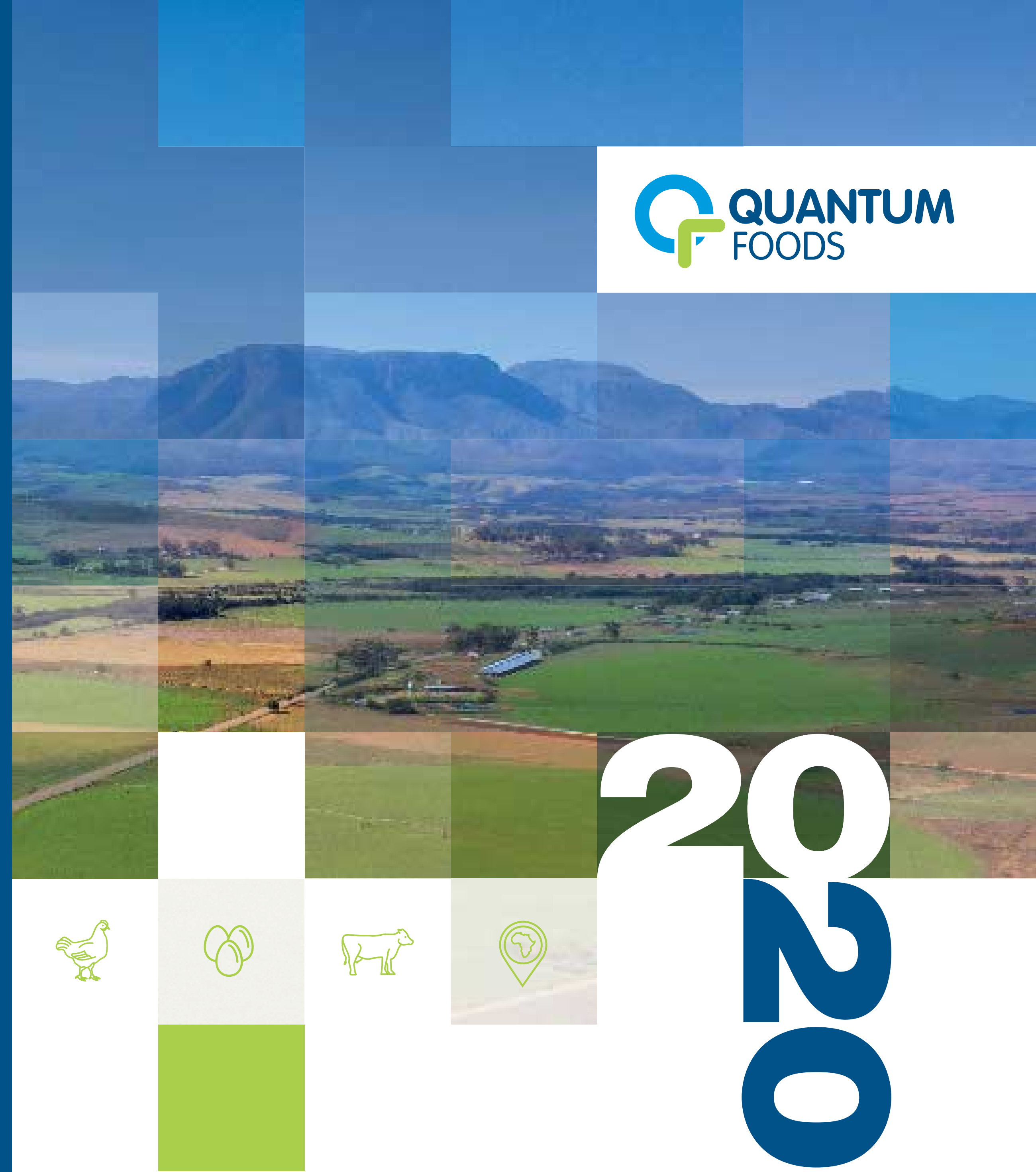
QUANTUM FOODS



2020 INTEGRATED REPORT

QUANTUM FOODS Integrated report 2020

www.quantumfoods.co.za

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INVESTMENT CASE

Balanced and optimised portfolio

- Quantum Foods reduced its exposure to the cyclical nature of the poultry industry by exiting the broiler meat market in 2016
- The Group is the largest contract producer of live broilers, supplying its own day-old chicks and feed to the South African market
- Continued focus on growing revenue from external feed sales, livestock and investments made in recent years to expand the Group's other African operations
- The leading egg business in South Africa, with *Nulaid* achieving the status of the best egg brand in the country for the eighth consecutive year
- A strong market position with growth potential in animal feeds, livestock and eggs

Africa growth traction and prospects

- Proven track record of success in Africa – operating in Zambia and Uganda for over 21 years
- Further expansion of the existing table egg businesses in Uganda and Mozambique
- Strategic opportunities in other African countries will be considered

Efficient cost base

- The Group has an efficient cost base, and cost management remains a key focus
- The current cost base provides an ideal position from which bolt-on acquisitions can be made
- Targeted cost-saving initiatives are identified annually

Solid cash-generating ability

- Quantum Foods has no material debt on its balance sheet and has sufficient debt capacity to enable organic growth, as well as growth through acquisitions
- The Group has a healthy asset base from which to grow production of feed, layer and broiler livestock without significant further investment
- Proven record of converting profits to cash

The right people

- The Group has a team of talented, experienced and motivated employees with a strong desire to succeed, while maintaining sound ethical standards and regard for the environment

Through the Group's business activities, Quantum Foods generates financial and non-financial value for its stakeholders:

Group revenue increased by 15% to

R5 095 million

Increased revenue, mostly from feeds and eggs but also from other African operations, with farming revenue marginally higher.

Headline earnings decreased from R189 million to

R156 million

Decreased earnings from eggs and other African operations during 2020, partially offset by improved earnings from feeds and farming.

Earnings per share decreased from 92.6 cents to

80.1 cents

The weighted average number of shares in issue reduced in 2020 due to share repurchases in the second half of 2019 and first half of 2020.

Headline earnings per share ("HEPS") decreased from 92.3 cents to

80.5 cents

Decreased earnings from eggs and other African operations during 2020, partially offset by improved earnings from feeds and farming.

More information is provided in the business overview section on page 26.

The Group continued to provide essential goods throughout the

COVID-19

lockdown period, without any significant disruption to operations

The total dividend per share decreased to

16 cents

from 33 cents in 2019

Nulaid received the

2020/2021

Ask Africa Icon Brand Surveyor egg category award

Total number of employees decreased from 2 457 in 2019 to

2 425

in 2020

1 296 647 shares

were purchased as treasury shares during 2020

8 083 426 shares

were purchased as treasury shares during 2019 and 10 505 000 shares were repurchased and cancelled during 2019

ABOUT THIS REPORT

Scope and boundary

Quantum Foods is a public company, duly incorporated in South Africa under the provisions of the Companies Act, No. 71 of 2008, as amended, and its regulations ("the Companies Act"). It is listed on the main board of the JSE Limited ("JSE") in the "Farming and Fishing" sector under the share code QFH.

This report was compiled using the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV")[1] and the International Integrated Reporting Council's ("IIRC's") Integrated Reporting Framework. It provides financial and non-financial performance data on the Group's business activities in all its operating geographies. This includes South Africa, Mozambique, Uganda and Zambia as well as all of the Group's subsidiaries.

More information is provided in the business overview section on page 26.

The scope of non-financial information provided in this report is similar to that provided in the previous year, with a primary focus on the Group's South African business activities. Quantum Foods is committed to improving the level of integration of its reporting over time.

Report principles and comparability

The Group adjusted its broiler farming business model in May 2019. The change impacts the Group's operations in Gauteng and the North West, where grown broilers were previously reared and supplied to Sovereign Foods in terms of a long-term supply agreement. The Group now supplies day-old chicks and broiler feed to Sovereign Foods, which is responsible for the rearing process. The change to the business model reduces the Group's farming risk and creates improved supply chain optimisation opportunities for Sovereign Foods. It increases revenue and earnings for the feeds business and reduces revenue and earnings for the farming business.

The summary consolidated financial statements provided in this integrated report are extracted from the full statutory financial statements available on the Group's website: https://quantumfoods.co.za/financial-reports/. The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act and the Listings Requirements of the JSE ("JSE Listings Requirements") and were audited by PricewaterhouseCoopers Inc. ("PwC").

Assurance

The Group did not seek external assurance for the integrated report as a whole. However, assurance for certain elements of this report was provided by a combination of internal and external sources. This integrated report is the product of comprehensive and detailed internal content development and control processes, with oversight and responsibility at executive level. Quantum Foods' broad-based black economic empowerment ("B-BBEE") score was externally assured by AQRate. The Group appreciates the need for an increased level of external assurance in its reporting of non-financial elements in particular and will continue to pursue improvement in this area.

Forward-looking statements

Certain statements in this integrated report may constitute "forward-looking statements". Actual results and performance of the Group may differ materially from those implied by such statements due to many factors. Readers are therefore cautioned not to place undue reliance on such statements. The Group does not undertake any obligation to update any revisions to these statements publicly after the date of this report.

Commonly used terms

The following industry terms are commonly used throughout this report:

Birds	All varieties of live chicken, i.e. meat-type chicken, egg-type chicken, day-old chicken, layer chicken, etc.
Broilers	Also "broiler chickens": a young, tender chicken of a meat-type strain suitable for roasting or grilling
Day-old chicks	Chicks that are one day old, usually from the same stock as broilers
Day-old pullets	Female layer chicks that are one day old
Feed conversion rate	The quantity of feed, in kilograms, required by birds of the egg type to produce one dozen table eggs, or required by birds of the meat type to produce one kilogram of broiler meat
Free-range eggs	Eggs produced from poultry kept in natural conditions that include freedom of movement
Hatching eggs	Fertile eggs produced on a breeding farm
Higher-value eggs	Extra-large, jumbo, free range, canola and pasteurised eggs
Layers	Mature female chickens (at least 19 weeks old) used to produce marketable egg products
Liquid eggs	A product especially for the catering industry, where eggs are sold in liquid form
Livestock	Farmed animals kept for commercial use
Parent stock	Chickens bred specifically for further reproduction. There is different parent stock for broiler and egg-type chickens
Point-of-lay	The age at which a pullet lays its first eggs
Poultry	All forms of domestic fowl, e.g. chickens, turkeys, ducks, geese, etc.
Rearing	The process of growing a day-old chick or pullet into a mature bird
Table eggs	Eggs intended for consumption. Table eggs are normally graded according to a number of criteria, including weight and quality

WELCOME TO OUR 2020 INTEGRATED REPORT

This is the integrated report for Quantum Foods Holdings Ltd and its subsidiaries ("Quantum Foods", "the Group" or "the Company"). It covers the financial period from 1 October 2019 to 30 September 2020.

This report is aimed primarily at the Group's shareholders and other interested stakeholders. It provides a holistic overview of Quantum Foods' strategy, performance and business activities, as well as a measure of the Group's ability to ensure a sustainable business future.

For more information about the scope and boundary of this report, go to page 6. For more information on the terms commonly used in this report, go to page 7.

Feedback

Quantum Foods is committed to communicating meaningfully with its stakeholders. The Group would therefore appreciate feedback on the effectiveness of this report. Any feedback can be emailed to Quantum Foods' company secretary, Marisha Gibbons, at Marisha.Gibbons@quantumfoods.co.za.

This report is available on the Company's website: www.quantumfoods.co.za/annual-reports/.

Board approval

Quantum Foods' board of directors ("the Board"), assisted by its audit and risk and other committees, is ultimately responsible for overseeing the integrity of the integrated report. The Board confirms that it has collectively reviewed the output of the reporting process and the content of the integrated report, and therefore approves the report for release.

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

Navigational icons

This icon refers to where additional information can be found in this report.

This icon refers to where additional information can be found on the Company's website: www.quantumfoods.co.za.

Material matters

Quantum Foods has identified the matters that could significantly impact its value-creation abilities. Mitigating the risks and capitalising on the opportunities identified per material matter are integral to the execution of the Group's strategy.

Senior decision-makers of the Group were involved in a structured process to identify and prioritise the following economic, environmental and social matters for inclusion in this report. These matters were presented to and approved by the Board and are linked to our strategic themes and the risks faced by the Group.

We specifically considered the impact of COVID-19 and, where material, included its possible effects. As we operate in the agri-food value chain, operations continued throughout lockdown. This reduced the potential effect of the pandemic on our business.

Economic

- Lack of economic growth in South Africa
- Growth opportunities
- Ability to recover rising input costs
- Manage industry profitability cycles
- Innovation

Environmental

- Poultry disease
- Human disease, such as COVID-19
- Optimised procurement and the availability of key raw materials
- Protecting the environment
- Electrical supply
- Water availability and quality

Social

- Ensuring the necessary skills to drive a high-performance culture
- Product safety and quality
- Transformation
- Animal welfare
- Health and safety
- Stakeholder engagement

More information is available throughout this report, as referenced. We have linked our material matters to our four strategic themes:

- Profitable growth through industry cycles
- Customer and product focus
- Operational excellence
- Optimal people capacity and culture

Insight into our strategic themes and risks is available from page 32.

