# Notice of Annual General Meeting and proxy form

**for the year ended 30 September 2022**

# Quantum Foods Holdings Limited

Notice of annual general meeting, proxy form and summary consolidated financial statements for the year ended 30 September 2022

| Salient features | 2022 | 2021 |
|---|---|---|
| Revenue | **R6 021 million** | R5 401 million |
| Operating profit | **R33 million** | R148 million |
| Operating profit (before items of a capital nature)* | **R37 million** | R144 million |
| Headline earnings | **R28 million** | R102 million |
| Earnings per share | **12.0 cents** | 53.9 cents |
| Headline earnings per share | **14.1 cents** | 52.2 cents |
| Total dividend per share | **8 cents** | nil |

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

# Contents

# Letter to the shareholders

15 December 2022

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") ninth annual general meeting to be held at 11:00 on Friday, 24 February 2023, 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 financial statements will only be mailed to shareholders on request. The full report and full annual financial statements are available for download on our website at www.quantumfoods.co.za.

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

Yours sincerely

**ZP Wakashe**
Company Secretary

# Notice of annual general meeting

For the year ended 30 September 2022

Notice is hereby given to all shareholders recorded in the securities register of Quantum Foods as at Friday, 13 January 2023, that the ninth annual general meeting of Quantum Foods will be held at 11:00 on Friday, 24 February 2023, entirely through electronic means as more fully set out on page 3 ("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 consolidated financial statements of the Company, including the reports of the directors and the audit and risk committee and the unmodified audit opinion for the year ended 30 September 2022. The audited annual consolidated financial statements are available on the Company's website at www.quantumfoods.co.za/financial-reports/.

2. Resolutions:
   - To consider and, if deemed fit, pass, with or without modification, ordinary resolutions 1 to 8
   - To consider and, if deemed fit, pass, with or without modification, the special resolutions 1 and 2

## Ordinary resolutions

### 1. Ordinary resolution number 1

#### Re-appointment of auditors

"Resolved that the re-appointment of PricewaterhouseCoopers Inc. as the auditors of the Group 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 2023, 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 Larry Wilson Riddle, 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 Riddle, taking into account his past performance and contribution.

## 3. Ordinary resolution number 3

### Re-election of director retiring by rotation

"Resolved that Ms Tanya Golden, who retires by rotation in terms of clause 29.3.4.1 of the MOI and, being eligible, and offering herself 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 Ms Golden, taking into account her 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, as recommended by the Board, until the next AGM of the Company to be held in 2024."

## 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, subject to the passing of ordinary resolution number 2, as recommended by the Board, until the next AGM of the Company to be held in 2024."

## 6. Ordinary resolution number 6

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

"Resolved that Ms Tanya Golden, being eligible and availing herself 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 2024."

### 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.

## Non-binding advisory votes

### 7. Ordinary resolution number 7

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

"Resolved that the Company's 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 7

The reason for ordinary resolution number 7 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV")[1] recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 7, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 7 is of 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.

### 8. Ordinary resolution number 8

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

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

#### Reason for ordinary resolution number 8

The reason for ordinary resolution number 8 is that King IV recommends, and the JSE Listings Requirements require, that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 8, if passed, will be to endorse the Company's implementation report in respect of its remuneration policy. Ordinary resolution number 8 is of 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.

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

## Special resolutions

### 9. Special resolution number 1

#### Approval of the non-executive directors' remuneration

"Resolved, in terms of section 66(9) of the Companies Act, that, without detracting from the resolution passed by shareholders in terms of section 66(9) of the Companies Act at the Company's February 2022 AGM authorising the payment of remuneration to non-executive directors, the Company be and is hereby authorised to remunerate its non-executive directors for their services rendered as directors of the Company on the basis set out below".

| | Proposed fees per annum Rand (exclusive of VAT) | Approved fees per annum Rand (exclusive of VAT) |
|---|---|---|
| Chairman of the Board | **414 615** | **393 000** |
| Lead independent director | **355 745** | **337 200** |
| Board member (other than the chairman of the Board or the lead independent director) | **294 870** | **279 500** |
| Committee chairman – audit and risk committee | **101 630** | **96 330** |
| Committee chairman (remuneration and social, ethics and transformation committees) | **71 140** | **67 430** |
| Committee member – audit and risk committee | **92 155** | **87 350** |
| Committee member (remuneration and social, ethics and transformation committees) | **65 820** | **62 390** |

#### Reason for special resolution number 1

The reason for special resolution number 1 is to approve the increased annual remuneration payable by the Company to its non-executive directors for their services as directors of the Company.

A special resolution proposing the approval of the non-executive directors' remuneration was passed at the AGM held on 25 February 2022 ("Previous Remuneration Authorising Resolution"). This special resolution number 1 will enable the Company to increase the remuneration to non-executive directors for services that will be rendered to the Company in accordance with section 66 of the Companies Act. In the event that this special resolution number 1 is not passed, then the Company will be entitled to continue remunerating non-executive directors in accordance with the Previous Remuneration Authorising Resolution.

### 10. 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 MOI of the Company's subsidiaries, respectively;
- repurchases must not be made at a price greater 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, who makes its investment decisions in relation to the Company's shares independently of, and uninfluenced by, the Company prior to the commencement of the repurchase programme, 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

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.

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.

General information in respect of major shareholders and the share capital of the Company is contained in Annexure 2 and on page 51 of this notice, respectively. 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 annual financial statements for the year ended 30 September 2022.

### 11. Directors' note

The directors of the Company, whose names appear on pages 44 to 45 of the 2022 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.

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

## Record dates

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the Company in order to receive this notice is Friday, 13 January 2023.

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, 17 February 2023, with the last day to trade being Tuesday, 14 February 2023.

## Approvals required for ordinary and special resolutions

Ordinary resolutions numbers 1 to 8 contained in this notice each 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 7 and 8 are non-binding advisory votes.

Special resolutions numbers 1 and 2 contained in this notice each 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, 22 February 2023, 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 AGM will be held entirely by way of electronic communication. Accordingly, the Company has retained the services of its transfer secretaries to remotely host the AGM on an interactive electronic platform to facilitate remote attendance, participation and voting by shareholders. The transfer secretaries will also act as scrutineer for purposes of the AGM.

2. Shareholders wishing to attend, participate in and/or vote electronically at this virtual AGM should register online at https://meetnow.global/ZA, by no later than 11:00 on Wednesday, 22 February 2023. Shareholders may still register online after this date and time; however, in order for them to attend, participate and/or vote electronically at the meeting, they must be verified and registered before the commencement time of the meeting.

3. During this registration process, shareholders will be required to 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 above, as well as provide their name, email address and contact number.

4. Following successful registration, shareholders will receive from the transfer secretaries a meeting link and invitation code in order to connect electronically to the meeting.

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

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

7. 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.

8. 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

**Ziyanda Wakashe**
Company Secretary

Quantum Foods Holdings Limited

15 December 2022

# Annexure 1

## Quantum Foods Holdings Limited

### Summary consolidated financial statements

for the year ended 30 September 2022

## Commentary

The Group experienced exceptionally challenging trading conditions during the financial year ended 30 September 2022 ("FY2022"). The Group's performance was principally impacted by a number of industry-level factors including, *inter alia*, (i) a significant increase in feed raw material costs; (ii) curtailed egg selling prices in a weak consumer environment resulting in lower margins for the Egg business and lower demand for layer livestock; (iii) further outbreaks of highly pathogenic avian influenza ("HPAI") in South Africa; (iv) significant increases in the cost of electricity, gas, fuel and Eskom load shedding cycles; and (v) extreme weather conditions experienced in the Western Cape.

