Executive management determines the HEBTPS, EP and operational efficiency targets for the operations in Mozambique, Uganda and Zambia.<br><br>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: applicable to the executive committee and a small percentage of senior management)**<br><br>**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.<br><br>Performance condition measured over three-, four- and five-year performance periods respectively:<br><br>• Growth in Group HEPS – the hurdle for any vesting is compound average growth ("CAGR") in HEPS of higher than CPI plus 1% growth with full (100%) vesting at CPI plus 5% growth<br><br>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. However, the portion of the actual bonus pool that is dependent on the achievement of operational efficiency targets 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 on page 33. 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.

## 2022 STI performance measures

The Remco has reviewed the performance measures and will apply the following measures for the achievement of financial and operational targets for the STI for 2022. 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% | 86.7* cents per share | 99.4* cents per share |
| Growth in the Group's EP | 25% | 25% of the three-year rolling average improvement in EP is included in the bonus pool. | |
| Achievement of operational efficiency targets | 25% | Based on breed standards for day-old broiler chick production, as well as targets for the percentage of second-grade eggs sold at the egg packing stations, layer-type hen production efficiency and operating cost management. See further details in the operational targets section below. | |

* *Targets for 2022. At performance of HEBTPS of 86.7 cents per share or lower, the bonus will be 0%. At performance of HEBTPS of 99.4 cents or higher, the bonus will be 100% with pro rata vesting for HEBTPS of between 86.7 cents and 99.4 cents. 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 their 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.

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.

## HEBTPS and EP targets

To determine the HEBTPS target for 2022, the Remco considered the factors set out in Part 1 of the 2021 integrated report, which resulted in lower earnings in 2021, and the continued impact of feed raw material costs which are expected to remain high due to factors impacting global supply and demand. In particular, earnings from the egg business are expected to be impacted by the forecasted high cost of feed. Based on the Group's historical performance, the Remco considers the HEBTPS target set for 2022 to be sufficiently stretching.

The percentage of 25% of the growth in the Group's EP included in the bonus pool for 2021 will remain the same for 2022.

## Operational targets

The 2021 targets were for broiler breeder, layer farming and egg packing station efficiencies as well as operating cost management. Targets were set for:

- **Broiler breeder efficiency,** which was measured as the number of day-old chicks produced per breeder hen placed at the start of the cycle.
- **Layer farming efficiency,** which was 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, the feed-conversion ratio achieved during the laying cycle and the liveability achieved during the laying cycle. These three factors are included in a calculation and expressed as a target for the layer productivity index.
- **Egg packing station efficiencies,** which is measured based on the percentage of second-grade eggs sold.
- **Operating cost management,** which was measured based on weighted average increase per unit produced by the Group's different South African operations.

For 2022, the measurements for broiler breeder efficiencies and operating cost management were amended, while the measurements for layer farming and egg packing station efficiencies were retained. The 2021 weighting of one quarter each was retained for 2022.

In setting the 2022 target for broiler breeder efficiency, the Remco considered an expected change in the composition of broiler breeder stock during 2022 and the immediate financial benefit of improved hatchability. Broiler breeder efficiency will be measured as the number of day-old chicks hatched per one hundred eggs set ("hatchability percentage") in the hatcheries.

In setting the 2022 target for operating cost management, the Remco considered the impact of an expected increase in volumes of key product categories on a weighted average increase per unit measurement. The 2022 target for operating cost management is based on actual operating cost in comparison to the approved operating cost budget.

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 2022 weighting of the operational targets will be:

| Target | Weighting |
|---|---|
| Layer farming efficiency | 25% |
| Egg packing station efficiency | 25% |
| Broiler breeder 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
- 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 senior 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.

No changes to the SAR Plan will be proposed at the February 2022 AGM.

### LTI allocation methodology

The SAR allocation levels are set out below:

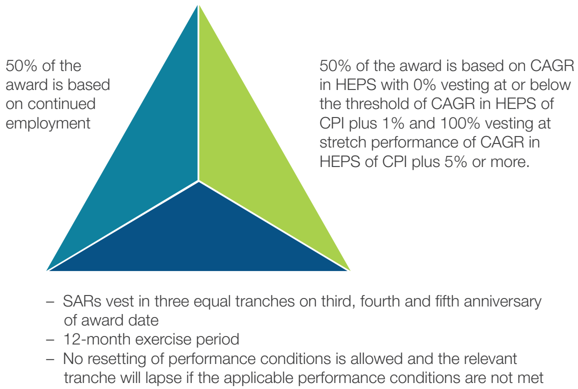
| Position | SAR allocation level (as a multiple of TGP) |
|---|---|
| CEO | 7 |
| CFO and other executives | 3 |
| Senior management | 1 |

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 three equal tranches over three, four and five years, respectively, from the date of awarding the SARs. Similarly, the performance conditions for each tranche are measured over three, four and five year performance periods, which are aligned to the respective financial years.