Economic

LACK OF ECONOMIC GROWTH IN SOUTH AFRICA	Timeframe of impact	Strategic link
	Medium to long term	

Why material

Poor economic growth in South Africa negatively impacts consumer demand, limiting the Group's ability to grow. Limited growth was exacerbated by the worldwide outbreak of COVID-19, and it may take several years for South Africa's economy to recover.

Business response and opportunities

Eggs and chicken remain the most affordable animal protein products for human consumption. While this presents growth opportunities for the Group, expansion of its South African production capacity must be balanced against the economic growth projections for the country.

As part of the food industry, the Group was regarded as an essential service and able to operate during all levels of the National State of Disaster under the Disaster Management Act, No. 57 of 2002 ("Disaster Management Act"). Similar to the trend experienced by other countries, demand for the products supplied by the Group, especially eggs, remained strong throughout the lockdown period. The product portfolio offered by the Group targets demand for affordable animal protein. This mitigates the risk of significant changes in demand for its products arising from poor economic growth.

GROWTH OPPORTUNITIES	Timeframe of impact	Strategic link
	Medium to long term	

Why material

The Group's experience, expertise and footprint in South Arica and the rest of Africa enable it to identify and realise growth opportunities in the table eggs, livestock and feed value chains across the continent.

Business response and opportunities

Higher raw material prices can impact overall profitability. However, profitability is less cyclical in the Group's feed and livestock businesses as selling prices are more easily adjusted in line with changes in production costs.

Egg markets in other African countries are less concentrated and further investments were made in Uganda during 2020 to expand the production capacity supplying these markets.

In 2020, feeds experienced significant volume growth following the expansion of two feed mills in 2019. Volume growth of eggs increased due to enhanced efficiency and higher capacity utilisation of farming assets.

ABILITY TO RECOVER RISING INPUT COSTS	Timeframe of impact	Strategic link
	Short to medium term	

Why material

A volatile Rand and fluctuations in the cost of local and international grain crops threaten the Group's profitability. The Group's main exposure to this matter is in the egg business, where the selling price of eggs is determined by supply and demand and, to a lesser extent, the cost of production (of which feed is the main contributor). These dynamics result in cyclical profitability due to varying margins and the risk of being unable to recover fluctuating raw material costs in final product prices.

Business response and opportunities

Quantum Foods recovers increases in input costs through a relentless focus on procurement, currency movement, efficiencies, and cost and margin management. For example, the Group continued its programme to upgrade older poultry houses to more modern, environmentally controlled facilities to improve efficiency.

MANAGE INDUSTRY PROFITABILITY CYCLES	Timeframe of impact	Strategic link
	Medium to long term	

Why material

Poultry companies are significantly exposed to changes in the cost of feed raw materials, which are impacted by:

- Crop growing conditions
- The value of the currency
- Product pricing in a market where supply and demand dynamics rather than production costs impact the prices that can be achieved

The Group's main exposure is in the egg business.

Business response and opportunities

The Group has limited ability to mitigate this risk by monitoring industry trends for the production of day-old layer chicks and adjusting production planning accordingly. During the year, 76% of Group revenue (2019: 75%) was generated by the feeds, farming and other African operations. Historically, these businesses have been more resilient to industry cycles than the egg business.

Due to high levels of operational efficiency achieved in the egg value chain (including improved egg packing station efficiencies, good cost management and high levels of distribution efficiency), the Group implemented a strategy to grow volumes despite the anticipated challenging industry conditions. This strategy will result in increased volatility in earnings from this business – offset by the solid earnings base provided by the feeds and farming business.

INNOVATION	Timeframe of impact	Strategic link
	Medium to long term	

Why material

For the Group to diversify, grow and sustain its margins, it should develop products that cater for customers and markets.

Business response and opportunities

Feed formulation for optimal animal nutrition is a particularly technical field with many opportunities to innovate. Innovation and providing optimal feed solutions to customers are key focus areas for the feeds management team to ensure sustainable animal protein production and to mitigate the risk of increased competition. The Group partnered with Nutreco, which provides access to world-class research and assistance to ensure optimal feed formulation.

In the Group's broiler and egg businesses, innovation is focused on enhancing farming practices to optimise livestock health and production efficiencies.

Environmental

POULTRY DISEASE	Timeframe of impact	Strategic link
	Short to medium term	

Why material

Outbreaks of poultry disease can significantly impact the productivity, efficiency and financial performance of the Group's farming operations. The outbreak of highly pathogenic AI in South Africa in 2017 significantly increased this risk and has the potential to greatly reduce the national flock. While no incidences of AI occurred in the national poultry flock during 2019 or 2020, the risk remains high.

Read more on page 26.

Business response and opportunities

Biosecurity, vaccination and monitoring programmes are continually reviewed with the assistance of veterinary companies to improve the protection of the birds and ultimately improve farm production efficiencies.

HUMAN DISEASE, SUCH AS COVID-19	Timeframe of impact	Strategic link
	Short to medium term	

Why material

This can cause significant business disruption either due to higher numbers of employees being unable to work, or business operations being closed for a period of time.

Business response and opportunities

The Group implemented COVID-19 measures in line with the Disaster Management Act to reduce the risk of infection. Where possible, employees work/worked from home. Stringent protocols were followed where employees tested positive for COVID-19 and the Group managed to continue its operations and support functions without any significant disruption throughout the year.

During the period, 30 employees tested positive for COVID-19 and have now all recovered and returned to work.

The measures implemented to mitigate the COVID-19 risk prepared the Group for the potential impact of other human diseases that could disrupt operations.

OPTIMISED PROCUREMENT AND THE AVAILABILITY OF KEY RAW MATERIALS	Timeframe of impact	Strategic link
	Short to medium term	

Why material

The cost and availability of key raw materials required for animal feeds production are an ongoing concern. In particular, feed raw material costs are the largest contributor to overall poultry production costs for both broiler meat and eggs. Incorrect procurement decisions can therefore significantly impact business profitability.

Read more on page 26.

Business response and opportunities

The Group's centralised procurement team, which sources and secures feed raw materials through agreements with dependable local and international suppliers, mitigates this risk.

PROTECTING THE ENVIRONMENT	Timeframe of impact	Strategic link
	Long term	

Why material

As an agricultural business, the long-term sustainability of Quantum Foods depends on its ability to access a range of natural resources. It is therefore in the interest of the Group to contribute towards the protection of the environment by promoting sustainable agricultural and production practices, particularly with regard to water usage.

Read more on page 48.

Business response and opportunities

The Group has implemented various initiatives to reduce wastage of water and reduce electricity consumption generated from non-renewable sources. These initiatives assist in reducing the environmental impact of the Group's operations.

Read more on page 49.

ELECTRICITY SUPPLY	Timeframe of impact	Strategic link
	Short, medium and long term	

Why material

The Group depends on an adequate and stable supply of electricity throughout its operations. An interrupted electricity supply mostly impacts the Group's feed mills, which are not all equipped with standby generators, which allow for uninterrupted manufacture of feed during periods of electricity interruption. It further affects the efficiency and operating costs of facilities equipped with standby generators during periods of load shedding.

Business response and opportunities

To supplement electricity supplied by Eskom, the Group continues to invest in solar electricity projects, thereby reducing its demand on the national grid. The Group considered equipping feed mills with backup generators in the 2020 financial year. A standby generator was implemented at the Paterson feed mill as a backup power source, and a project was approved for the Malmesbury feed mill to acquire a pellet machine for increased production capacity. This will assist the Group to either maintain critical manufacturing capability or the ability to make up for production time lost to sustain its supply of feed to animals.

Read more on page 49.

WATER AVAILABILITY AND QUALITY	Timeframe of impact	Strategic link
	Medium to long term	

Why material

To sustain a healthy agricultural business, the Group is dependent on continuous access to high-quality water across its operations, particularly in its poultry operations. Climate change has the potential to impact the business in the long term. Water availability, especially in the Eastern Cape, remains a concern.

Business response and opportunities

Water supply and quality are key to achieving optimal production efficiencies, without which operational excellence will not be possible. Continuous water quality analysis guides the implementation of systems on farms to ensure birds have access to good quality water. The Group also has water contingency plans in place that can be implemented if its current water supply is interrupted.

Social

ENSURING THE NECESSARY SKILLS TO DRIVE A HIGH-PERFORMANCE CULTURE	Timeframe of impact	Strategic link
	Short to medium term	

Why material

The business requires rare skill sets. This is particularly relevant in the farming operations and egg business, where succession and the external appointment of suitably skilled candidates can be challenging. Attracting and retaining talented employees who can drive an optimal performance culture is therefore a priority for the Group.

Read more on page 52.

Business response and opportunities

The Group continues to strengthen its management teams through a combination of key appointments and talent development. The Group continued its internship programme during the year.

Read more on page 52.

PRODUCT SAFETY AND QUALITY	Timeframe of impact	Strategic link
	Short, medium and long term	

Why material

The Group produces products for human and animal consumption. Quantum Foods must therefore adhere to strict food safety protocols to retain its licence to operate.

Business response and opportunities

The Group has stringent quality control processes in place and a dedicated consumer feedback channel is actively monitored to ensure any issues that arise are attended to swiftly and professionally.

Read more on page 48.

TRANSFORMATION	Timeframe of impact	Strategic link
	Medium to long term	

Why material

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of historically disadvantaged South Africans ("HDSAs"). The Group also appreciates the benefit to stakeholders of introducing increased levels of diversity throughout its management structures.

Read more on page 50.

Business response and opportunities

While the agricultural industry faces many transformation and skills challenges, the Group is committed to identifying and developing new managers and leaders, especially at farm level. The focus remains on transformation with priority pillars that include ownership, management control, skills development, supplier and enterprise development and preferential procurement.

ANIMAL WELFARE	Timeframe of impact	Strategic link
	Short to medium term	

Why material

Livestock husbandry is critical to the success of the business. Quantum Foods therefore has an obligation to treat animals in accordance with required protocols, not only from an ethical and legal perspective, but also due to the concomitant impact on mortality and livestock production.

Read more on page 54.

Business response and opportunities

The Group has a zero-tolerance approach to non-compliance with animal welfare regulations and requirements. The Group frequently engages with external parties on matters related to animal welfare in a transparent and open manner. Internal audits and regular employee training are conducted to ensure compliance to standards. Optimal livestock husbandry practices and facilities create an environment for improved farming production efficiencies.

HEALTH AND SAFETY	Timeframe of impact	Strategic link
	Short to medium term	

Why material

Quantum Foods is committed to ensuring that its operations are conducted in an environment that supports the health and safety of employees and the animals with which they work.

Business response and opportunities

Internal audits of premises are conducted regularly, on a rotational basis, to evaluate and improve health and safety compliance. Training of employees to ensure the necessary health and safety awareness and competency remains a priority.

Read more on page 52.

STAKEHOLDER ENGAGEMENT	Timeframe of impact	Strategic link
	Short, medium and long term	

Why material

Quantum Foods recognises that thorough stakeholder engagement is a key requirement to ensure the sustainability of the business.

Business response and opportunities

The Group considers the reasonable expectations of material stakeholders when conducting its business activities.

Read more on page 64.

QUANTUM FOODS AT A GLANCE

Profile

Quantum Foods is a fully integrated, diversified feed and poultry business with four focus areas:

Animal feeds	Layer and broiler farming	Eggs	Related businesses on the African continent

The Group provides quality animal feeds and poultry products to selected South African and African markets and is the largest producer of eggs in South Africa.