In addition to the abovementioned industry-level factors, performance was also negatively impacted by the labour unrest during the current financial year at the Kaalfontein layer farm in Gauteng ("Kaalfontein Farm"), partially offset by improved operational efficiencies from the Group's South African operations.

## Factors that had a major impact on Group performance

### Margin closure

The Company was unable to recover the further and significant increases in the cost of feed raw material and other operating costs from customers, especially in the layer farming, eggs and Ugandan businesses. This contributed to the significant decline in Group earnings for FY2022.

### The devastating impact of HPAI

The HPAI outbreak in January 2022 at the Lemoenkloof layer farm ("Lemoenkloof Farm") in the Western Cape affected operations for the remainder of the financial year. Repopulation of the farm commenced in July 2022. The farm supplies about 13% of the total production of eggs, and approximately 400 000 layer hens had to be culled.

The Company also experienced false positive tests for HPAI on two of the farms in Gauteng and the North West, which resulted in the quarantine of layer hens, which still had to be fed, at a higher cost, beyond their normal age of depopulation. The disruption of the normal flow of birds from layer-rearing farms to layer farms contributed to a higher cost of rearing.

### Impact of increased load shedding

FY2022 was impacted by a significant increase in the severity and number of hours of load shedding. This affected the Group's South African operations. Costs increased due to, *inter alia*, additional overtime costs, increased fuel usage, having to transport products over increased distances and some previously planned raw materials not being available for feed production.

### The Kaalfontein Farm labour unrest

Employees at the Kaalfontein Farm initiated an unprotected strike in October 2021 which disrupted operations and had a significant cost impact. The Kaalfontein Farm provides approximately 15% of Quantum Foods' South African egg production.

The strike followed a disciplinary process that was launched against an employee suspected of sabotage. This labour action, unfortunately, resulted in 40 employees being dismissed and the Company had to contract additional security and employ temporary labour at short notice while starting a process to fill these positions. This change of staff, together with a maintenance backlog resulting from the labour action, resulted in much higher operational costs and hampered production efficiencies at the farm.

## Segmental performance summaries

### Animal feeds

The combination of a substantial increase in raw material costs, financial pressures being felt by customers, HPAI outbreaks and certain customers investing in their own feed milling capacity, resulted in a decrease in external sales volumes compared to the financial year ended 30 September 2021 ("FY2021"). Volumes transferred to the internal poultry business, which is not included in revenue, increased.

The negative financial effect of lower sales volumes was partially offset by well-executed operational efficiencies and the increase in volumes transferred to the internal poultry business. The negative impact of increased hours under load shedding had a significant effect on the feed business, leading to above-target cost increases and higher production costs due to, *inter alia*, the restricted availability of some previously planned raw material components.

### Farming

#### Layer farming

Operational efficiencies in the hatcheries improved. The number of day-old pullets sold to external customers was marginally lower in FY2022 compared to FY2021. Point-of-lay volumes sold to external customers were, as planned, much lower in FY2022 compared to FY2021, which contributed to lower earnings from the layer livestock business. The more challenging egg industry conditions resulted in lower demand from layer livestock customers, which culminated in the Group's inability to recover increased production costs in product selling prices and some customers either postponing or cancelling orders for point-of-lay hens. This resulted in point-of-lay hens being retained in the Company's farms for increased periods, further resulting in a higher cost of production and reduced margins.

Production efficiencies on commercial egg farms improved in FY2022 compared to FY2021. The labour unrest at the Kaalfontein Farm and the HPAI outbreak at the Lemoenkloof Farm resulted in significant increases in overhead costs. Egg production from the Lemoenkloof Farm was much lower in FY2022 given that the majority of the farm was not stocked with birds in the second half of FY2022 due to the HPAI outbreak, leading to the under recovery of overhead costs and reduced egg volumes being made available for sale.

The second half of FY2022 saw additional costs being incurred by the Egg business to supply customers from the Western Cape with eggs produced in both Gauteng and North West.

The Company's insurance for the HPAI outbreak on the Lemoenkloof Farm was limited to the risk associated with direct losses resulting from the culling of infected flocks and did not cover the further effect of lost production and lower sales volumes experienced. The Company received a payment of c. R20 million from the insurance provider in FY2022 for the HPAI loss on the Lemoenkloof Farm in FY2022 and the HPAI loss at the Fransrug layer rearing farm in FY2021.

Following a review of the layer farming business by the Company, a decision has been made to close the Tongaat layer rearing farm in the first quarter of the financial year ended 30 September 2023 ("FY2023"). This impending closure has resulted in once-off exit costs being incurred by the Group in FY2022. The Hekpoort layer farm will, because of the age of the equipment and cost of operation, also be closed in the first quarter of FY2023. We now have dedicated rearing and egg farms for our internal needs. We also have dedicated facilities and a management team focusing on external livestock sales opportunities.

## Broiler farming

Operational efficiencies in the hatcheries improved during FY2022. Despite the closure of a major Western Cape abattoir customer in FY2021, day-old chick volumes increased by 4.2% in FY2022 compared to FY2021, with strong growth in day-old chick sales from the Hartbeespoort hatchery. The Company benefited, to a limited extent, from improved trading conditions in the broiler industry, where supply volumes were reduced and levels of consumer demand remained adequate, culminating in a higher demand for day-old broiler chicks being experienced by the Company.

The majority of revenue from the broiler farming business is generated from long-term supply agreements whereby the Company is compensated for the production risk it undertakes and is therefore not exposed to the associated broiler meat market margin fluctuations. Live bird sales volumes increased slightly in FY2022 compared to FY2021, while margins were negatively impacted by continuous increases in the cost of production and a slight reduction in efficiencies achieved on broiler farms.

Progress on the project to increase production capacity at the Hartbeespoort hatchery is on track, with the project expected to be completed by June 2023. At 30 September 2022, R48 million had been spent on this project, which expenditure is included as assets under construction in property, plant and equipment. The project to repurpose the Bulhoek Farm, previously used for broiler grandparent farming, to a broiler parent farm is progressing well and has provided the Group with the opportunity to purchase parent stock, as opposed to importing grandparent stock, as the starting point of the Company's broiler value chain. The process of converting from Cobb 500 to Ross 308 genetics has a long lead time due to the genetic cycle of bird stock.

## Eggs

Egg selling prices increased by 8.4% on average during FY2022, with volumes increasing by 0.7% compared to FY2021.

Higher production costs, arising from increased feed raw material costs and overhead costs, could not be recovered in the final product selling prices in FY2022.

Packing station efficiencies further improved in FY2022 and cost management was well executed.

The relatively large South African layer flock, together with the current depressed consumer environment, have created an imbalance in the supply and demand of eggs. The resultant pressure on egg selling prices as well as higher production costs resulted in significant margin pressures and losses incurred in the Egg business.

Following a review of the Egg business, a decision was taken to close the East London packing station in August 2022, resulting in the exit of some unprofitable distribution routes and the incurrence of once-off exit costs in FY2022.

## Other African countries

Trading conditions remained favourable for egg businesses in Zambia. However, compared to FY2021, feed raw material costs were higher and production efficiencies were weaker due to a disease challenge affecting the industry in the Copperbelt province, resulting in lower volumes of eggs available for sale. These factors contributed to lower earnings in local currency. The strengthening of the Zambian Kwacha against the Rand during FY2022 resulted in increased earnings in Rands, the Group's reporting currency.