The performance conditions for the 2022 grant of SARs are illustrated below:




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

### Settlement

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

### Dilution limit

The total number of ordinary shares that may be transferred to qualifying employees under the SAR Plan is limited to 14.5 million shares, which amounts to 7.25% of Quantum Foods' issued share capital as at 30 September 2021. 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

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

The table below sets out the fees approved by shareholders at the February 2020 AGM and paid for services from 1 April 2020 until 31 March 2021. The special resolution to remunerate NEDs from 1 April 2021 was not passed at the February 2021 AGM. This resulted in the Company not being authorised to pay any fees to its NEDs. The Company proposes, at this AGM, that the proposed fees to be paid to NEDs include remuneration for services provided to the Company by such NEDs from 1 April 2021 to 31 March 2022, as set out in the table below.

| | **Fees from 1 April 2022 Rand (exclusive of VAT)** | Fees from 1 April 2021 until 31 March 2022 Rand (exclusive of VAT) | Fees from 1 April 2020 until 31 March 2021 Rand (exclusive of VAT) |
|---|---|---|---|
| Chairman of the Board | **393 000** | 374 260 | 359 000 |
| Lead independent director | **337 200** | 321 100 | 308 000 |
| Board member (other than the chairman of the Board or the lead independent director) | **279 500** | 266 150 | 255 300 |
| Committee chairman ARC | **96 330** | 64 220 | 61 600 |
| Committee chairman (other than the ARC) | **67 430** | 64 220 | 61 600 |
| Committee member ARC | **87 350** | 59 420 | 57 000 |
| Committee member (other than the ARC) | **62 390** | 59 420 | 57 000 |

The fees proposed for the chairman and members of the audit and risk committee ("ARC") have been adjusted from 1 April 2022 to reflect the workplan and workload of this committee.

## Shareholder engagement methods

In line with King IV and the JSE Listings Requirements, the remuneration policy and implementation report will be placed before shareholders for two separate non-binding advisory votes. In the event that 25% or more of shareholders vote against either of or both the remuneration policy and implementation report, the 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.

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 2021

### TGP

The Remco approved a salary increase mandate of 4.25% (2020: 5%) of total cost to company for non-sectoral employees and executives, and a 4.25% (2020: 5%) basic pay increase for sectoral employees.

### STI outcomes

None of the threshold targets set for STI participants measured on Group and South African performance were achieved in 2021 and therefore R Nil of the STI bonus pool cap of R25.4 million accrued to these participants.

For STI participants measured against the Group's other African countries' performance, R0.4 million of the R1.3 million STI bonus pool cap accrued.

No STI payments were reduced or forfeited due to malus or clawed back in 2021.

The Remco did not exercise its discretion to adjust STI outcomes in 2021.

The table below sets out the STI performance outcomes of participants measured on Group targets and South African operational efficiency for 2021:

| | Weighting % | Target performance | Stretch performance | Actual performance | Actual achievement (% of measure) | STI outcome (% of STI) |
|---|---|---|---|---|---|---|
| Group HEBTPS | 50% | 102.4 cents | 115.1 cents | 74.1 cents | Nil | Nil |
| Group EP | 25% | | | Three year rolling average declined by R87.8 million | Nil | Nil |
| SA operational efficiency | 25% | | | See below | Nil | Nil |
| **Total** | 100% | 0% | 100% | | Nil | Nil |



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

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

Different targets are set for each of the other African countries and the table below provides a summary of the STI outcome of 2021. Improved financial performance by the Zambian business, in particular, is reflected in the STI outcomes on the following page.

| Performance measures | Weighting (%) | Actual achievement (%) | STI outcome %* |
|---|---|---|---|
| HEBTPS | 50 | 48 | 16 |
| EP | 25 | 48 | 8 |
| Operational efficiency | 25 | 17 | 9 |
| **Total** | 100 | | 32 |

* *STI outcome % calculation include the effect of Africa country managers measured on other African countries' performance for Operational efficiency but Group performance for HEBTPs and EP and other Africa participants measured on other African countries' performance for Operational efficiency, HEBTPS and EP.*

The table below sets out the STIs of executive directors in 2021, 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) | 2021 STI amount included in single figure table R'000 |
|---|---|---|---|---|
| HA Lourens | 100 | Nil | Nil | Nil |
| AH Muller | 75 | Nil | Nil | Nil |

## LTI outcomes

The first tranche of SARs granted in 2019, the second tranche of SARs granted in 2018 and the third tranche of SARs granted in 2017 will vest in 2022. The tables below set out the achievement of the performance conditions for the SAR awards that will vest in 2022.