5.5%
of Group revenue from other African operations
(2019: 5.4%)

779 864 tons
of feed supplied
(2019: 693 000 tons)

1 189 million
eggs and egg products sold
(2019: 1 030 million)

76 million
day-old chicks produced
(2019: 75 million)

External revenue contribution (R million)

	2020	2019
Animal feeds	**2 237**	1 759
Layer and broiler farming	**1 350**	1 325
Eggs	**1 230**	1 095
Related businesses on the African continent	**278**	239

Revenue contribution per business

	2020	2019
Animal feeds	**44%**	40%
Layer and broiler farming	**27%**	30%
Eggs	**24%**	25%
Related businesses on the African continent	**5%**	5%

Group structure

Quantum Foods Holdings Ltd
100%

Quantum Foods (Pty) Ltd
100%

Interest is 100% unless otherwise indicated:

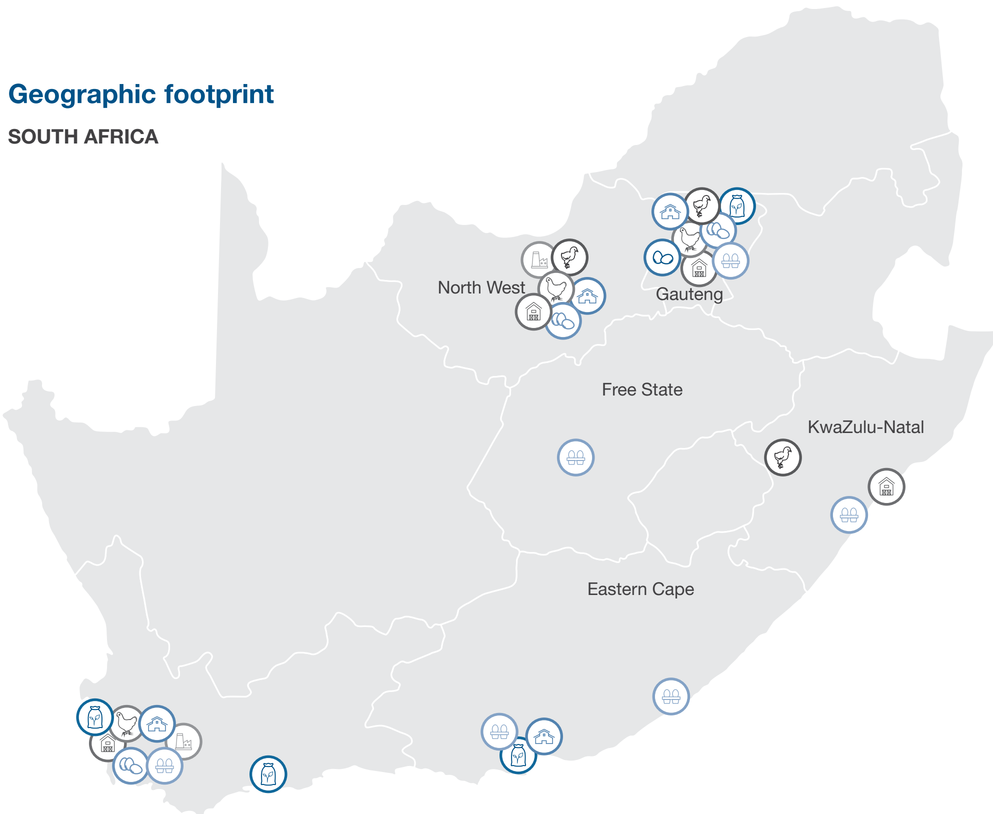
- Philadelphia Chick Breeders (Pty) Ltd*
- Quantum Foods Zambia Ltd
- Quantum Foods Uganda Ltd
- Quantum Foods Mozambique, S.A.
- Bergsig Breeders (Pty) Ltd (29.9%)
- Klipvlei Broilers (Pty) Ltd (20%)**

* *The assets of Philadelphia Chick Breeders (Pty) Ltd were distributed to Quantum Foods (Pty) Ltd on 31 July 2020 and a process to deregister Philadelphia Chick Breeders (Pty) Ltd commenced.*

** *Quantum Foods (Pty) Ltd acquired an interest in Klipvlei Broilers (Pty) Ltd on 8 March 2020. Klipvlei Broilers is a Western Cape based broiler contract grower that supplies the Group.*

Geographic footprint

SOUTH AFRICA



Layer breeders	Feed mills	Layer hatcheries	Layer rearing farms	Layer farms	Broiler breeders	Broiler hatcheries	Broiler farms	Egg packing stations

Animal feeds

Quantum Foods' feed mills are located in the Western Cape (Malmesbury and George), Eastern Cape (Paterson) and Gauteng (Pretoria). The majority of feed volumes produced are sold externally, with the balance being consumed internally by the Group's integrated layer and broiler poultry operations. The majority of external feed sales are to the dairy and poultry markets.

Table eggs

Table eggs are distributed from egg packing stations (located in the Western Cape, Eastern Cape, KwaZulu-Natal, Free State and Gauteng) or sold in ungraded form from egg farms. The majority of table egg sales are to the retail sector. *Nulaid* also sells liquid egg products to the industrial market.

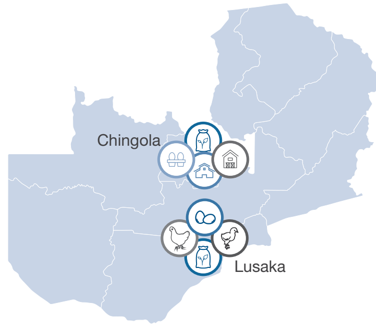
Layer livestock

Layer livestock constitutes day-old chicks and point-of-lay hens of the Lohmann breed.

Broiler livestock

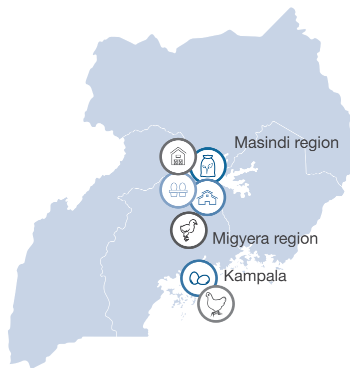
Day-old broiler chicks of the Cobb500 breed are sold under the *Bellevue Chix* brand from hatcheries located in the Western Cape and the North West. These chicks are either sold as day-old broiler chicks or as live broilers to third-party abattoirs under the *Tydstroom* brand. Live broilers are produced on a combination of Company-owned and contracted broiler farms.

ZAMBIA



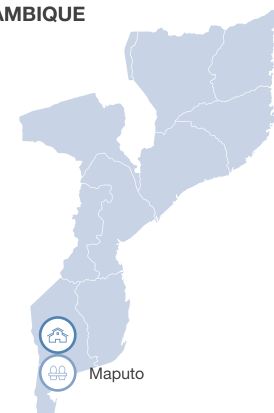
Quantum Foods operates a broiler and layer breeder business (selling day-old chicks) and a table egg business. In Lusaka, there is a parent breeding facility, a hatchery and a feed mill. The breeding facility produces day-old pullets and day-old broiler chicks. Day-old pullets are supplied to the Chingola layer rearing farm as well as to the external market, while day-old broiler chicks are all sold. The table egg business, comprising a layer rearing farm, layer farm and feed mill is located in the Copper Belt. Both of these facilities sell feed to the external market.

UGANDA



These operations comprise a broiler and layer breeder business, a feed business and a table egg business. The Kampala sites comprise parent breeding facilities for broilers and a hatchery. The layer breeders are housed on a farm in the Migyera region. The hatchery produces day-old pullets and day-old broiler chicks. The day-old pullets are either transferred to the Masindi layer rearing farm or sold to external customers, while day-old broiler chicks are all sold.

MOZAMBIQUE



These operations comprise a table egg business that supplies both the retail and informal markets.

Financial performance information

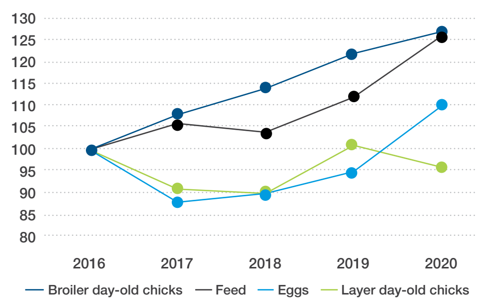
		2016	2017	2018	2019	2020
Earnings						
Revenue	R million	3 913	4 052	4 122	4 418	**5 095**
Operating profit (excluding items of a capital nature)	R million	89	149	472	245	**220**
Operating profit margin (excluding items of a capital nature)	%	2.3%	3.7%	11.5%	5.5%	**4.3%**
Earnings	R million	91	128	362	189	**155**
Headline earnings	R million	66	112	361	189	**156**
Segment operating profit (excluding items of a capital nature)						
Eggs	R million	(27)	46	287	38	**6**
Farming	R million	61	47	99	112	**122**
Animal feeds	R million	73	78	69	89	**99**
Other African countries	R million	0	(10)	31	14	**6**
Head office costs	R million	(17)	(12)	(13)	(9)	**(13)**
Financial position						
Total assets	R million	2 266	2 255	2 515	2 514	**2 645**
Total liabilities	R million	(670)	(563)	(660)	(677)	**(759)**
Total equity	R million	1 596	1 692	1 855	1 837	**1 886**
Net assets	R million	1 755	1 658	1 656	1 859	**1 939**
Returns						
Return on net assets	%	5%	9%	29%	14%	**12%**
Shareholder returns						
Earnings per share	cents	39.2	55.7	164.3	92.6	**80.1**
HEPS	cents	28.2	49.0	163.9	92.3	**80.5**
Dividend per share (declared)	cents	6	12	41	23	**16**
Special dividend per share (declared)	cents	–	22	49	10	**–**
Dividend cover	cents	4.7	4.1	4.0	4.0	**5.0**
Total dividends declared for the year	R million	14	76	192	64	**31**
Share repurchases	R million	4	29	55	63	**4**
Dividends plus share repurchases as % of headline earnings	%	27%	93%	68%	67%	**23%**
Share statistics (JSE)						
Market value per share at year-end	cents	261	300	425	365	**618**
Closing earnings yield – (headline earnings)	%	11%	16%	39%	25%	**13%**
Closing dividend yield	%	2%	11%	21%	9%	**3%**
Closings price/earnings ratio	times	9.3	6.1	2.6	4.0	**7.7**
Number of shares in issue	‘000	231 803	222 315	210 530	200 025	**200 025**
Number of shares issued excluding treasury shares held	‘000	231 803	222 315	210 195	192 917	**194 263**
Number of shares traded	‘000	40 357	31 357	24 209	55 253	**187 014**
Number of shares traded as a percentage of shares in issue	%	17%	14%	11%	28%	**93%**

DEFINITIONS

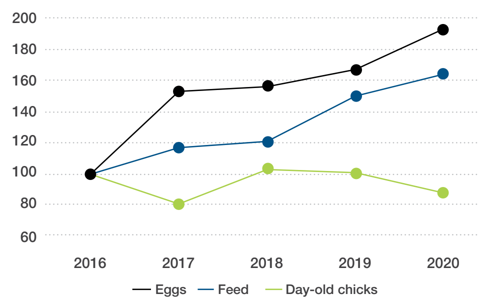
Net assets	Total assets less total liabilities excluding cash and cash equivalents, borrowings, normal and deferred tax
Return on net assets	Operating profit as a percentage of average net assets
Earnings per share	Net profit for the year divided by the weighted average number of shares in issue during the year (excluding treasury shares)
HEPS (headline earnings per share)	Headline earnings divided by the weighted average number of shares in issue during the year (excluding treasury shares)
Dividend cover	HEPS divided by the dividend per share
Closing dividend yield	Dividends per share as a percentage of market value per share at year-end
Closing earnings yield	HEPS as a percentage of market value per share at year-end
Closing price-earnings ratio	Market value per share divided by HEPS at year-end

NON-FINANCIAL PERFORMANCE INFORMATION

South African volumes



Other African countries volumes



Value chain and business model

Quantum Foods generates value by providing affordable access to poultry products for the full spectrum of consumers in selected South African and African markets. This takes the form of eggs and broilers as a core source of human nutrition, especially in Africa, where there is a need to mitigate the increasing risk of food and resource scarcity.

The Group creates value for customers and consumers by ensuring a consistent and fresh supply of:

- Eggs and egg products for human consumption or further processing
- Day-old chicks or point-of-lay hens to livestock farmers
- Live broilers for processing by customers
- Feed for animal consumption

Products are competitively priced and sold under trusted and market-leading brands. The Group's business activities enable an integrated and diversified value chain that supports Quantum Foods' own poultry operations, while servicing the external market locally and in selected African countries. A strong focus on responsive and customised service and technical solutions (particularly in feed) is supported by leading expertise and dedicated points of contact.

Intellectual property ("IP") and licensing rights ensure continued value creation and provide shareholders with the certainty that the Group's competitive position remains viable and sustainable, with growth opportunities in market expansion and product innovation.

The Group's value creation is supported by its stock of the six capitals:

Financial	The combination of a largely ungeared statement of financial position, sufficient debt capacity to enable growth, revenue generated, and investment by shareholders and financial institutions provides Quantum Foods with the financial capital it needs to grow.
Manufactured	Strategically located packing stations, feed mills, commercial hatcheries and poultry farms support Quantum Foods' business activities and enable extensive distribution coverage, locally and into Africa.
Intellectual	Leading brands, access to world-class poultry genetics and animal feed research, in-house expertise and feed and farming capabilities (particularly with regard to layers, broilers and feed formulation) provide Quantum Foods with intangible assets that support value creation.
Human	The skills, expertise and experience of Quantum Foods' employees are critical in creating value.
Social and relationship	A wide range of activities and interactions support Quantum Foods' relationship with its customers, suppliers and communities. The Group's working relationship with the National Society for the Prevention of Cruelty to Animals ("NSPCA") supports animal welfare, which is critical to the success of the business. The Group's involvement in education and food security projects further supports community upliftment.
Natural	The Group relies on a range of natural resources to enable its business activities. This includes, most importantly, grain, water, coal and gas.

The following diagrams illustrate Quantum Foods' business activities and value chain:

Procurement of raw materials

Feed

FEED MILLS

Feed mills service the Group's internal livestock requirements, as well as the external livestock market.

ANIMAL FEEDS

Grandparent stock

Farming

POULTRY FARMING

Integrated poultry farming for layer livestock, eggs and broiler livestock.

See opposite diagram for detailed value chain.

Commercial egg farming

Eggs

EGG PACKING STATIONS AND DEPOTS

Eggs are sold in ungraded form from depots, or moved to egg packing stations, where they are graded as table eggs or converted to liquid.

EGGS AND LIQUID

Grandparent stock

Farming

GRANDPARENT BREEDING

Day-old grandparents (Lohmann and Cobb500) are imported. These chicks are reared and bred with on the grandparent farms.

Parent stock

PARENT BREEDING

The progeny of grandparents (day-old parents) are moved to the parent farms, where the rearing and breeding process is repeated.