The Ugandan business was negatively affected by record-high raw material costs and subdued egg selling prices following restrictions on the normal export trading pattern of eggs, which resulted in an imbalance in the local supply and demand for eggs. These factors also resulted in much lower demand for, and earnings from the sales of, layer livestock. By contrast, day-old broiler chick volumes increased.

Production efficiencies in the Mozambican business improved. However, this business is similarly exposed to the profit drivers experienced by the South African egg business and margins remained under pressure during FY2022.

Costs were well managed in all three countries and contributed to margins in our other African businesses continuing to outperform South Africa.

No HPAI outbreaks were experienced in the other African businesses.

## Financial overview

Group revenue increased by 11.5% to R6.0 billion, with a 10.7% increase of R545 million in the South African operations and a 23.2% increase of R74 million in the operations of the other African countries. Revenue from other African countries contributed 6.6% of the Group's revenue for FY2022 (FY2021: 5.9%).

Revenue from South African operations:

- Increased by R248 million for the feeds segment. This increase of 10.1% is due to the adjustment of selling prices for higher input costs. External volumes sold decreased by 3.0%.
- Increased by R176 million for the farming segment. Broiler farming revenue increased due to (i) higher selling prices, with selling prices adjusted for higher input costs; (ii) an increase of 4.2% in the volume of day-old chicks produced; and (iii) an increase of 3.7% in the weight of broilers sold. Layer farming revenue decreased by R8 million as a result of decreased volumes of both day-old pullets and point-of-lay hens sold.
- Increased by R121 million for the eggs segment, where an average price increase of 8.4% and a volume increase of 0.7% were achieved.

Cost of sales increased by 13.2% to R4.9 billion (FY2021: R4.3 billion) and included:

- Significantly higher feed raw material costs, including an increase of 15% in maize costs and 15% in soybean costs.
- Higher costs resulting from the labour unrest at the Kaalfontein Farm and the outbreak of HPAI at the Lemoenkloof Farm.
- Fair value adjustments to the value of R6 million (FY2021: R87 million) of biological assets (livestock) and agricultural produce (eggs) that were realised and included in other gains and losses in the statement of comprehensive income.

Gross profit, excluding the fair value adjustments, decreased by R33 million to R1 116 million (FY2021: R1 149 million) at a margin of 18.5% (FY2021: 21.3%).

Cash operating expenses increased by 10.2% from the previous year, driven primarily by:

- Significant increases in energy and distribution costs.
- The increased number of hours under load shedding.
- Expenses for the Helderfontein broiler farm (acquired on 31 January 2021) being included for the full period.
- Higher costs associated with the labour unrest at the Kaalfontein Farm and the outbreak of HPAI at the Lemoenkloof Farm.

Operating profit before items of a capital nature decreased by 74.5% to R37 million (FY2021: R144 million).

South African operations recorded a 72.5% decrease in operating profit to R36 million (FY2021: R130 million) at a margin of 0.6% (FY2021: 2.6%). Other African countries recorded a 39.5% decrease in operating profit to R19 million (FY2021: R31 million) at a margin of 4.7% (FY2021: 9.6%). Shared services costs increased from R17 million in FY2021 to R18 million in FY2022.

Operating profit includes a R5.4 million impairment of goodwill originating from the acquisition of the Olifantskop feed mill in 2016.

The effective tax rate of the Group decreased and includes the effect of a credit of R9 million due to the remeasurement of deferred tax liabilities in accordance with the lower corporate tax rate applicable in South Africa from FY2023.

HEPS decreased to 14.1 cents from 52.2 cents in FY2021.

Cash flow from operating activities amounted to R77.8 million (FY2021: R24.3 million) and includes an increased investment in working capital of R87.1 million (FY2021: increase of R259.3 million). The increase in the investment in working capital for FY2022 included the benefit of adjusted vendor payment terms for key suppliers of maize and soya meal.

Cash flow from investing activities includes capital expenditure on property, plant and equipment and intangible assets amounting to R125.2 million (FY2021: R108.6 million). In addition to maintenance capital, the main projects included the broiler hatchery expansion in the North West province, the implementation of Sage X3 as the new enterprise resource planning system for the Group and the refurbishment of the Kaalfontein Farm.

Cash and cash equivalents decreased from R73 million as at FY2021, to a net bank overdraft of R11 million as at FY2022.

The Rand value of the Group's investment in the other African countries segment increased by R86 million from FY2021, due to movements in the exchange rate, disclosed as part of the movement in the foreign currency translation reserve. The Rand depreciated against the Zambian Kwacha, Ugandan Shilling and Mozambican Metical since the end of FY2021. This increase in the foreign currency translation reserve is included in other comprehensive income for the current reporting period.

The Group's borrowings as at 30 September 2022 comprised mainly of lease liabilities as accounted for in terms of International Financial Reporting Standards ("IFRS") 16 – Leases.

## Dividend declaration

The Board declared an interim dividend of 8 cents per share in May 2022.

The Board resolved to not declare a final dividend for FY2022.

## Outlook

The cost of raw materials is expected to remain high in all the countries where we operate, challenging us to improve margins in especially the eggs and other African businesses.

Customers and consumers are likely to remain under pressure due to economic conditions and global uncertainty which are leading to higher interest rates and inflation. This has a negative effect on the ability of the Company to recover cost increases.

We expect egg selling prices to be supported by lower supply resulting from a reduced South African flock size as producers place fewer hens in response to challenging egg industry conditions. Despite this, margin recovery is expected to be contained by lower consumer spending power.

With no end in sight to load shedding in South Africa, we are investing to mitigate against potentially higher energy supply constraints. Generator installation at the Group's largest feed mill in Malmesbury is in progress.

Layer farming efficiencies are expected to improve further given measures implemented to support proactive management and control.

Diligent cost management and efficiency will be key drivers of success and sustainability in the next year.

A further factor that could have a significant impact in FY2023 is the possibility of further HPAI outbreaks. Europe has experienced an increase, while sporadic outbreaks in South Africa have continued.

The COVID-19 pandemic, although having minimal impact on the Company in FY2022, remains an uncertainty which, if the virus spreads again significantly, could impact the recovery of trading patterns and operations.

The continued decline of the South African economy remains a concern. High levels of unemployment and poverty have the potential to lead to increased social unrest, with a concomitant risk to business.

Quantum Foods remains a solid business with good risk management and attractive future opportunities. The Board continues to support the executive team by considering the longer-term drivers of growth and how to ensure we capture value. We are committed to protecting earnings, safeguarding our assets and developing our people.

By order of the Board

**WA Hanekom**
Chairman

**HA Lourens**
Chief Executive Officer

25 November 2022

## 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 28 of the Notice to annual general meeting and proxy form, which comprise the summary consolidated statement of financial position as of 30 September 2022, 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 2022.

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 requirements of the JSE Limited Listings 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 2022. 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 summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Auditor's responsibility

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

PricewaterhouseCoopers Inc.