No LTI benefits were reduced or forfeited due to malus or clawed back in 2021.

| 2019 grant | Threshold | Stretch | Actual |
|---|---|---|---|
| Performance measure = Compound annual growth in adjusted HEPS | CPI plus 1% growth | CPI plus 5% growth | Decrease in HEPS |
| 2019 SAR allocation* | 189.9 cents | 212.4 cents | 52.2 cents** |
| Vesting (%) | 0 | 100 | 0 |

| | |
|---|---|
| Vesting date | 11 February 2022 |
| Performance period | 1 October 2018 to 30 September 2021 |
| Employment period | 11 February 2019 to 11 February 2022 |

* *2019 adjusted HEPS was 163.90 cents per share and is equal to the actual 2018 HEPS.*
** *2021 HEPS.*

| 2018 grant | Threshold | Stretch | Actual |
|---|---|---|---|
| Performance measure = Compound annual growth in adjusted HEPS | CPI plus 1% growth | CPI plus 5% growth | **Growth lower than CPI** |
| 2018 SAR allocation* | 60.1 cents | 69.8 cents | **52.2 cents**** |
| Vesting (%) | 0 | 100 | **0** |

| | |
|---|---|
| Vesting date | 22 February 2022 |
| Performance period | 1 October 2017 to 30 September 2021 |
| Employment period | 22 February 2018 to 22 February 2022 |

*   *2018 adjusted HEPS was 49.0 cents per share and is equal to the actual 2017 HEPS.*
**   *2021 HEPS.*

| 2017 grant | Threshold | Stretch | Actual |
|---|---|---|---|
| Performance measure = Compound annual growth in adjusted HEPS | CPI plus 1% growth | CPI plus 5% growth | **CPI plus 8.7% growth** |
| 2017 SAR allocation* | 36.8 cents | 44.3 cents | **52.2 cents**** |
| Vesting (%) | 0 | 100 | **100** |

| | |
|---|---|
| Vesting date | 23 February 2022 |
| Performance period | 1 October 2016 to 30 September 2021 |
| Employment period | 23 February 2017 to 23 February 2022 |

** 2017 adjusted HEPS was 28.2 cents per share and is equal to the actual 2016 HEPS.*
*** 2021 HEPS.*

## LTIs granted during 2021

During the year under review, 3 648 270 SARs, at a strike price of R6.085 per share, were granted. The baseline HEPS of 80.5 cents per share for the 2021 allocation is the actual HEPS recorded for 2020. The Board did not increase the baseline HEPS for the 2021 allocation. Therefore, 0% vesting for the performance component of the 2021 allocation will result at CAGR in HEPS of CPI plus 1% or lower from the baseline of 80.5 cents per share and the total 100% vesting for the performance component of the 2021 allocation will be realisable at CAGR in HEPS of CPI plus 5% from the baseline of 80.5 cents per share.



## Unvested LTIs

The table on the following page discloses the number of each executive director's LTIs as at 30 September 2021, 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. LTIs forfeited due to performance conditions not achieved for the performance period that ended 30 September 2021 are included in the table as forfeited. 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 2021, 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 added to the volume weighted average share price, in accordance with the rules of the SAR Plan, in the calculation of the indicative value.