Fertile eggs

COMMERCIAL HATCHERY

Fertilised eggs produced by parent stock are moved to commercial hatcheries where day-old commercial chicks (layer pullet and broiler type) are hatched.

DAY-OLD PULLETS

Layer-type day-old pullets are reared to point-of-lay hens.

Commercial layer rearing farms

POINT-OF-LAY HENS

Point-of-lay hens produce commercial eggs

DAY-OLD CHICKS

Broiler-type day-old chicks are reared.

Broiler farms (owned and contracted)

LIVE BROILERS

Eggs

COMMERCIAL EGG FARMING

Indicates in which areas of the value chain feed for internal use is applicable.

Sales to market.

Business overview

Industry features

Companies operating in the feed and poultry industries in South Africa, Mozambique, Uganda and Zambia experienced challenging trading conditions during the reporting period.

Higher production costs and selling price pressure

Egg selling prices continued to decrease in South Africa and Mozambique, especially up to March 2020. This can be attributed to increased egg production in South Africa, with the national flock reaching levels well above its size prior to the 2017 AI outbreak. The COVID-19 lockdown resulted in an unexpected increase in the demand for eggs, which supported prices in the second half of 2020. However, egg selling prices in South Africa and Mozambique did not increase as per typical egg market supply and demand dynamics. This was due to the fact that the selling prices of basic commodities, including eggs, were regulated. As a result, the egg industry achieved reduced margins.

Feed raw material costs were higher following the lower price levels of the previous year, mostly due to a weakening of the South African rand. Global stocks of key raw materials remained sufficient, and international prices of key raw materials stayed at relatively low levels for the majority of the year, also impacted by lower international demand. This scenario changed in the last two months of the financial year when international prices of key raw materials increased significantly due to an increase in international trade and weather concerns in key planting areas in North and South America. Deteriorating electricity supply and poorly maintained municipal infrastructure, which particularly impacted the Group's South African operations, further increased production costs.

Other industry issues

The negative effect of volatile currencies and muted consumer demand due to low levels of economic growth continued. The introduction of increased import tariffs on broiler meat by the South African government immediately lead to a slow-down in the volume of broiler meat imported into the country. These tariffs, which were introduced to prevent dumping of chicken meat in the South African market by broiler exporters, will not directly benefit the Group. However, they will ease the financial pressure on the Group's broiler livestock customers. Over time this will support the continued growth of the South African broiler industry and the Group is well positioned to benefit from this outcome.

Rand vs US dollar exchange rate

Safex yellow maize Rand per ton

The risk of AI persists

While the devastating effects of AI did not repeat in the reporting period, the risk of outbreak persists in South Africa. AI results in substantial financial loss due to the immediate decimation of infected poultry, as well as lost production capacity as birds cannot be replaced immediately. Possible solutions include preventative vaccination, which is currently used in other parts of the world but not yet approved by the government for use in South Africa.

Industry trends in the Group's other African operations

The Mozambican, Ugandan and Zambian egg markets are less developed in terms of production volumes and per capita consumption than the South African egg market. These markets were impacted by a slow-down in economic growth related to the international commodity cycle, as well as increased raw material costs. The trading environment in Zambia was further challenged by several factors in 2020. These include lower levels of political and fiscal stability, which led to a further substantial weakening of the Kwacha and import inflation. Feed raw material costs reached historical highs in Zambia during 2020 following a poor maize harvest in 2019 and the weakening Zambian kwacha. The Zambian broiler market remains highly competitive following the expansion of mostly South African broiler producers into the country.

The Ugandan, Zambian and Mozambican governments imposed various levels of COVID-19 restrictions. These restrictions significantly decreased demand for day-old chicks and pullets produced by the Group in Zambia and Uganda for a period of two to three months. This also resulted in a significant oversupply of eggs in Uganda during a period when the borders were closed for exports. However, in general, and except for a relatively short period in Uganda, demand for eggs produced in all three countries remained strong.

Poultry remains a critical source of human nutrition

Layer hens and broilers remain highly efficient converters of feed into animal protein, with favourable conversion ratios of feed to final product compared to other animal protein sources. With the availability of arable land and water supply under increased strain, together with the expected increase in global demand for animal protein, poultry will remain a critical source of human nutrition.

South Africa

ANIMAL FEEDS MANUFACTURING

Quantum Foods' feed mills are located in Malmesbury, George, Paterson and Pretoria, where feed is sold under the *Nova Feeds* brand.

The mills are highly automated and are equipped to manufacture a wide variety of feeds for optimal animal nutrition. Integrated quality and safety systems are in place at all mills to ensure the consistent output of high-quality products for livestock consumption. During 2019, *Nova Feeds* entered into a technology agreement with Nutreco, ensuring access to world-class research and feed formulation benchmarking.

Nova Feeds has extensive expertise in the production and formulation of feeds for monogastric livestock (such as poultry) and ruminant livestock (such as cows). The main feed categories include poultry (broiler and layer), dairy, pig, ostrich and sheep feed. Feed is supplied to the integrated poultry farming operations and the external feed market.

Dairy feed represents the largest component of external sales, followed by poultry, pig, ostrich and sheep feed. *Nova Feeds* is the leading supplier of dairy feed in the Western Cape and Eastern Cape and supplies feed to several of the country's leading dairy farmers.

To unlock value for customers, the Group remains focused on providing customised feed solutions supported by high levels of technical service.

FARMING

Layer farming

Quantum Foods owns the rights to import pedigree grandparent layer stock of the Lohmann breed and distribute next-generation parent stock exclusively in South Africa and non-exclusively to some southern African countries.

Day-old grandparent chicks are imported and placed on the Group's grandparent farm in the North West. Next generation parent day-old chicks are produced at this facility.

Day-old parent chicks are reared and placed on the Group's parent layer farm near Bronkhorstspruit, Gauteng, as well as on a rented facility in KwaZulu-Natal. Fertile hatching eggs are incubated at the Group's commercial hatchery in Bronkhorstspruit. Female day-old chicks are either sold or placed on the Group's six commercial rearing farms.

Layer parent stock, hatching eggs, day-old pullets and point-of-lay hens are sold under the *Bergvlei Chicks* brand. The Group distributes nationally and into Angola, Botswana, Malawi, Mozambique and eSwatini – with strategically located commercial rearing farms ensuring extensive distribution coverage.

The Group owns 12 commercial layer farms. The farms are located in the Western Cape, Eastern Cape, Gauteng and North West. Free-range eggs are produced on two of the farms. A rental farm agreement in the Eastern Cape was terminated during 2020. Production increased in 2020 due to improved layer productivity and increased layer farm capacity utilisation. The Group produced and procured a total of 1 032 million eggs during 2020 (2019: 900 million) in South Africa.

BROILER FARMING

Quantum Foods owns the rights to import pedigree grandparent broiler stock of the Cobb500 breed, which supplies next generation parent stock for its own requirements and non-exclusively for some customers in other countries in Africa.

Day-old grandparent chicks are imported and placed on the Group's grandparent farm in the North West. Next-generation parent day-old chicks are produced at this facility.

Day-old parent stock is placed on the three parent rearing farms in the Western Cape and, thereafter, on six parent layer farms. Of these six farms, four are owned by the Group and the remaining two are contracted farms that supply the Group with fertile hatching eggs.

Day-old commercial broiler chicks are produced at two hatcheries in the Western Cape and one in North West. The day-old chicks are transferred to commercial Company-owned and contract-grower broiler farms, with the balance sold to the open market.

The Group supplied abattoirs in the Western Cape with live broilers during 2020, the majority to Astral Foods in terms of a long-term supply agreement. During 2019, the Group also supplied Sovereign Foods with live broilers in Gauteng. The agreement with Sovereign Foods was changed in May 2019 to an agreement for the supply of day-old broiler chicks and broiler feed.

The Group sells broiler hatching eggs and broiler day-old chicks to the market under the *Bellevue Chix* brand to ensure that its broiler breeder production capacity is utilised efficiently and in support of the strategy of increasing livestock sales, while live broilers are sold under the *Tydstroom* brand.

EGGS

Eggs are processed at six grading and packing facilities located in the Western Cape, Eastern Cape (two), Free State, KwaZulu-Natal and Gauteng.

The eggs are distributed nationally as graded, ungraded or in liquid form. Graded eggs are sold under the *Nulaid*, *Safe Eggs* and retailer-own brands. Ungraded eggs are sold mainly under the *Quantum* brand.

Graded eggs are sorted in the packing facilities according to weight (for example, medium, large, extra-large and jumbo). Fresh and pasteurised liquid eggs are produced in egg breaking plants, where the shells are removed from the product for sale. Fresh and pasteurised liquid eggs are predominantly sold to industrial customers.

Quantum Foods' pasteurised eggs are produced at the grading and packing facility in Gauteng and distributed to other provinces through the Group's packing facilities.

Other African countries

ZAMBIA

Quantum Foods Zambia commenced operations in 1997.

Facility expansion was completed in 2019 and increased egg production capacity by 15%. *Mega* also produces feed for consumption on the farm and for sale to external customers. The distribution capacity of the Zambia business is enhanced by a network of over 30 small retail shops that sell eggs, day-old chicks and feed. The majority of eggs are sold through these shops which ensures easy access for the consumer.

UGANDA

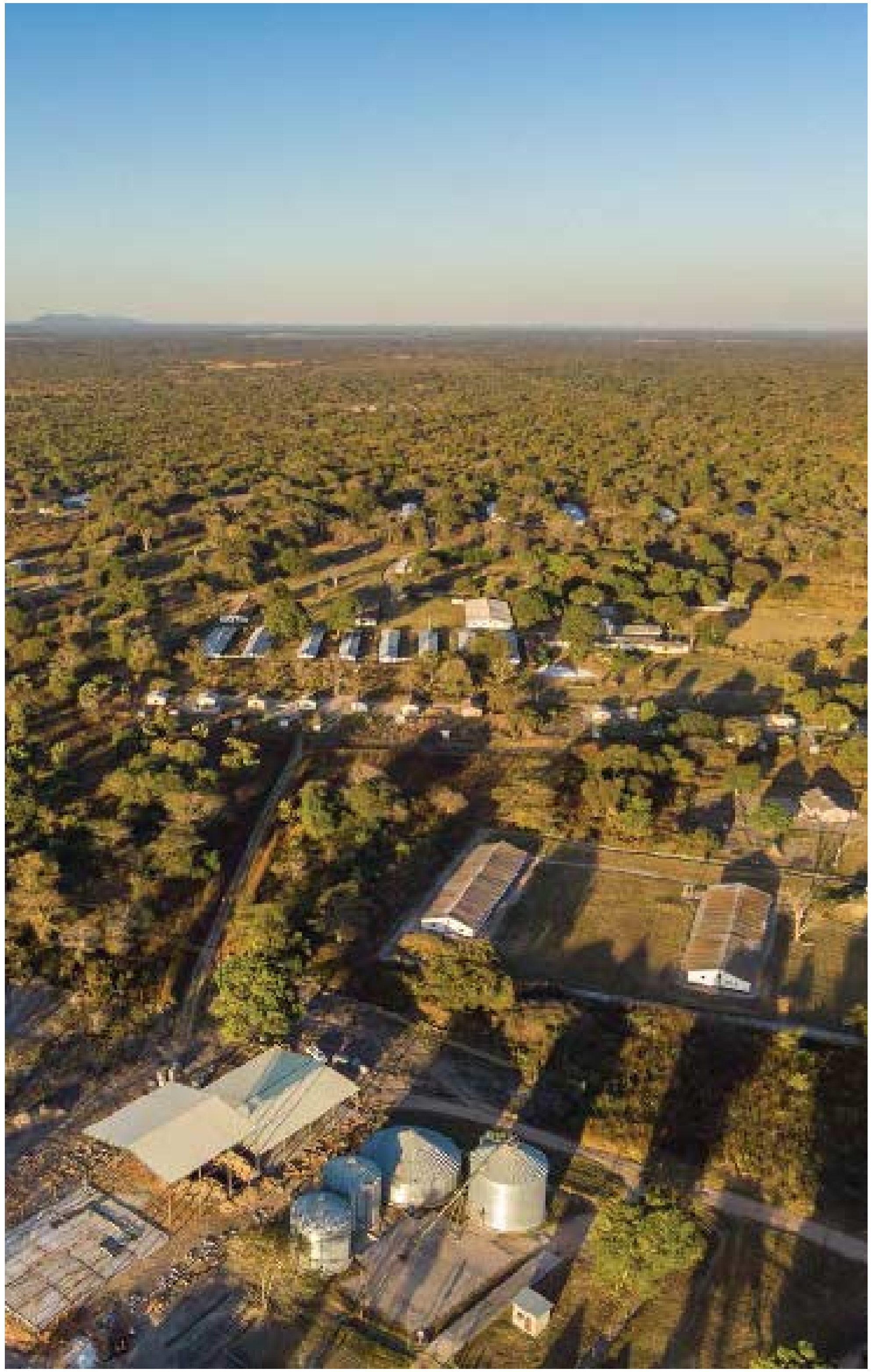
Quantum Foods Uganda commenced operations in 2000.