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

Stellenbosch, South Africa
15 December 2022

# Summary consolidated statement of financial position

as at 30 September 2022

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **1 416 940** | 1 360 639 |
| Property, plant and equipment | **1 322 700** | 1 243 120 |
| Right-of-use assets | **67 601** | 95 108 |
| Intangible assets | **11 633** | 7 098 |
| Investment in associates | **10 130** | 10 310 |
| Trade and other receivables | **3 312** | 4 033 |
| Deferred income tax | **1 564** | 970 |
| **Current assets** | **1 713 853** | 1 423 865 |
| Inventories | **463 765** | 383 450 |
| Biological assets | **433 910** | 403 308 |
| Trade and other receivables | **750 558** | 562 933 |
| Derivative financial instruments | **53** | 23 |
| Current income tax | **1 722** | 840 |
| Cash and cash equivalents | **63 845** | 73 311 |
| **Total assets** | **3 130 793** | 2 784 504 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves attributable to owners of the parent** | **2 100 788** | 1 999 802 |
| Share capital | **1 465 069** | 1 465 069 |
| Treasury shares | **(1 390)** | (8 315) |
| Other reserves | **20 962** | (65 769) |
| Retained earnings | **616 147** | 608 817 |
| **Total equity** | **2 100 788** | 1 999 802 |
| **Non-current liabilities** | **322 165** | 360 101 |
| Lease liabilities | **56 021** | 85 155 |
| Deferred income tax | **257 178** | 266 590 |
| Provisions for other liabilities and charges | **8 966** | 8 356 |
| **Current liabilities** | **707 840** | 424 601 |
| Trade and other payables | **603 631** | 396 740 |
| Current income tax | **2 553** | 2 639 |
| Lease liabilities | **25 598** | 23 860 |
| Provisions for other liabilities and charges | **1 150** | 1 362 |
| Bank overdraft | **74 908** | – |
| **Total liabilities** | **1 030 005** | 784 702 |
| **Total equity and liabilities** | **3 130 793** | 2 784 504 |

# Summary consolidated statement of comprehensive income

for the year ended 30 September 2022

| | Notes | 2022 R'000 | 2021 R'000 |
|---|---|---|---|
| Revenue | 3 | **6 020 558** | 5 401 116 |
| Cost of sales | | **(4 910 916)** | (4 339 005) |
| Gross profit | | **1 109 642** | 1 062 111 |
| Other income | | **20 120** | 10 201 |
| Other gains/(losses) – net | 4 | **(5 870)** | 72 304 |
| Sales and distribution costs | | **(288 322)** | (263 528) |
| Marketing costs | | **(13 311)** | (15 065) |
| Administrative expenses | | **(156 773)** | (143 972) |
| Net impairment losses on trade and other receivables | | **(1 739)** | (9 050) |
| Other operating expenses | | **(631 242)** | (565 412) |
| Operating profit | | **32 505** | 147 589 |
| Investment income | | **4 244** | 4 747 |
| Finance costs | | **(16 301)** | (11 844) |
| Share of (loss)/profit of associate companies | | **(180)** | 1 767 |
| Profit before income tax | | **20 268** | 142 259 |
| Income tax credit/(expense) | | **3 554** | (36 464) |
| **Profit for the year** | | **23 822** | 105 795 |
| **Other comprehensive income for the year** | | | |
| *Items that may subsequently be reclassified to profit or loss:* | | | |
| Fair value adjustments to cash flow hedging reserve | | **1 035** | 7 993 |
| For the year | | **65 176** | 57 668 |
| Deferred income tax effect | | **(17 598)** | (6) |
| Current income tax effect | | **–** | (16 141) |
| Realised to profit or loss | | **(64 002)** | (46 567) |
| Deferred income tax effect | | **17 459** | (1) |
| Current income tax effect | | **–** | 13 040 |
| Movement on foreign currency translation reserve | | | |
| Currency translation differences | | **85 993** | 8 651 |
| **Total comprehensive income for the year** | | **110 850** | 122 439 |
| Profit for the year attributable to owners of the parent | | **23 822** | 105 795 |
| Total comprehensive income for the year attributable to owners of the parent | | **110 850** | 122 439 |
| Earnings per ordinary share (cents) | 5 | **12.0** | 53.9 |
| Diluted earnings per ordinary share (cents) | 5 | **11.9** | 53.0 |

# Summary consolidated statement of changes in equity

for the year ended 30 September 2022

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Share capital and treasury shares** | **1 463 679** | 1 456 754 |
| Opening balance | **1 456 754** | 1 445 731 |
| Ordinary shares transferred – share appreciation rights | **6 925** | 11 023 |
| **Other reserves** | **20 962** | (65 769) |
| Opening balance | **(65 769)** | (85 089) |
| Other comprehensive income for the year | **87 028** | 16 644 |
| Recognition of share-based payments | **6 105** | 11 147 |
| Ordinary shares transferred – share appreciation rights | **(6 402)** | (8 471) |
| **Retained earnings** | **616 147** | 608 817 |
| Opening balance | **608 817** | 525 000 |
| Profit for the year | **23 822** | 105 795 |
| Dividends paid | **(15 969)** | (19 426) |
| Ordinary shares transferred – share appreciation rights | **(523)** | (2 552) |
| **Total equity** | **2 100 788** | 1 999 802 |

# Summary consolidated statement of cash flows

for the year ended 30 September 2022

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Cash flow from operating activities** | **77 792** | 24 348 |
| Cash profit from operating activities | **170 625** | 295 297 |
| Working capital changes | **(87 074)** | (259 292) |
| Cash effect of hedging activities | **1 125** | 11 076 |
| Cash generated from operations | **84 676** | 47 081 |
| Income tax paid | **(6 884)** | (22 733) |
| **Cash flow from investing activities** | **(118 214)** | (153 272) |
| Additions to property, plant and equipment | **(114 673)** | (107 095) |
| Additions to intangible assets | **(10 551)** | (1 507) |
| Proceeds on disposal of property, plant and equipment | **2 367** | 1 277 |
| Interest in associate acquired | **–** | (10 251) |
| Business combination | **–** | (54 682) |
| Proceeds on disposal of investment in associate | **–** | 14 239 |
| Repayment of loan included in other debtors | **399** | – |
| Interest received | **4 244** | 4 747 |
| Cash deficit | **(40 422)** | (128 924) |
| **Cash flow from financing activities** | **(55 174)** | (51 031) |
| Principal elements of lease payments | **(23 963)** | (20 941) |
| Interest paid | **(15 249)** | (10 698) |
| Dividends paid to ordinary shareholders | **(15 962)** | (19 392) |
| Decrease in cash and cash equivalents | **(95 596)** | (179 955) |
| Effects of exchange rate changes | **11 222** | 1 485 |
| Cash and cash equivalents at beginning of year | **73 311** | 251 781 |
| Cash and cash equivalents at end of year (net of overdraft) | **(11 063)** | 73 311 |
| Cash at bank and on hand | **63 845** | 73 311 |
| Bank overdraft | **(74 908)** | – |