| Date awarded | Note | Opening number | Granted during the year | Grant/ strike price Cents | For-feited during the year* | Vested during the year | Number exer-cised during the year | Exer-cise Price | Cash value of instru-ments on exercise R'000 | Closing number | Indica-tive value R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **HA Lourens** | | | | | | | | | | | |
| 2016/02/18 | 1 | 211 416 | – | 266 | 34 884 | 176 532 | 176 532 | 684 | 738 | – | – |
| 2017/02/23 | 2 | 1 520 524 | – | 309 | – | 760 262 | 760 262 | 684 | 2 851 | 760 262 | 2 370 |
| 2018/02/22 | 3 | 2 267 972 | – | 391 | 377 995 | 755 990 | 755 990 | 662 | 2 054 | 1 133 987 | 2 363 |
| 2019/02/11 | 4 | 1 912 728 | – | 425 | 318 788 | – | – | – | – | 1 593 940 | 2 000 |
| 2020/02/17 | 5 | 1 404 498 | – | 357 | – | – | – | – | – | 1 404 498 | 2 577 |
| 2021/02/15 | 6 | – | 1 168 730 | 609 | – | – | – | – | – | 1 168 730 | – |
| | | | | | | | | | 5 643 | | |
| **AH Muller** | | | | | | | | | | | |
| 2016/02/18 | 1 | 62 634 | – | 266 | 10 335 | 52 299 | 52 299 | 684 | 219 | – | – |
| 2017/02/23 | 2 | 340 492 | – | 309 | – | 170 244 | 170 244 | 684 | 638 | 170 248 | 531 |
| 2018/02/22 | 3 | 656 978 | – | 391 | 109 496 | 218 992 | 218 992 | 662 | 595 | 328 490 | 685 |
| 2019/02/11 | 4 | 497 266 | – | 425 | 82 877 | – | – | – | – | 414 389 | 520 |
| 2020/02/17 | 5 | 433 542 | – | 357 | – | – | – | – | – | 433 542 | 796 |
| 2021/02/15 | 6 | – | 307 084 | 609 | – | – | – | – | – | 307 084 | – |
| | | | | | | | | | 1 452 | | |

** - Include SAR's for which performance conditions were not achieved*

*Note 1: Vested 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 2: 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 3: 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 4: 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 5: 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.*

*Note 6: Vesting in three equal tranches on 15/02/2024, 15/02/2025 and 15/02/2026. 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) |
| Number of shares transferred in 2021 | (3 284 063) |
| **Remaining number of shares that may be transferred to settle the LTI** | **7 050 504** |

## Remuneration outcomes for 2021

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 2021 and 2020, respectively:

| **30 September 2021** | **Basic salary R'000** | **Benefits R'000** | **STI R'000** | **LTI R'000** | **Directors' fees R'000** | **Total R'000** |
|---|---|---|---|---|---|---|
| HA Lourens | **3 570** | **449** | **–** | **5 643** | **–** | **9 662** |
| AH Muller | **2 228** | **334** | **–** | **1 452** | **–** | **4 014** |
| **Total** | **5 798** | **783** | **–** | **7 095** | **–** | **13 676** |

| **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 |
| **Total** | 5 548 | 755 | 4 300 | 2 360 | – | 12 963 |

## NED fees

The table below sets out the fees paid to NEDs:

| Name | 2021* R'000 | 2020 R'000 |
|---|---|---|
| WA Hanekom | **237** | 457 |
| N Celliers | **Nil** | 223 |
| Prof. ASM Karaan | **107** | 361 |
| PE Burton | **Nil** | 365 |
| GG Fortuin | **189** | 301 |
| T Golden | **156** | 246 |
| LW Riddle | **185** | Nil |
| G Vaughan-Smith | **Nil** | Nil |

* *This relates to the fees paid to the NEDs up to 31 March 2021 pursuant to the special resolution passed by shareholders at the 2020 AGM, in accordance with section 66(9) of the Companies Act.*

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. Prof. ASM Karaan sadly passed away on 13 January 2021 and Mr. G Vaughan-Smith was appointed on 19 February 2021.

## Approval

The Remco is satisfied that there were no material deviations from the remuneration policy during 2021. This remuneration report was approved by the Remco on 12 November 2021.

# 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 financial statements of the Group for the year ended 30 September 2021, 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 the Group. 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 assurances given by management and the internal auditors, the Board is of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities.