Expansion of the Masindi egg farm from 60 000 to 100 000 layers was completed in 2019. However, utilisation of the increased capacity was postponed due to a temporary relocation of the Kampala breeder farm to eradicate a recurring disease problem. A separate layer breeder farm was also established in the Migyera region as part of this process. This was done to separate the broiler and layer breeders and to reduce future biosecurity risk. The relocation of breeder flocks away from the Masindi layer farm was completed by September 2020. Eggs are either sold directly from the Masindi farm or through a network of small retail shops.

MOZAMBIQUE

Quantum Foods Mozambique acquired a layer farm in Maputo in 2016.

Egg production increased in the past year due to increased management focus on farming practices and an increase in capacity utilisation. Feed is procured from a third party, and the farm is stocked with point-of-lay birds that are produced by the Group in South Africa. Eggs are sold under the *Galovos* brand with the retail market being the main area of focus.



Feedback on management focus areas identified for 2020, and 2021 management focus areas

Business focus area	Management focus area	Comments	Target achieved	2021 management focus area
Animal feeds	Achieve targeted earnings from the expansion projects completed in 2019 at Paterson and Pretoria	Volumes sold from the increased capacity exceeded the targets set.	Yes	Grow profit with inflation and targeted benefits of expansions completed in 2019
	Increase contribution from external sales	External sales volumes increased by 19.9%. This includes the benefit of broiler feed volumes sold to Sovereign Foods, which was previously utilised to produce live birds until May 2019.	Yes	
Farming	Improve broiler farm results at breeder level	Continued management focus and technical support from Cobb International resulted in improved performance. However, targeted results were not achieved for flocks completed in the year.	No	Maintain Western Cape commercial broiler farming production efficiencies Improve broiler breeder performance Improve commercial layer farming production efficiencies
	Maintain commercial broiler farm production results in the Western Cape	Commercial broiler performance remained at a high level.	Yes	
	Increase day-old broiler chick volumes	Volumes produced increased by 3.8%.	Yes	
	Achieve targeted earnings from the expansion of the day-old pullet hatchery at Bronkhorstspruit	Day-old pullet production volumes were lower following reduced demand for layer livestock in South Africa. However, exports of day old pullets assisted in achieving the targeted earnings.	Yes	
	Improve commercial layer farm production results	Layer farming production results improved.	Yes	

Business focus area	Management focus area	Comments	Target achieved	2021 management focus area
Eggs	Remain the leading fully integrated egg business in South Africa	*Nulaid* was again awarded the status as the best egg brand in South Africa.	Yes	Maintain the operational efficiencies achieved in 2020
	Maintain the operational efficiencies achieved in 2019	Operational efficiencies remained at world class levels in 2020.	Yes	
Africa	Improve operating margin	The egg businesses in Mozambique, Uganda and Zambia all improved margins compared to 2019. Significantly lower demand for day-old chicks, day-old pullets and feed resulted in a weaker performance from the Zambia and Uganda breeder businesses and the targeted operating margin not being achieved.	No	Improve operating margin
Other	Improve B-BBEE compliance with the amended AgriBEE Sector Code	The Group maintained a level 8 contributor score in 2020.	Partial	Improve B-BBEE compliance with the amended AgriBEE Sector Code.
	Maintain operating cost increases in South Africa below consumer price index ("CPI") on a per unit basis	Operating costs decreased on a per unit basis compared to 2019, assisted by higher volumes of most product categories.	Yes	Maintain operating cost increases in South Africa below CPI on a per unit basis

Strategic focus

Vision	Quantum Foods aims to be the leading feed and poultry business in Africa delivering sustainable returns.
Purpose	To build the best feed and poultry business.
Values	The Group's commitment to its values supports its vision and purpose: • We value teamwork • We are resilient and adapt to new situations • We take accountability: we own up and we learn from our mistakes • We are truthful in everything we do • We aim to exceed our customers' and consumers' expectations

Quantum Foods has identified strategic themes that support the successful execution of its vision and purpose.

Quantum Foods has proved to be sustainable, with well-established business focus areas. The following strategic themes were developed in 2018 and will guide Quantum Foods' performance for a period of three to five years:

- Profitable growth through industry cycles
- Customer and product focus
- Operational excellence
- Optimal people capacity and culture

The strategic themes were reviewed in 2020 and remain unchanged.

Performance initiatives and targets are set per strategic theme. These initiatives and targets were approved at the annual Board strategy meeting. Actual performance against the targets set in the previous year was evaluated at this strategy meeting. These performance initiatives and targets cascade down the various management and employee levels of the Group and form the foundation of Quantum Foods' employee performance management system. This ensures that the execution of the strategy is aligned throughout the business.

Quantum Foods' strategic framework

The following outlines the Group's strategic themes, which guided Quantum Foods' performance initiatives in 2020:

Performance initiative	Achieved in 2020	Going forward
Strategic theme: Profitable growth through industry cycles		
Achieve targeted additional profit from feed mill capacity expansion	Targeted profits achieved.	Achieve targeted earnings from the capacity expansion to improve profitability from the less cyclical feeds business.
Increase egg supply (new)	–	This performance initiative was added in line with the strategy to remain the leading egg business in South Africa.
Achieve targeted additional profit from day-old pullet hatchery expansion	Targeted profits achieved. Lower demand for layer livestock by egg producers resulted in lower production volumes. However, export sales assisted in achieving the target.	Achieve targeted earnings from the capacity expansion to improve profitability from the less cyclical layer livestock business.
Maintain broiler livestock volumes (number of birds) supplied to customer abattoirs	Western Cape broiler livestock volumes increased by 9.4%.	Maintain profitability from the less cyclical broiler farming business conducted in the Western Cape.
Increase day-old broiler chick volumes	Day-old broiler chick volumes produced increased by 3.8%.	Increase profitability from the less cyclical broiler farming business.
Judicious feed raw material procurement	Targeted raw material costs achieved.	Maintain cost competitiveness of key input costs – this includes the cost of maize and soybean meal, which are the largest cost contributors to total feed costs.
Achieve targeted operating margin in other African countries	Operating margin was below the target set for 2020. The egg businesses in Mozambique, Uganda and Zambia performed better than 2019. However, a weaker performance by the Ugandan and Zambian breeder businesses impacted results.	Improve operating margin by achieving targeted profitability from businesses outside of South Africa that traditionally achieve margins higher than in South Africa.
Strategic theme: Customer and product focus		
Supply products within specification	Achieved throughout the year.	Maintain optimal product performance and ensure satisfied customers and consumers.
Consider geographic distribution of egg sales	This remained a key focus area throughout the year and more eggs were sold outside of the traditional areas targeted.	Continuously consider where eggs are sold to achieve optimal profitability from egg sales.
Consider egg marketing strategy and sales channels (new)	–	This performance initiative was added due to the anticipated increase in eggs' sales volumes and to achieve optimal profitability from egg sales.

Performance initiative	Achieved in 2020	Going forward
Strategic theme: Operational excellence		
Manage operational costs per unit below inflation	Achieved. Operating costs per unit were lower than in 2019.	Ensure increases in operating costs are contained.
Improve layer farm production efficiency	Production efficiencies improved and were on target.	Realise genetic potential of layer birds to optimise feed conversion costs and achieve more eggs available for sale.
Improve broiler breeder production efficiency	Not achieved. The number of chicks per hen housed was marginally lower than in 2019.	Increase the number of day-old chicks per parent hen to boost sales volumes and lower costs.
Maintain commercial broiler farm production efficiency	Targeted production efficiencies mostly achieved. Efficiencies were below target for a short period during winter when access to bedding material was restricted.	Maintain conversion costs and profitability.
Maintain operational efficiencies in egg packing stations	Targeted operational efficiencies achieved.	Ensure an optimal sales mix.
Strategic theme: Optimal people capacity and culture		
Continue to strengthen the Group's management team	Achieved, with all key vacancies filled. Appointed a new Executive: Broiler farming and retained the services of Jimmy Murray for two years (previous Executive: Broiler farming who retired in July 2020). Formal programme introduced to develop key individuals to executive management level.	Continuous process to evaluate and improve the senior management succession plan.
Further roll out training to farming employees	Achieved, with additional e-learning modules rolled out to farming employees.	Increase skills by improving farming employees' access to training material. Evaluate and implement training requirements for non-farming employees.
Enhance Company values through recognition	Continued with the awards programme introduced in 2019.	Improve management's ability to effectively execute the Group's strategy.

Strategic risks

Proactive risk management is essential for the effective implementation of the Group's strategy and to ensure Quantum Foods remains a competitive and sustainable business. Risk management improves operational effectiveness and enables improved value creation.

Quantum Foods' risk management process consists of the following steps:

Potential risks arise from the Group's business activities and operating environment – this includes economic, environmental and social risks.

Identify and evaluate the risks that may have a material impact on the Group's ability to achieve its strategy

An annual evaluation process is conducted by senior management to identify and evaluate risks. Deloitte, the Group's internal auditors, performed a risk maturity assessment during 2020 to identify opportunities for further improving the Group's risk management function. While the level of risk management was found to be adequate, some recommendations will be implemented to improve it further. To prioritise management focus and mitigating actions, identified risks are assessed for the likelihood of occurrence and potential financial impact. The scale used for assessment is outlined alongside. The product of the likelihood and impact assessment determines the risk score.

Likelihood		Impact	
1	Rare	1	Minor
2	Unlikely	2	Significant
3	Moderate	3	Serious
4	Likely	4	Critical
5	Common	5	Catastrophic

The results of the evaluation are reported to and approved by the audit and risk committee ("ARC"), which oversees the Group's risk management framework. In 2020, the internal review of risks impacting the Group resulted in minor updates to the risk register and combined assurance model which were presented to the ARC for approval.

Define mitigating controls for each risk

The risks and relevant mitigating controls form the Group's combined assurance framework. This framework is approved by the ARC and forms the basis for Quantum Foods' internal audit programme.

Read more about the Group's combined assurance framework on page 62.

Assess any residual risk if the Group's mitigating strategies are effective

Key residual risks are identified.

Ensure ongoing risk management

Day-to-day risk management is the responsibility of operational and senior management and the executive committee.

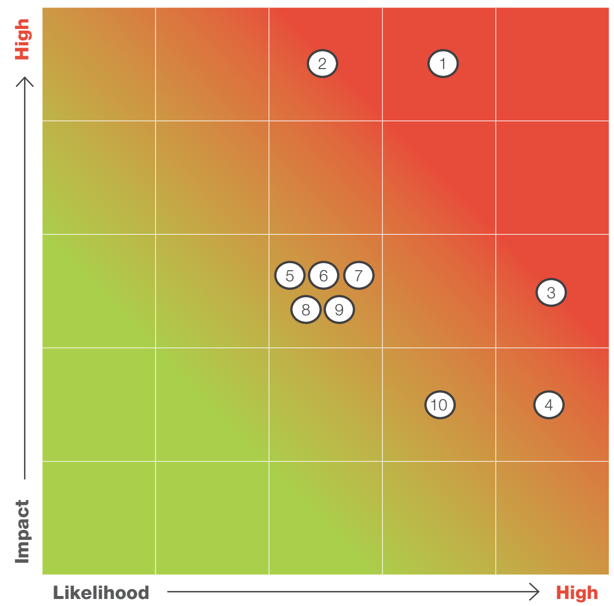
Report on risks that occurred

The executive committee has an ongoing responsibility to monitor risks and report back to the ARC and the Board. The Group's risk appetite framework sets out thresholds for material risks that cannot only be reported on at a planned meeting but that require immediate reporting to the ARC and Board. This assists the ARC and Board to continuously monitor the level of risk at which the Group is operating.

Update the Group's risk register and mitigating controls on an ongoing basis

Any new risks that are identified (including additional mitigation controls) are updated and included as part of the Group's combined assurance framework.

Quantum Foods' top 10 residual risks



1. Poultry diseases impacting the productivity of poultry
2. Inability to cope commercially with raw material price increases – particularly maize and soya meal
3. Human disease (such as COVID-19) impacting operations
4. Declining consumer spend impacting sales
5. Supply and demand imbalances – oversupply resulting in pricing challenges (eggs)
6. New market entrants increasing competition
7. Key management exposure (leadership team)
8. Non-compliance with animal welfare regulations and requirements
9. Inability to recruit suitably skilled candidates for specialised positions
10. Cyber security breach resulting in loss of information

Risk description	Mitigation to create opportunities
1. Poultry diseases impacting the productivity of poultry	• The Group runs a comprehensive vaccination and flock health monitoring programme. The Group enforces strict biosecurity management. • Specific additional monitoring and biosecurity measures were implemented due to the increased threat of AI. • The geographical spread and number of Quantum Foods' farming operations provide the Group with some protection from the impact of poultry disease.
2. Inability to cope commercially with raw material price increases – particularly maize and soya meal	• Raw materials are procured and monitored according to a Board-approved hedging strategy and policy for the Group's own production requirements. No speculative positions are taken. • Regular monitoring of the Group's raw material cost position informs margin management. • The centralised raw material procurement department observes market trends daily.
3. Human disease (such as COVID-19) impacting operations	• Government regulations announced in accordance with the Disaster Management Act were implemented throughout the Group's operations. These included the use of specific protective clothing, physical distancing, screening of employees and visitors for symptoms and, where possible, introducing a work from home policy. • Employees were trained on risk mitigation procedures. • Backup employees were identified for critical positions.
4. Declining consumer spend impacting sales	• The Group supplies animal feeds and produces eggs and broilers that fulfil basic nutritional requirements. Poultry is an excellent, cost-effective converter of animal feeds to protein (eggs and broiler meat). • The Group ensures a continuous focus on efficiencies and cost management.
5. Supply and demand imbalances – oversupply resulting in pricing challenges (eggs)	• The management of operational efficiencies is a key focus to ensure optimal product cost and competitiveness. • The Group no longer sells broiler meat to the market but rather sells live broilers to abattoirs. Pricing models reflect production and not market risk.