# Notes to the summary consolidated financial statements

for the year ended 30 September 2022

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **SEGMENT INFORMATION** | | |
| **Segment revenue** | **6 030 053** | 5 409 490 |
| Eggs | **1 350 127** | 1 228 789 |
| Farming | **1 597 375** | 1 420 004 |
| Animal feeds | **2 688 142** | 2 440 511 |
| Other African countries | **394 409** | 320 186 |
| Less: Internal revenue | **(9 495)** | (8 374) |
| Farming | **(9 495)** | (8 374) |
| **External revenue** | **6 020 558** | 5 401 116 |
| Eggs | **1 350 127** | 1 228 789 |
| Farming | **1 587 880** | 1 411 630 |
| Animal feeds | **2 688 142** | 2 440 511 |
| Other African countries | **394 409** | 320 186 |
| **Segment results – excluding items of a capital nature** | **36 818** | 144 298 |
| Eggs | **(42 104)** | (5 003) |
| Farming | **(15 438)** | 34 275 |
| Animal feeds | **93 309** | 100 916 |
| Other African countries | **18 662** | 30 834 |
| Head office costs | **(17 611)** | (16 724) |
| **Items of a capital nature per segment included in other gains/(losses) – net** | | |
| Profit/(loss) on disposal of property, plant and equipment before income tax | **1 115** | (674) |
| Eggs | **(81)** | (13) |
| Farming | **1 431** | (778) |
| Animal feeds | **(49)** | (106) |
| Other African countries | **(186)** | 223 |
| Profit on disposal of interest in associate before income tax | **–** | 3 965 |
| Head office costs | **–** | 3 965 |
| Impairment of intangible assets | **(5 428)** | – |
| Animal feeds | **(5 428)** | – |

## SEGMENT INFORMATION (continued)

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Segment results** | **32 505** | 147 589 |
| Eggs | **(42 185)** | (5 016) |
| Farming | **(14 007)** | 33 497 |
| Animal feeds | **87 832** | 100 810 |
| Other African countries | **18 476** | 31 057 |
| Head office costs | **(17 611)** | (12 759) |
| **A reconciliation of the segment results (operating profit) to profit before income tax is provided below:** | | |
| Segment results | **32 505** | 147 589 |
| Adjusted for: | | |
| Investment income | **4 244** | 4 747 |
| Finance costs | **(16 301)** | (11 844) |
| Share of (loss)/profit of associate companies | **(180)** | 1 767 |
| Profit before income tax per statement of comprehensive income | **20 268** | 142 259 |

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2022

## 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, No. 71 of 2008, 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.

## 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 2022 and with those of previous financial years.

| | 2022 R'000 | 2021 R'000 |
|---|---|---|

## 3. Revenue

Disaggregation of revenue from contracts with customers:

| **Revenue** | | |
|---|---|---|
| Eggs | **1 602 692** | 1 435 398 |
| – included in eggs segment | **1 350 127** | 1 228 789 |
| – included in other African countries segment | **252 565** | 206 609 |
| Layer farming* | **240 958** | 256 165 |
| – included in farming segment | **211 906** | 219 597 |
| – included in other African countries segment | **29 052** | 36 568 |
| Broiler farming** | **1 436 431** | 1 225 492 |
| – included in farming segment | **1 375 974** | 1 192 033 |
| – included in other African countries segment | **60 457** | 33 459 |
| Animal feeds | **2 740 477** | 2 484 061 |
| – included in animal feeds segment | **2 688 142** | 2 440 511 |
| – included in other African countries segment | **52 335** | 43 550 |
| | **6 020 558** | 5 401 116 |

* *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

| | | |
|---|---|---|
| Biological assets fair value adjustment | **(8 438)** | 29 663 |
| Unrealised – reflected in carrying amount of biological assets | **(8 702)** | (18 894) |
| Realised – reflected in cost of goods sold | **264** | 48 557 |
| Agricultural produce fair value adjustment | **4 038** | 38 195 |
| Unrealised – reflected in carrying amount of inventory | **(2 094)** | (26) |
| Realised – reflected in cost of goods sold | **6 132** | 38 221 |
| Foreign exchange differences | **(1 252)** | (5 370) |
| Financial instruments fair value adjustments | **–** | (3) |
| Foreign exchange contract cash flow hedging ineffective gain/(loss) | **4 095** | 6 528 |
| Profit/(loss) on disposal of property, plant and equipment | **1 115** | (674) |
| Profit on disposal of interest in associate | **–** | 3 965 |
| Impairment of intangible assets^ | **(5 428)** | – |
| | **(5 870)** | 72 304 |

^ *During the annual impairment test conducted on the CGU containing goodwill, it was identified that the carrying value of the CGU exceeded its recoverable amount. The customer base of the Olifantskop feed mill is mainly situated in the Eastern Cape province. This region experienced drought conditions since 2015 and the region was declared a disaster area in October 2019. The Olifantskop feed mill selling margins were negatively impacted by this. As a result of the aforementioned a goodwill impairment of R5.4 million was recorded in the current year.*

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2022

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **5. Earnings per ordinary share** | | |
| **Basic** | | |
| The calculation of basic earnings per share is based on profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year: | | |
| Profit for the year | **23 822** | 105 795 |
| Weighted average number of ordinary shares in issue ('000) | **198 755** | 196 126 |
| **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. | | |

| | 2022 Number '000 | 2021 Number '000 |
|---|---|---|
| Weighted average number of ordinary shares in issue used as the denominator in calculating basic earnings per share | **198 755** | 196 126 |
| Adjustment for calculation of diluted earnings per share – Share appreciation rights | **1 255** | 3 565 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **200 010** | 199 691 |
| Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share. | | |

## 5. Earnings per ordinary share (continued)

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| The calculation of diluted earnings per share is based on profit for the year attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the year: | | |
| Profit for the year | **23 822** | 105 795 |
| Diluted weighted average number of ordinary shares in issue ('000) | **200 010** | 199 691 |
| Headline earnings is calculated in accordance with Circular 1/2021 issued by the SAICA. | | |
| *Reconciliation between profit attributable to owners of the parent and headline earnings* | | |
| Profit for the year | **23 822** | 105 795 |
| Remeasurement of items of a capital nature | | |
| (Profit)/loss on disposal of property, plant and equipment | **(1 137)** | 453 |
| Gross | **(1 115)** | 674 |
| Tax effect | **(22)** | (221) |
| Profit on disposal of interest in associate | **–** | (3 965) |
| Gross | **–** | (3 965) |
| Tax effect | **–** | – |
| Impairment of intangible assets | **5 428** | – |
| Gross | **5 428** | – |
| Tax effect | **–** | – |
| Headline earnings for the year | **28 113** | 102 283 |
| Earnings per ordinary share (cents) | **12.0** | 53.9 |
| Diluted earnings per ordinary share (cents) | **11.9** | 53.0 |
| Headline earnings per ordinary share (cents) | **14.1** | 52.2 |
| Diluted headline earnings per ordinary share (cents) | **14.1** | 51.2 |

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2022

## 6. Contingent liabilities

No litigation matters or other contingent liabilities 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 R31.7 million (2021: R12.3 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R104.2 million (2021: R154.7 million).

## 8. Events after the reporting period

### Dividend

The Board has resolved not to declare a final dividend for the year ended 30 September 2022 (2021: nil cents).