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

Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation, which includes the evaluation and expected impact of the COVID-19 pandemic on the Group, that the Group has 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 24 November 2021 and are signed on its behalf by:

**WA Hanekom**
*Chairman*

**HA Lourens**
*Chief Executive Officer*

# Annexure 8

## Social and ethics committee report

In terms of Regulation 43(5)(a) of the Companies Regulations, 2011, the SEC has oversight of five main focus areas. These areas include 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 Group's strategy and targets to improve on the level 8 compliance score achieved in 2020. A key focus remains on improving the preferential procurement component of the scorecard.<br><br>*More detail is available on page 57 of the integrated report.* |
| **Sponsorships and charitable donations** | The SEC monitored the various product donations and continues to monitor the Group's social responsibility initiatives.<br><br>These are detailed on page 57 of the integrated report. |
| **Water, energy and waste disposal management** | The committee monitor water, energy and waste disposal management and a report containing usage details is reviewed biannually. The short-term aim is to reduce wastage of these elements across the Group's operations by monitoring performance year on year. Read more on page 53 of the integrated report. A specific area of focus is projects to supplement electricity produced from non-renewable sources with solar technology.<br><br>*Read more on page 54 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 expense, and R8.3 million (2020: R14.2 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 monitored and dealt with adequately during the year. |
| **Employment equity and training** | The SEC monitored employment equity and training.<br>*Read more on page 54 of the integrated report.* |
| **Human capital** | The SEC monitored organisational development initiatives, workforce design and planning. |
| **Animal welfare** | The SEC monitored engagements with the NSPCA and other stakeholders to ensure that animal welfare remains a priority. |
| **ESG compliance** | The SEC initiated a project to determine an ESG baseline score for the Group. To achieve this, an independent assessment was conducted against international ESG standards (including the International Finance Corporation Performance Standards). The resultant score was high, with an action plan to guide the Company on suggested improvements. |
| **Ethics management** | The SEC monitors ethics management and adherence to the Group's code of conduct, which is reviewed annually. Local tip-offs anonymous lines are available to stakeholders in Quantum Foods' operating jurisdictions (South Africa, Mozambique, Uganda and Zambia).<br>The employee induction programme, which supports the business's commitment to ethical conduct by entrenching the Group values, was revamped during the year and rolled out as a refresher to all current employees.<br>*Read more on the Group's measures to ensure proper ethics management in King IV available on the Company's website.* |

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

In accordance with Principle 8, Recommended Practice 50(f) of King IV, the SEC is satisfied that they have fulfilled their responsibilities in accordance with their terms of reference, respective charters and workplans, where applicable, for the reporting period.

The SEC has identified the following as the main areas of focus for 2022. 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 its existing business activities that support transformation and empowerment. |
| **Improved ESG performance** | The SEC will oversee the progress made on improving ESG performance against the baseline score achieved for 2021. |

**Mr. G Vaughan-Smith**
*Chairman*

Wellington
12 November 2021

# Annexure 9

## Directors' interest in shares

As at 30 September 2021, the aggregate of the direct and beneficial interest of directors was 38.97% (2020: 6.15%) of the issued share capital of the Company. Indirect interest through listed public companies was 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 | | | % of issued ordinary share capital |
|---|---|---|---|---|
| | Direct | Indirect | Total | |
| **30 September 2021** | | | | |
| HA Lourens | **1 930 925** | **–** | **1 930 925** | **0.965** |
| AH Muller | **613 897** | **–** | **613 897** | **0.307** |
| WA Hanekom | **–** | **10 355 320** | **10 355 320** | **5.177** |
| Prof. ASM Karaan# | **–** | **–** | **–** | **–** |
| GG Fortuin | **–** | **–** | **–** | **–** |
| T Golden | **–** | **–** | **–** | **–** |
| LW Riddle | **–** | **–** | **–** | **–** |
| G Vaughan-Smith*, ^ | **–** | **65 057 163** | **65 057 163** | **32.525** |
| | **2 544 822** | **75 412 483** | **77 957 305** | **38.974** |
| **30 September 2020** | | | | |
| 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* | – | – | – | – |
| | 1 944 414 | 10 355 320 | 12 299 734 | 6.149 |

* *Appointed during the year.*
** *Resigned as director during the year.*
^ *This interest in shares is held by an associate of the director, Aristotle Africa S.à.r.l.*
# *Deceased during the year.*

# 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)
GG Fortuin (lead independent director)
T Golden
LW Riddle
G Vaughan-Smith
HA Lourens (chief executive officer)*
AH Muller (chief financial officer)*

* *Executive*

## Company secretary

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

## Company details

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

## Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
Private Bag X9000,
Saxonwold 2132
South Africa
Tel: 011 370 5000
Fax: 011 688 5209

## Sponsor

One Capital Sponsor Services (Pty) Ltd
Registration number 2000/023249/07)
17 Fricker Road
Illovo, Sandton 2196
PO Box 784573
Sandton 2146

## Auditor

PricewaterhouseCoopers Inc.

## Website address

www.quantumfoods.co.za

www.quantumfoods.co.za