Risk description	Mitigation to create opportunities
6. New market entrants increasing competition	• The Group maintains an awareness of new competitors entering the market through its market research initiatives. • A relentless focus on production efficiencies and cost management enables the Group to remain competitive.
7. Key management exposure (leadership team)	• The Group maintains a formal succession plan, which includes an annual talent planning review. • A long-term and short-term incentive system is in place to retain senior management.
8. Non-compliance with animal welfare regulations and requirements	• Formal training programmes are in place, assisted by third-party veterinary consultants. • Internal and external audits are conducted regularly to monitor compliance. • Formal meetings are held with the NSPCA to discuss relevant matters.
9. Inability to recruit suitably skilled candidates for specialised positions	• The Group builds relationships with universities and offers bursary programmes. • Formalised development plans for internally identified talent are monitored. • The annual intake of interns for animal production training and apprenticeships for artisans helps build necessary skills. • Partnerships with recruitment agencies are in place to facilitate and improve access to potential candidates.
10. Cyber/IT security breach resulting in loss of information	• Information technology ("IT") security was outsourced to the Business Connexion Group, a third-party supplier that houses the Group's IT information in highly secure data warehouses. • A formal cyber security risk management programme is in place, which includes the continuous review of vulnerabilities, initiatives to increase employee awareness and action to maintain cyber risk insurance cover.

REPORT FROM LEADERSHIP

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

Joint report of the chairman and CEO

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

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

Operating environment

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

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

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

Segmental overview

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

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

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

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

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

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

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

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

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

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

Financial overview and dividend

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

Revenue from South African operations:

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

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

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

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

Profit before tax decreased by 16% to R215 million.

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

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

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

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

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

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

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

DIVIDEND

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

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

The applicable dates are as follows:

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

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

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

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

Outlook

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

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

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

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

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

Appreciation

A special word of appreciation to Mr. Jimmy Murray who contributed immensely to Quantum Foods' success over the years. Jimmy retired in July 2020 but will assist the Group for a further two years in a non-executive capacity.

Mr. Patrick Ernest Burton and Mr. Norman Celliers, resigned from the Board during the year. Both joined the Board prior to the unbundling from Pioneer Foods in October 2014 and provided extremely valuable contributions to the Board as a whole and to the business, for which the Board and executive team is extremely grateful.

We extend our gratitude to the Board, the executive team, all employees as well as our customers and suppliers for their continued support.

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

Board of directors and executive committee

1. Lesego Amos Selaledi
2. Roelof Viljoen
3. Sello Lacton Mailula
4. Larry Wilson Riddle
5. André Hugo Muller
6. Wouter André Hanekom
7. Prof. Abdus Salam Mohammad Karaan
8. Marthinus Petrus van Lill
9. Geoffrey George Fortuin
10. Tanya Golden
11. Heather Elizabeth Pether
12. Marisha Octavia Gibbons
13. Hendrik Albertus Lourens
14. Jan Hendrik van Rhyn
15. Adel Deidré van der Merwe

Board of directors

WOUTER ANDRÉ HANEKOM (61)

Chairman

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

Qualifications

CA(SA)

Quantum Foods Board and committee membership

Chairman, remuneration and social and ethics.

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

GEOFFREY GEORGE FORTUIN (53)

Independent non-executive director

Geoff was appointed to the Board on 28 April 2015.

Qualifications

CA(SA)

Quantum Foods Board and committee membership

Non-executive director, audit and risk (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 of directors.

PROF. ABDUS SALAM MOHAMMAD KARAAN (52)

Independent non-executive director

Mohammad was appointed to the Board on 10 June 2014.

Qualifications

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

Quantum Foods Board and committee membership

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

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

TANYA GOLDEN (47)

Independent non-executive director

Tanya was appointed to the Board on 10 December 2018.

Qualifications

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

Quantum Foods Board and committee membership

Non-executive director and social and ethics.

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

LARRY WILSON RIDDLE (61)

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 and remuneration.

Larry previously held the positions of Commercial Director and Group Corporate & External Affairs Director of Illovo Sugar Africa (Pty) Ltd ("Illovo") for seven years and three years respectively. He held a number of senior management positions in Illovo including General Manager of the Illovo South African Operations prior to his appointment as a director. Larry played a key role in looking after the Illovo joint ventures and associate companies in the Illovo group, including Gledhow Sugar Company, Glendale Distilling Company, Lacsa (Pty) Ltd and Relax Ltd. He was chairman of a number of the Illovo retirement funds. He is a past chairman of the South African Sugar Millers' Association and the Ethanol Producers' Association of South Africa. Larry is currently an independent non-executive director of Gledhow Sugar Company (Pty) Ltd and Crookes Brothers Ltd.

HENDRIK ALBERTUS LOURENS (57)

Chief executive officer

Hennie was appointed as chief executive officer of Quantum Foods in 2007, while it was a division of Pioneer Foods and was appointed to the Board on 27 January 2014.

Qualifications

BCom (Hons), MCom, BProc

Quantum Foods Board and committee membership

Executive director – Group managing director.

Hennie commenced his services with Pioneer Foods as the human resources manager for Bokomo in 1996 and was later appointed as general manager for the Sasko Grain Business. He has been in the fast-moving consumer goods ("FMCG") industry for over 22 years.

ANDRÉ HUGO MULLER (50)

Chief financial officer

André was appointed to the Board on 27 January 2014.

Qualifications

CA(SA)

Quantum Foods Board and committee membership

Executive director – Group financial director.

André joined Quantum Foods in 2003, while it was still a division of Pioneer Foods. He started at *Nulaid* as a financial manager and was later appointed as the farming operations manager for *Nulaid*, a position he held for four years. André spent a year as the national sales and marketing manager for *Tydstroom* before being appointed as head of finance for Quantum Foods in 2012.

MARISHA OCTAVIA GIBBONS (29)

Company secretary and legal advisor

Marisha has been with Quantum Foods since 17 May 2018.

Qualifications

LLB

Company secretary

Marisha joined Quantum Foods in May 2018 from Parmalat SA (Pty) Ltd, where she practised as a legal advisor for two years. She completed her articles at ENSafrica (Stellenbosch) in the corporate commercial department. She has six years' experience in the legal and compliance environment.

Executive committee

HENDRIK ALBERTUS LOURENS (57)

Chief executive officer

Hennie has been with Quantum Foods since 2007.

Qualifications
BCom (Hons), MCom, BProc

Hennie commenced his services with Pioneer Foods as the human resources manager for Bokomo in 1996 and was later appointed as general manager for the Sasko Grain Business. He has been in the fast-moving consumer goods ("FMCG") industry for over 22 years.

ANDRÉ HUGO MULLER (50)

Chief financial officer

André has been with Quantum Foods since 2003.

Qualifications
CA(SA)

André joined Quantum Foods in 2003, while it was still a division of Pioneer Foods. He started at *Nulaid* as a financial manager and was later appointed as the farming operations manager for *Nulaid*, a position he held for four years. André spent a year as the national sales and marketing manager for *Tydstroom* before being appointed as head of finance for Quantum Foods in 2012.

ROELOF VILJOEN (54)

Executive: Supply chain

Roelof has been with Quantum Foods since 2008.

Qualifications
CA(SA)

Roelof was a financial manager and a sales manager at Sasko Grain, before joining Quantum Foods while it was still a division of Pioneer Foods. He has 21 years' experience in the food industry, of which 13 years were spent in the poultry industry. Roelof was appointed in his current role in 2016.

MARTHINUS PETRUS VAN LILL (50)

Executive: Feeds

Thinus has been with Quantum Foods since 1997.

Qualifications
BCom (Acc), BCompt (Hons), SAIPA (PA)

Thinus has been with *Nova Feeds* since 1997, while it was still a division of Pioneer Foods. He has since progressed from a financial manager to the executive responsible for Feeds. He has 22 years' experience in the animal feeds and poultry industry.

ADEL DEIDRÉ VAN DER MERWE (49)

Executive: Eggs

Adel has been with Quantum Foods since 2008.

Qualifications
BCom Management Accounting

Adel started out in the corporate finance department of Pioneer Foods in 1995 and moved to central procurement where she spent the bulk of her time involved in raw materials and commodities procurement. In 2008, she joined *Nova Feeds* while it was still a division of Pioneer Foods. She joined the egg business during 2016. She has more than 12 years' experience in the animal feeds and food industry.

SELLO LACTON MAILULA (41)

Executive: Broiler farming

Lacton has been with Quantum Foods since 1 January 2020.

Qualifications
NDip Poultry, BTech Agriculture

Lacton rejoined Quantum Foods on 1 January 2020 after five years of working internationally. He has 20 years' experience in the poultry industry, the bulk of which was gained at Astral Foods and Quantum Foods in various roles in the broiler poultry value chain. He spent three years as National Operations Manager Broilers for Dakhalia Poultry in Egypt, followed by two years as Poultry Director of Biyinzika Poultry International Ltd in Uganda.

HEATHER ELIZABETH PETHER (52)

Executive: Human resources

Heather has been with Quantum Foods since 2005.

Qualifications
National Diploma in Human Resources

Heather has 24 years' experience in the human resources field. She spent seven years as the human resources manager of *Tydstroom* while it was a division of Pioneer Foods. She was appointed as the executive responsible for human resources at Quantum Foods in 2012.

JAN HENDRIK VAN RHYN (55)

Executive: Africa

Jannie has been with Quantum Foods since 2014.

Qualifications
BEng, MSc, BCom (Hons)

Jannie spent nine years with Naspers Ltd, during which time he was involved in many start-up internet and internet-related businesses in South Africa, China and a number of African countries. This includes Nigeria, where he was based for three years. Jannie was involved in projects, business development and operations in sub-Saharan Africa for 13 years. He joined Quantum Foods in November 2014 and is responsible for the business in the rest of Africa.

LESEGO AMOS SELALEDI (43)

Executive: Layer farming

Amos has been with Quantum Foods since 1999.

Qualifications
BAgric, BInstAgrar (Hons), MPhil, BBA, MBA

Amos joined Quantum Foods in 1999, while it was still a division of Pioneer Foods. He started at *Nova Feeds* as a technical specialist and joined *Nulaid* in 2003 as a technical manager. He then became regional manager, then national manager before being appointed as the executive for layer farming in January 2017. He has 21 years' experience in the poultry industry.

The executive committee comprises a team of experienced senior managers with sound industry knowledge. This contributes positively to the execution of the business strategy and operational performance.

ENSURING RESPONSIBLE BUSINESS

Quantum Foods' stakeholders contribute to the success of its business. The Group therefore takes stakeholder concerns seriously and strives to continuously improve its governance, transformation and sustainability initiatives.

The Group is committed to creating value for its stakeholders by ensuring the sustainability of its business model. The value of sustainability will be realised through an improved ability to:

- Attract capital from socially responsible investors
- Attract and retain a diverse pool of talent
- Provide shareholders with positive returns on their investment

Read more about the Group's approach to stakeholder engagement on page 64.

Product safety and customer complaints

FEEDS BUSINESS

Quantum Foods aims to provide safe feed according to good manufacturing practices in the animal feeds industry and is a member of the Animal Feed Manufacturers Association ("AFMA"). Quality assurance is crucial and all feed mills have Integrated Management Systems ("IMS") in place that are subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Certain audits are conducted by internationally accredited certification bodies. This includes a complete re-certification audit done every three years. An internal audit programme enables continuous monitoring and improvement of the IMS.

Customer satisfaction is important and the Group has a formal customer complaint system in place. Furthermore, an independent customer satisfaction survey is conducted annually to measure overall satisfaction, identify trends and benchmark performance.

Quality assurance and customer satisfaction remain the responsibility of management and form part of monthly reporting. The quality system is used to identify non-conformance, record specific customer complaints and identify preventative and corrective actions. These trends are used by management to improve the IMS and enhance customer satisfaction.

FARMING BUSINESS

The Group's farming operations and the health of poultry flocks are important in the production of safe food. Stringent biosecurity measures are in place at all farms and are audited regularly by internal employees and external veterinarians contracted by the Group.

In addition to biosecurity measures, the Group implemented vaccination programmes and monitors serology, environmental and water quality results to maintain a healthy flock capable of producing safe food. At a minimum, internal health and safety audits are conducted annually at all layer farms, cull depots and broiler farms.

EGG BUSINESS

It is important that Quantum Foods provides safe and reliable products to its customers and consumers. The Group's grading facilities are subject to regular external audits, which ensure compliance to food safety management systems, applicable laws and regulations. The Group's grading facilities are also subject to audits from national retail customers. An annual internal health and safety audit is conducted at all grading facilities.