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

## 9. Preparation of financial statements

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

## 10. Audit

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

# Annexure 2

## Shareholder analysis

| | Number of ordinary shareholders | % of shareholders | Number of ordinary shares | % of total ordinary shares |
|---|---|---|---|---|
| *Ordinary shares** | | | | |
| Individuals | 3 908 | 92.3 | 19 326 300 | 9.7 |
| Nominees and trusts | 194 | 4.6 | 4 587 869 | 2.3 |
| Investment companies and corporate bodies | 130 | 3.1 | 176 110 547 | 88.0 |
| Total | 4 232 | 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 2022 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 | 4 224 | 99.9 | 26 118 428 | 13.1 |
| **Non-public shareholding** | | | | |
| *Major shareholding* | | | | |
| Aristotle Africa S.à r.l. | 1 | 0.0 | 67 893 179 | 33.9 |
| Braemar Trading Limited | 1 | 0.0 | 61 620 084 | 30.8 |
| *Other shareholders* | | | | |
| Directors | 3 | 0.1 | 13 016 831 | 6.5 |
| WA Hanekom | 1 | 0.0 | 10 355 320 | 5.2 |
| Other directors | 2 | 0.0 | 2 661 511 | 1.3 |
| Quantum Foods (Pty) Ltd (treasury shares) | 1 | 0.0 | 414 158 | 0.2 |
| | 4 232 | 100.0 | 200 024 716 | 100.0 |
| **Distribution of ordinary shareholders** | | | | |
| Number of shares | | | | |
| 1 – 1 000 shares | 3 043 | 71.9 | 513 532 | 0.3 |
| 1 001 – 10 000 shares | 792 | 18.7 | 3 078 616 | 1.5 |
| 10 001 – 100 000 shares | 349 | 8.3 | 10 626 837 | 5.3 |
| 100 001 – 1 000 000 shares | 40 | 0.9 | 11 128 485 | 5.6 |
| 1 000 001 shares and over | 8 | 0.2 | 174 677 246 | 87.3 |
| | 4 232 | 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 state capital is R1 465 million (2021: R1 465 million).*

# Annexure 3

## Directors up for re-election

### Mr Larry Wilson Riddle (63) ("Larry")

#### Independent non-executive director

Larry joined the Board on 28 September 2020.

#### Qualifications

CA(SA).

#### Quantum Foods Board and committee membership

Non-executive director, audit and risk, remuneration, nomination and investment.

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 chairman of Crookes Brothers Ltd.

### Ms Tanya Golden (49) ("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, audit and risk, and social, ethics and transformation.

Tanya is a senior counsel and has been a member of the Cape Bar for over 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 4

## Members of the audit and risk committee

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

### Mr Geoffrey George Fortuin (55) ("Geoff")

#### Lead independent non-executive director

Geoff joined the Board on 28 April 2015.

#### Qualifications

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 (63) ("Larry")

#### Independent non-executive director

Larry was appointed to the Board on 28 September 2020.

#### Qualifications

CA(SA).

#### Quantum Foods Board and committee membership

Non-executive director, audit and risk, remuneration, nomination and investment.

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 chairman of Crookes Brothers Ltd.

### Ms Tanya Golden (49) ("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, ethics and transformation, and audit and risk.

Tanya is a senior counsel and has been a member of the Cape Bar for over 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 2022 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 Social Ethics and Transformation Committee ("SETC")
- 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 68 of the integrated report.

## Remuneration philosophy and principles

Quantum Foods' remuneration philosophy 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. Learnership programmes are available to students in animal production at junior level and students of business management and administration at junior management level. The bursary programme supports students studying towards tertiary qualifications in the areas of agriculture, science and other general management and business qualifications. 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. We use the REMChannel® Survey, which the Remco believes 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 are used in determining executive directors' remuneration, as well as analyses of remuneration paid by comparator companies. The Remco is satisfied that the surveys and benchmarks used are 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, and travel allowances. Additional benefits such as cellphone allowances are given to qualifying employees. 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 assists the Group's ability to recover rising input costs and improve 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>**Headline earnings before tax per share ("HEBTPS") target** – the calculation for the achievement of the target is based on an audited and agreed comparative base for the previous financial year. HEBTPS has a 50% weighting. The HEBTPS measure has been retained for FY2023.<br><br>**Growth in Economic Profit ("EP")** – the growth calculation is based on the weighted average cost of capital over a rolling three-year period, applied to the average net asset base of the Group. EP has a 25% weighting. The EP measure has been retained for the 2023 year.<br><br>**Operational efficiency** – the efficiency calculation is based on targets set for the percentage of second-grade eggs sold at egg packing stations, the number of day-old chicks hatched per one hundred eggs set in the broiler hatcheries, layer-type hen production efficiency, operating cost management and ESG performance.<br><br>Each of the five operational efficiency measures contributes one-fifth to the overall operational efficiency performance measure. The operational efficiency measures have been amended for FY2023 by introducing a measurement target for ESG performance. Details are set out in the STI section on page 38.<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 Share appreciation rights ("SAR") Plan designed to attract and retain talent over the long term, as well as align the interests of employees with that of shareholders. Participation in the LTI is restricted to the CEO, CFO, executive committee and a small percentage of the Group's senior management. 50% of the SAR award is subject to performance conditions set out below. The remaining 50% is subject to continued employment. 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 and linear vesting in-between.<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 |
|---|---|
| CEO | 100% |
| CFO and executives | 75% |
| Senior management | 15% or 35% |

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

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

## 2023 STI performance measures

The Remco reviewed the performance measures and will apply the following measures for the achievement of financial and operational targets for the STI for 2023. The STI is based on three performance measures that apply 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% | 31.7* cents per share | 36.5* 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, targets for the percentage of second-grade eggs sold at the egg packing stations, layer-type hen production efficiency, operating cost management and ESG performance. See further details in the operational targets section below. | |

* *Targets for 2023. At HEBTPS performance of 31.7 cents per share or lower, the bonus will be 0%. At HEBTPS performance of 36.5 cents or higher, the bonus will be 100% with linear vesting for HEBTPS of between 31.7 cents and 36.5 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 payout. 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 payout. 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 2023, the Remco considered the factors set out in Part 1 of the Remuneration report included in the 2022 integrated report, which resulted in lower earnings in 2022. These factors included the impact of further increases in feed raw material costs which are expected to remain high due to increased levels of international commodity prices and the value of the Rand. Cost recovery and margins are expected to be negatively affected by the strained consumer environment. Earnings from the egg business, in particular, are expected to be impacted by the anticipated high cost of feed. Based on the Group's historical performance, the Remco considers the HEBTPS target set for 2023 to be sufficiently stretching.

The percentage of 25% of growth in the Group's EP included in a bonus pool calculation for 2022 will remain the same for 2023.

## Operational targets

The 2022 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 hatched per one hundred eggs set ("hatchability percentage") in the hatcheries.
- 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 was measured based on the percentage of second-grade eggs sold.
- Operating cost management, which was measured as actual operating cost in comparison to the approved operating cost budget.

For 2023, the measurements for broiler breeder, layer farming and egg packing stations efficiencies as well as for operating cost management were retained. An additional measurement for ESG performance was introduced. The 2022 weighting of one quarter each was amended to one-fifth for each component for 2023.

In adding a target for ESG performance the Remco considered the importance of environmental, social and governance performance in ensuring sustainable outcomes for stakeholders.

Targets are commercially sensitive and therefore not disclosed. The target for ESG performance will be measured against areas of improvement identified from the independent ESG review performed in 2022. The Remco considers the targets to be sufficiently stretching to ensure that, if achieved, they would optimise Group profitability and ESG performance.

The 2023 weighting and maximum contribution to total STI of the operational targets will be:

| Target | Weighting | Maximum STI contribution |
|---|---|---|
| Layer farming efficiency | 20% | 5% |
| Egg packing station efficiency | 20% | 5% |
| Broiler breeder efficiency | 20% | 5% |
| Operating cost management | 20% | 5% |
| ESG performance | 20% | 5% |
| **Total** | 100% | 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 2023 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 2023 grant of SARs are illustrated below:

50% of the award is based on continued employment.