As complaints in the egg business are generally more generic than those received in the feeds business, the Group uses an external company to monitor complaints. A toll-free number is available to customers and consumers, and all calls are logged and managed. A weekly report is generated and monitored by senior management to identify trends and assist the Group to maintain a customer-centric culture.

Quantum Foods experienced zero product recalls during 2020.

Environment

As a business reliant on agriculture, the Group is concerned about changing weather patterns, droughts, floods and the other likely effects of climate change. A conscious effort is made to minimise Quantum Foods' environmental impact and to support the effective consumption of resources, with a specific focus on water and energy. Poultry farming constitutes a large component of the Group's water consumption, with limited opportunities for reduction beyond ensuring that water is not wasted. The aim is to critically analyse waste production and ensure that all relevant aspects are managed responsibly.

The Group is acutely aware of the impact of its operations on the environment, particularly in terms of its carbon emissions. Performance is reported to the social and ethics committee ("SEC") and is an important consideration when evaluating new capital projects.

The table below outlines the Group's overall performance for 2020 and in comparison with the previous year. This enables stakeholders to monitor performance and helps the Group identify improvement opportunities.

Environmental performance indicators

Consumption	2020	Increase/ (decrease) from 2019	Commentary to explain shifts in environmental performance indicators
Water (kℓ)	**1 435 349**	2%	Higher volumes of layer type hens in production.
Electricity (kWh'000)	**49 170**	11%	Higher volumes of feed manufactured and higher volumes of layer type hens in production.
Electricity from renewable sources (kWh'000)	**2 276**	57%	New solar systems were added at an egg packing station in Brackenfell and an Eastern Cape layer farm.
Coal (tons)	**3 082**	22%	This increased due to the timing of broiler cycles compared to the previous year (coal heating is only used on a small number of farms and at the start of the rearing cycle).
Gas (kg)	**1 372 395**	(4%)	Lower number of day-old pullets placed on layer rearing farms resulted in lower consumption of gas for heating.
Diesel/ petrol/ paraffin (ℓ)	**1 110 670**	9%	Increased use of generators during periods of load shedding and higher production volumes in the feed and farming businesses.
Heavy fuel oil ("HFO") (ℓ)	**1 061 436**	2%	Higher volumes of feed manufactured.
Packaging (tons)	**13 616**	10%	Higher volume of eggs sold.
Waste			
Litter/manure produced (tons)	**163 163**	13%	Higher volumes of layer type hens in production.
Mortalities to landfill/waste pit (tons)	**824**	11%	Higher volumes of layer type hens in production, mortality rates the same as in 2019.
Effluent water (kℓ)	**297 823**	1%*	

* *2019 figure restated – accuracy improved with the installation of additional water consumption meters.*

CONSERVATION

The relationship with the Western Cape Nature Conservation Board in respect of the perpetual biodiversity agreement at a portion of the Farm Zouterivier continues. This conservation area is known as the Quantum Foods' Atlantis Sand Fynbos Conservation Area, and critically endangered Atlantis Sand Fynbos is conserved on the property.

ENERGY EFFICIENCY

With the assistance of external service providers, energy-saving opportunities are continually evaluated across the Group's integrated value chain. Quantum Foods' main energy-intensive activities relate to the boilers used in the preparation of animal feeds, the temperature control of hatching eggs, the rearing of layer and broiler chicks and the overall production of egg packing stations. Opportunities for energy efficiency and savings include process optimisation and the introduction of advanced technologies to reduce the burden of the Group's energy-intensive activities.

During 2020, solar panel projects were approved for the Hiveld layer hatchery in Bronkhorstspruit and the Boshoek layer farm near Tarlton. Further opportunities for solar systems were identified and will be evaluated for implementation going forward based on improving efficiency at an optimised cost-benefit ratio. This will assist in reducing Quantum Foods' dependency on electricity generated from non-renewable sources.

Human resources

DIVERSITY AND EMPLOYMENT EQUITY

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability. The Group believes that a diverse and transformed workplace adds value in the form of improved employee capabilities and shared values that strengthen, motivate and enhance employee productivity to the ultimate benefit of society. Increasing the percentage of management deemed HDSA is a direct focus area in terms of the Group's employment equity strategy.

The employment equity statistics for the Group's South African operations are provided below:

1 773 employees

were permanently employed by the South African operations of the Group at 30 September 2020

(2019: 1 830)

92.6%

Permanent employees HDSA

(2019: 92.2%)

41.4%

Management HDSA grade 12+ (employees)

(2019: 38.6%)

40.4%

Permanent employees who are women

(2019: 40.2%)

2.4%

South African employees on fixed-term contracts

(2019: 2.9%)

Employment equity statistics as at 30 September 2020

	African		Coloured		Indian		White		Foreigners		
Occupation levels	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**Total**
Top management	0	2	2	0	0	0	1	5	0	0	10
Senior management	1	4	2	0	0	0	2	16	0	0	25
Professionally qualified, experienced specialists and mid-management	1	24	6	9	1	1	10	41	0	0	93
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	33	113	51	53	4	6	24	28	0	0	312
Semi-skilled and discretional decision-making employees	143	236	86	113	2	2	1	1	0	0	584
Unskilled and defined decision-making employees	313	374	34	26	0	0	0	0	0	2	749
Total permanent employees	491	753	181	201	7	9	38	91	0	2	1 773
Non-permanent employees	8	9	4	14	0	0	3	5	0	1	44
Total	499	762	185	215	7	9	41	96	0	3	1 817

Total number of employees as at 30 September 2020

The employee numbers for the South African operations are reflected in the table below:

	2020	2019
Salaried	505	504
Salaried contractors	38	40
Waged	1 268	1 326
Waged contractors	6	14
Total	1 817	1 884

During the year, the Group's South African employee complement decreased by 2.6%, due to termination of a rental agreement in the Eastern Cape and a slightly higher number of wages employee vacancies.

The Group employs 391 (2019: 389) individuals in Zambia, 143 (2019: 112) individuals in Uganda and 74 (2019: 72) individuals in Mozambique. The increased headcount in Uganda is due to the commencement of operations on a new breeder farm.

By ensuring a high percentage of permanent employees, the Group provides more individuals with access to the retirement and disability benefits provided by the Group. Permanent employees provide the Group with a stable and experienced skills base that will increase the competence of the business over time.

TRAINING

The Group invests in the development of its employees' skills, knowledge and capabilities. Annually, the Group adds training modules to its online platform. This helped mitigate the impact of COVID-19 during the year. Online learning is used to train farm employees, induct new employees and enhance existing software skills (including Microsoft and SAP ERP). Several life skills development workshops were held for employees during the year. Legislative training was completed and several workshops and seminars were attended by employees during the year. The number of participants in the Group's learnerships and skills development programmes decreased due to COVID-19 restrictions. Going forward, these numbers are expected to increase in line with Quantum Foods' focus on strengthening the capabilities of its junior management.

The number of participants in the Group's internship and apprentice programmes increased due to a stronger focus on feed technical skills development and a higher number of junior artisans employed. In 2020, additional bursaries were awarded to employees, students attending the Elsenburg Agricultural Training Institute and students attending Stellenbosch University in the fields of science and engineering.

The below indicates the number of participants in the different training initiatives:

Skills pipeline	2020	2019
Internships	20	9
Apprenticeships	16	8
Learnerships	32	46
Bursaries	36	25
Adult basic education and training ("ABET")	5	8
	109	96

The below indicates the training spend for 2020. The amount spent on training reduced in 2020 due to the restrictions COVID-19 placed on the execution of training programmes.

Training spend	2020	2019
Total number of employees trained	590[1]	701[2,3]
Employee training spend	R4.13m	R5.04m
Employee training spend as a percentage of payroll	1.1%	1.4%

[1] *A number of the Group's employees in the feeds business were involved in a life skills training programme.*
[2] *Excludes the Group's value sessions, which formed part of the roll out of its employee engagement model.*
[3] *A large number of the Group's employees in the egg business were involved in a life skills training programme.*

The Group will continue with its scholarship programme and offer bursaries to HDSAs who are studying towards agricultural and science qualifications. Currently, the Group supports six students studying at the Elsenburg Agricultural Training Institute (2019: three) and four students involved in the High Performance Sports Programme at Stellenbosch University (2019: nil).

OCCUPATIONAL HEALTH AND SAFETY

To provide a safe work environment for its employees, Quantum Foods strives to adhere to and comply with all relevant health and safety legislation across its operations. Occupational health and safety training is conducted annually.

Read more on additional measures implemented following the outbreak of COVID-19 on page 12.

	2020	2019
Fatalities	0	0
Recordable injuries	107	103
Lost days	606	551

Note: no significant outliers to be commented on in terms of the increase in lost days.

All appointments in terms of sections 16(1) and 16(2) of the Occupational Health and Safety Act, No. 85 of 1993, have been implemented, and health and safety meetings are held regularly. The Group's feed factories are on the National Occupational Safety Association ("NOSA") system, which formalises the management of occupational health and safety systems. ISO 14001 is an internationally accepted environmental management certification system used to manage environmental risks at the Group's feed factories.

EMPLOYEE TURNOVER

	2020	2019
Total turnover[1]	14.1%	12.1%
Management turnover (South African operations)	1.8%	2.1%
Not in management turnover (South African operations)	12.3%	9.9%

[1] *Employee turnover increased in 2020 following the termination of a rental agreement for a farm in the Eastern Cape.*

LABOUR UNION MANAGEMENT

	2020	2019
Percentage of employees who belong to a trade union	38.1%	37.2%

Quantum Foods supports it employees' rights to collective bargaining. Employees are represented by 11 trade unions.

The Food and Allied Workers' Union ("FAWU") has the highest overall representation among Quantum Foods' employees. At 30 September 2020, 28% of the Group's wage employees in its South African operations belonged to FAWU (2019: 26%). Wage negotiations were successfully concluded during the year.

B-BBEE

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of HDSAs. The introduction of the amended AgriBEE Sector Code in December 2017 significantly raised the bar for compliance, specifically with the introduction of subminimum requirements for ownership, skills development and enterprise and supplier development (including preferential procurement), which, if not achieved, immediately results in a lower B-BBEE score. In addition to this, the cost to train HDSAs and achieve compliance has increased significantly.

This resulted in the level 7 achieved on the overall score for 2019 being discounted to level 8. Improving the B-BBEE score remains a key management focus area. The 2020 audit was carried out by AQRate.

The 2020 scorecard is available at www.quantumfoods.co.za/company-documents.

The Group continues to contribute to enterprise and supplier development. Current initiatives include:

- The provision of an interest-free loan to a HDSA to expand his Western Cape egg farm
- Supplying HDSA farmers with discounted point-of-lay hens and feed
- Feed and farm management assistance to HDSA farmers for improved egg production
- The rental of a broiler farm in Bronkhorstspruit from a HDSA
- Egg procurement from a HDSA egg producer in the Western Cape and Free State.

Benefits of R11.6 million (2019: R12.5 million) accrued for the year. Other projects to assist smaller HDSA suppliers continued during the year. This includes assisting suppliers with their administrative systems.

The Group considers B-BBEE when any external appointments are made, especially at the senior level to improve its management control and employment equity scores. On 1 January 2020, a black male was appointed as Executive: Broiler farming. In addition to achieving improved race diversity, this appointment also benefited the Group's scorecard.

Community projects

The Group's involvement in its "adopted" primary school, Groenheuwel Primary, situated close to its head office in Wellington, continued. In 2020, Quantum Foods provided R945 500 to the school. Through its Social Club, Quantum Foods' employees were specifically involved in the Santa Shoe Box stationery drive at Soetendal Primary School in Wellington.

In 2020, employees also contributed towards food parcels for the children and parents at Windmeul Primary in Paarl in support of Mandela Day.

As the Group is passionate about education, it provided R250 000 in funding to Khula Development – an organisation that supports out-of-school children in the Paarl East area. The organisation's mission is to integrate at-risk children back into the school system. In addition, the Group contributed R150 000 to Wamakersvallei Training Centre, a community-based centre in Wellington that provides training to unemployed individuals in the community. Short courses include frail care, child care, home management and cooking and hairdressing assistants. The Group also donated R210 220 to House Andrew Murray, an orphanage in Wellington.

To improve food security and support this basic human requirement, Quantum Foods continued its support of FoodForward SA. FoodForward SA collects edible surplus food from manufacturers, wholesalers and retailers, and distributes this food to verified non-profit organisations that collectively feed thousands of hungry people daily.

The Group contributed R250 000 to FoodForward SA in 2020. Quantum Foods remains involved with 2nd Harvest, a non-profit organisation dedicated to providing meals to the hungry and skills development to youth across South Africa.

In 2020, the Group contributed R294 250 to 2nd Harvest's Vita Kidz programme. This programme aims to ensure that junior school learners' nutritional requirements are met, thereby improving their ability to concentrate and learn while at school. The Group continued to donate egg and egg liquid products to a number of institutions that aim to assist with food security.

Corporate social investment spend	**2020**	**2019**
Total corporate social investment spend	**R2 628 437**	R3 018 871
Spend on feeding programmes	**R544 250**	R950 000
Product donations	**R528 467**	R495 751
Spend on education	**R1 555 720**	R1 573 120

Human rights

Quantum Foods is committed to, and strives to protect, basic human rights as defined in the Constitution of the Republic of South Africa and according to internationally proclaimed human rights standards. No incidents of human rights violations were reported during the year.