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

50% of the award is based on CAGR in HEPS with 0% vesting at or below the threshold of CAGR in HEPS of CPI plus 1%, and 100% vesting at stretch performance of CAGR in HEPS of CPI plus 5% or more.

No value will accrue to participants should the share price not grow over a three-, four- and five-year period. Read more on page 36.

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 2022. 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 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. No fees are paid to members of the nomination and investment committees which meet as and when required. The fee reflects the NED’s assigned responsibilities. The fee is evaluated annually and benchmarked every two years against comparable companies. The Remco is satisfied that the benchmarking 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 2022 AGM, which fees are payable until the 2nd anniversary of the February 2022 AGM. The Company proposes at this AGM, without detracting from the resolution passed by shareholders in terms of section 66(9) of the Companies Act at the February 2022 AGM authorising the payment of remuneration to NEDs, that these fees be increased as set out in the table below.

| | Approved fees per annum Rand (exclusive of VAT) | **Proposed fees per annum Rand (exclusive of VAT)** |
|---|---|---|
| Chairman of the Board | 393 000 | **414 615** |
| Lead independent director | 337 200 | **355 745** |
| Board member (other than the chairman of the Board or the lead independent director) | 279 500 | **294 870** |
| Committee chairman ARC | 96 330 | **101 630** |
| Committee chairman (remuneration and social, ethics and transformation) | 67 430 | **71 140** |
| Committee member ARC | 87 350 | **92 155** |
| Committee member (remuneration and social, ethics and transformation) | 62 390 | **65 820** |

## 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 2022

### TGP

The Remco approved a salary increase mandate of 5.0% (FY2021: 4.25%) of total cost to company for non-sectoral employees and executives, and a 5.0% (FY2021: 4.25%) basic pay increase for sectoral employees. The Remco approved additional adjustments to the remuneration of a small number of senior managers, including the CFO, as a result of benchmarking.

### STI outcomes

None of the threshold targets set for STI participants measured on Group and South African performance were achieved in 2022 and therefore RNil of the STI bonus pool cap of R27.6 million accrued to these participants.

For STI participants measured against the Group's other African countries' performance, R0.2 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 2022.

The Remco did not exercise its discretion to adjust STI outcomes in 2022.

The table below sets out the STI performance outcomes of participants measured on Group targets and South African operational efficiency for 2022:

| | Weighting % | Target performance | Stretch performance | Actual performance | Actual achievement (% of measure) | STI outcome (% of STI) |
|---|---|---|---|---|---|---|
| Group HEBTPS | 50% | 86.7 cents | 99.4 cents | 14.0 cents | Nil | Nil |
| Group EP | 25% | | | Three-year rolling average declined by R52.8 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 (%) |
|---|---|---|
| Broiler hatchability | 25% | Nil |
| Layer hen productivity | 25% | Nil |
| Egg packing station efficiency | 25% | Nil |
| Operating cost management | 25% | 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 2022. The financial and operational performance of the Zambian business is reflected in the STI outcomes below.

| Performance measures | Weighting (%) | Actual achievement (%)* | STI outcome %** |
|---|---|---|---|
| HEBTPS | 50 | Nil | Nil |
| EP | 25 | 75 | 12 |
| Operational efficiency | 25 | 6 | 3 |
| **Total** | 100 | | 15 |

* *Actual achievement % calculation is the percentage of the maximum Rand value of the STI component achieved for all participants measured on performance of the African operations.*

** *STI outcome % is calculated as the Rand value of the actual achievement of the STI component out of the maximum Rand value of the STI component, and includes the effect of African 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 2022, based on the achievement of performance targets:

| Participant | Maximum STI earning potential (as % of TGP) | Achievement of performance conditions % | Actual STI (as % of TGP) | 2022 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 2020, the second tranche of SARs granted in 2019 and the third tranche of SARs granted in 2018 will vest in 2023. The tables below set out the achievement of the performance conditions for the SAR awards that will vest in 2023.

No LTI benefits were reduced or forfeited due to malus or clawed back in 2022.

| 2020 grant | Threshold | Stretch | Actual |
|---|---|---|---|
| Performance measures = Compound annual growth in adjusted HEPS | CPI plus 1% growth | CPI plus 5% growth | Decrease in HEPS** |
| 2020 SAR allocation* | 110.4 cents | 123.3 cents | 14.1 cents** |
| Vesting (%) | 0 | 100 | 0 |

* *2020 adjusted HEPS was 93.20 cents per share and is equal to the actual 2019 HEPS*

** *2022 HEPS*

| | |
|---|---|
| Vesting date | 17 February 2023 |
| Performance period | 1 October 2019 to 30 September 2022 |
| Employment period | 17 February 2020 to 17 February 2023 |

| 2019 grant | Threshold | Stretch | Actual |
|---|---|---|---|
| Performance measures = Compound annual growth in adjusted HEPS | CPI plus 1% growth | CPI plus 5% growth | Decrease in HEPS |
| 2019 SAR allocation* | 206.0 cents | 238.9 cents | 14.1 cents** |
| Vesting (%) | 0 | 100 | 0 |

* *2019 adjusted HEPS was 163.90 cents per share and is equal to the actual 2018 HEPS*
** *2022 HEPS*

| | |
|---|---|
| Vesting date | 11 February 2023 |
| Performance period | 1 October 2018 to 30 September 2022 |
| Employment period | 11 February 2019 to 11 February 2023 |

| 2018 grant | Threshold | Stretch | Actual |
|---|---|---|---|
| Performance measures = Compound annual growth in adjusted HEPS | CPI plus 1% growth | CPI plus 5% growth | Decrease in HEPS |
| 2018 SAR allocation* | 65.2 cents | 78.5 cents | 14.1 cents** |
| Vesting (%) | 0 | 100 | 0 |

* *2018 adjusted HEPS was 49.0 cents per share and is equal to the actual 2017 HEPS*
** *2022 HEPS*

| | |
|---|---|
| Vesting date | 22 February 2023 |
| Performance period | 1 October 2017 to 30 September 2022 |
| Employment period | 22 February 2018 to 22 February 2023 |

## LTIs granted during 2022

During the year under review, 5 514 892 SARs, at a strike price of R5.39 per share, were granted. The baseline HEPS of 52.20 cents per share for the 2022 allocation is the actual HEPS recorded for 2021. The Board did not increase the baseline HEPS for the 2022 allocation. Therefore, 0% vesting for the performance component of the 2022 allocation will result at CAGR in HEPS of CPI plus 1% or lower from the baseline of 52.20 cents per share and the total 100% vesting for the performance component of the 2022 allocation will be realisable at CAGR in HEPS of CPI plus 5% from the baseline of 52.20 cents per share.

## Unvested LTIs

The table on the following page discloses the number of each executive director's LTIs as of 30 September 2022, 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 2022 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 2022, less the grant price of the particular SARs granted. 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.

**Executive director LTIs in 2022**

| 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 | | | | | | | | | | | |
| 2017/02/23 | 1 | 760 262 | – | 309 | – | 760 262 | 760 262 | 611 | 2 295 | – | – |
| 2018/02/22 | 2 | 1 133 987 | – | 391 | 377 996 | 377 995 | 377 995 | 589 | 750 | 377 996 | 572 |
| 2019/02/11 | 3 | 1 593 940 | – | 425 | 318 788 | 318 788 | 318 788 | 540 | 369 | 956 364 | 655 |
| 2020/02/17 | 4 | 1 404 498 | – | 357 | 234 083 | – | – | – | – | 1 170 415 | 1 481 |
| 2021/02/15 | 5 | 1 168 730 | – | 609 | – | – | – | – | – | 1 168 730 | – |
| 2022/02/21 | 6 | – | 1 737 372 | 539 | – | – | – | – | – | 1 737 372 | – |
| | | | | | | | | | 3 414 | | |
| AH Muller | | | | | | | | | | | |
| 2017/02/23 | 1 | 170 248 | – | 309 | – | 170 248 | 170 248 | 611 | 514 | – | – |
| 2018/02/22 | 2 | 328 490 | – | 391 | 109 497 | 109 496 | 109 496 | 589 | 217 | 109 497 | 166 |
| 2019/02/11 | 3 | 414 389 | – | 425 | 82 877 | 82 877 | 82 877 | 540 | 96 | 248 635 | 170 |
| 2020/02/17 | 4 | 433 542 | – | 357 | 72 257 | – | – | – | – | 361 285 | 457 |
| 2021/02/15 | 5 | 307 084 | – | 609 | – | – | – | – | – | 307 084 | – |
| 2022/02/21 | 6 | – | 514 604 | 539 | – | – | – | – | – | 514 604 | – |
| | | | | | | | | | 827 | | |

**- Include SARs for which performance conditions were not achieved*

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

*Note 6: Vesting in three equal tranches on 21/02/2025, 21/02/2026 and 21/02/2027. 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) |
| Number of shares transferred in 2022 | (2 063 234) |
| **Remaining number of shares that may be transferred to settle the LTI** | **4 987 270** |

## Remuneration outcomes for 2022

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 2022 and 2021, respectively:

| 30 September 2022 | Basic salary R'000 | Benefits R'000 | STI R'000 | LTI R'000 | Directors' fees R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| HA Lourens | **3 740** | **467** | **–** | **3 414** | **–** | **7 621** |
| AH Muller | **2 407** | **353** | **–** | **827** | **–** | **3 587** |
| **Total** | **6 147** | **820** | **–** | **4 241** | **–** | **11 208** |

| 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 |

## NED fees

The table below sets out the fees paid to NEDs:

| Name | 2022** R'000 | 2021* R'000 |
|---|---|---|
| WA Hanekom | **752** | 237 |
| GG Fortuin | **676** | 189 |
| T Golden | **600** | 156 |
| LW Riddle | **600** | 185 |
| G Vaughan-Smith | **504** | Nil |
| Prof ASM Karaan (passed away on 13 January 2021) | **Nil** | 107 |

* *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. The special resolution to remunerate NEDs proposed at the February 2021 AGM was not passed. This resulted in the Company not being authorised to pay any fees to its NEDs.*
*Mr G Vaughan-Smith was appointed on 19 February 2021.*

** *The special resolution to remunerate NEDs was passed at the 2021 AGM held in February 2022. The resolution provided for fees to be paid for the period 1 April 2021 to 31 March 2022 and from 1 April 2022 onwards. 2022 fees include fees paid for the period 1 April 2021 to 30 September 2022.*

## Approval

The Remco is satisfied that there were no material deviations from the remuneration policy during 2022. This remuneration report was approved by the Remco on 11 November 2022.

# Annexure 6

## Going concern statement

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

# Annexure 7

## Directors' responsibility

In accordance with the requirements of the Companies Act, the Board is responsible for the preparation of the summary consolidated financial statements of Quantum Foods. The audited annual financial statements of the Group for the year ended 30 September 2022, from which these summary consolidated financial statements have been derived, were prepared in accordance with IFRS and comply with the requirements of the Companies Act and the JSE Listings Requirements.

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

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

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

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

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

The summary consolidated financial statements of the Group were approved by the Board on 23 November 2022 and are signed on its behalf by:

**WA Hanekom**
Chairman

**HA Lourens**
Chief Executive Officer

# Annexure 8

## Social, ethics and transformation committee report

In terms of Regulation 43(5)(a) of the Companies Regulations, 2011, the SETC has oversight of five main focus areas. These areas include

- social and economic development
- good corporate citizenship
- environment, health and public safety
- consumer relationships
- labour and employment

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

- Performance against the Group's environmental, social and governance standards
- 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 SETC is equipped with adequate knowledge and insight to monitor Quantum Foods' role as a responsible corporate citizen. It further ensures that the SETC 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 SETC monitors the impact of the business on the environment and society and guides its actions to ensure its sustainability for the future.

Below are the key areas of focus during the reporting period:

| Topic | Progress and actions arising |
| --- | --- |
| B-BBEE scorecard and targets | The SETC monitored the Group's strategy and targets to ensure compliance and improvement on the compliance score achieved in 2021. More detail is available on page 57 of the integrated report. |
| Sponsorships and charitable donations | The SETC monitored the various product donations and continues to monitor the Group's social responsibility initiatives. These are detailed on page 51 of the integrated report. |
| Water, energy and waste disposal management | The committee monitors 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 61 of the integrated report. A specific area of focus is projects that supplement electricity produced from non-renewable sources with solar technology. Read more on page 58 of the integrated report. |

| Topic | Progress and actions arising |
| --- | --- |
| Occupational health and safety compliance | The SETC noted progress in obtaining occupational certificates for various business premises. This is an ongoing expense, and R4.9 million (FY2021: R8.3 million) of capital was spent to ensure progress on compliance. |
| Customer complaints and food safety | The SETC 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 SETC monitored employment equity and training. Read more on page 55 of the integrated report. |
| Human capital | The SETC monitored organisational development initiatives, workforce design and planning. Read more on page 52 of the integrated report. |
| Animal welfare | The SETC monitored engagements with the NSPCA and other stakeholders to ensure that animal welfare remains a priority. Read more on page 60 of the integrated report. |
| ESG compliance | The SETC received findings from the second external ESG review against standards including the International Finance Corporation Performance Standards. Read more on page 49 of the integrated report. |
| Ethics management | The SETC 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). Read more on the Group's measures to ensure proper ethics management in the King IV register available on the Company's website. |

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

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

The SETC has identified the following as the main areas of focus for 2023. This will be supported by ongoing monitoring of the various topics that form the committee's mandate.

| Topic | Area of future focus |
| --- | --- |
| B-BBEE scorecard and targets | The SETC 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 SETC will oversee the progress made on improving ESG performance from its current 92% compliance level. |

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

Wellington
18 November 2022

# Annexure 9

## Directors' interest in shares

As at 30 September 2022, the aggregate of the direct and beneficial interest of directors was 40.45% (2021: 38.97%) 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 2022** | | | | |
| HA Lourens | **2 008 054** | **–** | **2 008 054** | **1.004** |
| AH Muller | **653 457** | **–** | **653 457** | **0.327** |
| WA Hanekom | **–** | **10 355 320** | **10 355 320** | **5.177** |
| GG Fortuin | **–** | **–** | **–** | **–** |
| T Golden | **–** | **–** | **–** | **–** |
| LW Riddle | **–** | **–** | **–** | **–** |
| G Vaughan-Smith^ | **–** | **67 893 179** | **67 893 179** | **33.942** |
| | **2 661 511** | **78 248 499** | **80 910 010** | **40.450** |
| **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 |

*Notes:*

* *Appointed during the year.*

** *Passed away during the year.*

^ *This interest in shares is held by an associate of the director, Aristotle Africa S.à r.l.*

# 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

ZP Wakashe
Email: Ziyanda.Wakashe@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

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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

# 16380