Animal welfare

The welfare of the Group's birds remains a major focus area. Regular internal audits are conducted on all farms to ensure adherence to set internal standards. Quantum Foods regularly engages with and is audited by inspectors from the NSPCA to ensure compliance. Strict biosecurity measures are in place at all farms to protect chickens against diseases and illness. Ongoing animal welfare and biosecurity training is provided to farming employees. Supplier and contract production facilities are required to comply with the same standards that apply to the Group's farms in terms of supply agreements.

CORPORATE GOVERNANCE

Quantum Foods is a JSE-listed entity and monitors its compliance with the principles of good corporate governance.

King IV defines corporate governance as the exercise of ethical and effective leadership by the Board to achieve the following outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

The practices underpinning the principles espoused in King IV are entrenched in many of the Group's internal controls, policies and procedures that govern its corporate conduct. The Group is focused on strengthening its corporate governance and aspires to align itself with corporate governance best practice for a company of its nature and size.

Governing structures and delegations

THE BOARD

Quantum Foods' Board acts as the focal point for, and custodian of, corporate governance. The key roles and responsibilities of the Board include:

- Determining the strategies and strategic objectives of the Group
- Determining and setting the tone for the Group's values
- Satisfying itself that the Group is governed effectively and based on corporate governance best practices
- Monitoring the implementation of the Board's decisions and policies
- Ensuring that the Group has an effective and independent ARC, remuneration committee ("Remco")[1] and SEC
- Ensuring that disputes are resolved effectively and efficiently
- Appointing and evaluating the performance of the chief executive officer and the company secretary

A disclosure register detailing the Group's adherence to King IV is available at www.quantumfoods.co.za/company-documents.

[1] *The Board reviewed and amended the charters and workplans of the SEC and remuneration and human capital committee due to some overlap in areas of responsibility. This resulted in the name of the remuneration and human capital committee being amended to the remuneration committee ("Remco"). Read more from page 57 and 59.*

The Board's focus areas and activities during the year included the following:

Topic	Progress and actions arising
Group Strategy	The Board reviewed and approved the Group strategy presented by management on 9 September 2020. This is a three-stage process: 1. The executive committee holds a working session to develop the Group strategy. 2. The executive committee and senior management team identify and determine appropriate operational targets that support strategy implementation. 3. The executive committee provides feedback to the Board on the previous strategy, the revised strategy and the relevant operational targets. The strategy is then discussed and amended as necessary before being approved by the Board. As an outcome of this process, the Group resolved to retain its strategic themes and only revise the performance initiatives and operational targets per theme for 2021. During the 2020 strategy session, the Group reviewed its business objectives up to 2025 to ensure a forward-looking approach. *More detail about this process is provided on page 32.*
COVID-19	The Board oversaw the implementation of various regulatory measures that govern operations. These included the additional measures implemented to protect employees providing essential services and also ensuring the safety of our suppliers and customers. Work from home policies were implemented for employees providing non-essential services and meetings were held *via* electronic means. With the assistance of the ARC, the Board expanded the risk register and combined assurance model to include the potential impact of human disease, such as COVID-19.
Significant shareholder movement	The Board oversaw events following the sale of Zeder Financial Services Ltd's shareholding in the Company (comprising of 30.81% of total share in issue) to a competitor, Country Bird Holdings, on 12 June 2020.
Amended the charters of the SEC and Remco	The Board reviewed and amended the charters and workplans of the SEC as well as the Remco due to some overlap in areas of responsibility. This resulted in human capital elements, excluding compensation, which was previously included in the Remco's charter, moving to the SEC's charter. It also resulted in the name of the remuneration and human capital committee being amended to the remuneration committee as it will focus on remuneration.
Approval of capital projects over R5 million	The Board reviewed and approved capital expenditure projects during the year. The Board evaluates projects in accordance with affordability, expected return, support of Group strategy, risk and environmental impact. Projects approved during 2020 included the installation of a new egg grader at the Port Elizabeth egg packing station, the installation of improved pellet producing capacity at the Malmesbury feed mill, the expansion of an egg layer farm near Bronkhorstspruit and the acquisition of a commercial broiler farm in the Western Cape.
Declaration and dividend	The Board considered and declared an interim dividend of 6 cents per share in 2020 and a final dividend of 10 cents per share. In declaring the 2020 final dividend, the Board resolved to increase the targeted dividend cover of 4 times (announced in 2019) to 5 times. This is due to the anticipated increased investment in working capital that will be required in 2021 arising from a substantial increase in the cost of key raw materials, the concomitant pressure expected on margins in especially the egg business, the approved capital programme, and continued uncertainty about the full extent of the impact of COVID-19 on the economy (specifically consumer expenditure).
Establishment of a nomination committee	The Board established a nomination committee ("Nomcom") to assist in filling the vacancy that followed Mr. Norman Celliers' and Mr. Patrick Burton's resignations from the Board. *Read more on page 59.*
Induction of Mr. Larry Wilson Riddle	The Board oversaw the appointment and induction of Mr. Larry Wilson Riddle, who was appointed as a non-executive director and member of the ARC and Remco on 28 September 2020.

In addition to the key focus areas outlined on the previous page, the Board:

- Reviewed, discussed and approved the Group's interim and full year financial results
- Reviewed and approved the Group's budget for the 2021 financial year
- Reviewed and approved the Group Governance Framework
- Reviewed amendments to the decision-making framework, which sets out the balance of power and authority at Board level and ensures that no one director has unfettered powers of decision-making

As an outcome of the annual review of the decision-making framework, the Board is satisfied that the delegation of authority framework contributes to role clarity and effective exercising of authority and responsibilities.

Members of the Board are regularly updated on industry matters and applicable laws, rules and codes. Opportunities are further made available to members of the Board to ensure their ongoing development. This includes visits to Quantum Foods' business operations and specific training interventions focused on, among others, cyber security and revisions to the JSE Listings Requirements. This is part of the Board's ongoing responsibility to take reasonably diligent steps to become informed about matters requiring its oversight and direction. Overall, the Board is satisfied that it fulfilled its responsibilities in accordance with its charter and annual work plan.

The Board and all its committees are constituted in terms of approved charters, which are reviewed annually. The Board is assisted by four committees to fulfil its mandate, but ultimately remains responsible and accountable for all matters.

The Board assumes ultimate responsibility for strategy, performance and reporting. The Board delegates the daily management of the Company in accordance with the Group Governance Framework to the executive committee, under the leadership of the chief executive officer, and monitors performance through its various subcommittees. All subsidiaries have formally adopted the Group Governance Framework at their respective Board meetings.

The Board is satisfied that each committee, as a whole, has the necessary knowledge, skills, experience and capacity to execute its duties effectively. The committees of the Board are as follows:

The Board

AUDIT AND RISK COMMITTEE ("ARC")

Members

Mr. GG Fortuin (chairman)
Mr. LW Riddle
Prof. ASM Karaan

The ARC comprises three independent non-executive directors. Mr. WA Hanekom, Mr. HA Lourens and Mr. AH Muller, in their respective capacities as chairman of the Board, chief executive officer and chief financial officer, are permanent invitees to the meetings. The internal and external auditors also attend the meetings of the committee. The ARC holds a minimum of three meetings per annum. One of the meetings specifically focuses on risk to ensure risk management is adequately addressed. During the reporting period, Mr. PE Burton resigned as a director of the Company and as a member of the ARC. Mr. LW Riddle was appointed as a member of the ARC on 28 September 2020.

More information about the functions and responsibilities of the ARC during the year is provided in the ARC report on page 85.

SOCIAL AND ETHICS COMMITTEE ("SEC")

Members:

Prof. ASM Karaan (chairman)
Ms. HE Pether
Mr. WA Hanekom
Ms. T Golden

The SEC comprises three independent non-executive directors, namely Prof. ASM Karaan, Ms. T Golden and Mr. WA Hanekom, and one prescribed officer, as described in the Companies Act, Ms. HE Pether. Mr. HA Lourens, Mr. AH Muller and Mr. LA Selaledi in their capacities as chief executive officer, chief financial officer and Executive: Layer farming are permanent invitees to the meetings. No external advisors attended meetings of the committee during the year. The SEC holds a minimum of two meetings per annum. The SEC monitors the sustainable development and non-financial performance of the Group. The SEC's charter was amended during the period to include all human capital elements, except remuneration. Ms. T Golden was appointed as a member of the SEC on 20 May 2020 to ensure sufficient capacity.

More information about the functions and responsibilities of the SEC during the year is provided in the SEC report on page 68.

REMUNERATION COMMITTEE ("REMCO")

Members

Mr. GG Fortuin (chairman)
Mr. LW Riddle
Mr. WA Hanekom

The Remco comprises three independent non-executive directors. Mr. HA Lourens, Mr. AH Muller and Ms. HE Pether in their capacities as chief executive officer, chief financial officer and Executive: Human resources are permanent invitees of the committee. The Remco is primarily responsible for reviewing and approving executive remuneration and assisting the Board in reviewing non-executive director remuneration recommendations. The Remco's charter was amended during the period. Reference to the human capital elements was removed to ensure that the committee only focuses on remuneration-related aspects. The Remco takes cognisance of local and international best practice to ensure that the Group's remuneration practices are fair and reasonable for executives and the Company. More information about the functions and responsibilities of the Remco during the year is provided in the Remco report on page 70.

Mr. GG Fortuin was appointed as a member of the committee on 13 August 2020 and Mr. LW Riddle was appointed as a member of the committee on 28 September 2020 following the resignations of Mr. N Celliers and Mr. PE Burton.

NOMINATION COMMITTEE ("NOMCOM")

Members

Mr. WA Hanekom (chairman)
Prof. ASM Karaan

The Nomcom comprises two independent non-executive directors. Mr. HA Lourens and Ms. HE Pether in their capacities as chief executive officer and Executive: Human resources are permanent invitees of the committee.

The Nomcom is primarily responsible for conducting recruitment processes and recommending suitable candidates to the Board to fill Board vacancies as and when a vacancy arises.

Executive management

IT STEERING COMMITTEE

More information about the functions and responsibilities of the IT steering committee during the year is provided in the IT governance report on page 66.

SUBSIDIARY BOARDS

The Board assumes ultimate responsibility for strategy, performance and reporting. The Board delegates the daily management of the Company to the executive committee, under the leadership of the chief executive officer, and monitors performance through its various subcommittees.

The Board

The Board and all its committees are constituted in terms of approved charters, which are reviewed annually. The Board is assisted by four committees to fulfil its mandate, but ultimately remains responsible and accountable for all matters.

Meeting attendance

The Board held five general meetings during the reporting period. In addition, three special meetings were held following Country Bird Holdings' acquisition of the Group's shares previously held by Zeder Financial Services Ltd. The Board members also attended a full-day session during which the 2021 strategy was approved. The SEC and Remco had two scheduled meetings during the year while the ARC had three scheduled meetings. The Nomcom had two meetings during the year. Members who could not attend a meeting excused themselves accordingly.

The Board is satisfied with the contribution by its directors as well as the attendance of meetings by the members of the Board and its committees.

	Status	AGM	Board	Remco	ARC	SEC	Nomcom	Strategy session
WA Hanekom	Chairman, independent non-executive	1/1	8/8	2/2	3/3^	2/2	2/2	1/1
PE Burton	Lead independent non-executive director	0/1	7/8#	2/2	3/3	n/a	n/a	0/1#
N Celliers	Non-executive director	1/1	3/8#	2/2	n/a	n/a	n/a	0/1#
Prof. ASM Karaan	Lead independent non-executive director^^	0/1	8/8	n/a	3/3	2/2	2/2	1/1
GG Fortuin	Independent non-executive director	0/1	8/8	0/2*	3/3	n/a	n/a	1/1
T Golden	Independent non-executive director	1/1	7/8	n/a	n/a	0/2*	n/a	1/1
LW Riddle^v	Independent non-executive director							
HA Lourens	Chief executive officer	1/1	8/8	2/2^	3/3^	2/2^	2/2^	1/1
AH Muller	Chief financial officer	1/1	8/8	2/2^	3/3^	2/2^	n/a	1/1

N Celliers resigned as a director and member of the Remco on 19 June 2020 and PE Burton resigned as a director and member of the ARC and Remco on 17 August 2020.

* *GG Fortuin was appointed to the Remco with effect from 13 August 2020 and T Golden was appointed to the SEC with effect from 20 May 2020.*

^ *WA Hanekom attended the ARC meeting as an invitee and HA Lourens and AH Muller attended the Remco, ARC and SEC meetings as invitees. HA Lourens attended the Nomcom meetings as an invitee.*

^^ *Prof. ASM Karaan was appointed as the Lead Independent Director on 9 September 2020.*

V *LW Riddle was appointed as a director and member of the ARC and Remco on 28 September 2020.*

The members of the Board are experienced individuals who understand their duty to act with care, skill and diligence.

COMPOSITION AND FUNCTIONS OF THE BOARD

The Board consists of seven directors, five of whom are independent non-executive directors. The chairman, Mr. André Hanekom, an independent non-executive director, presides over meetings of the Board.

Prof. Mohammad Karaan, an independent non-executive director, was appointed as the lead independent director of the Board on 9 September 2020. This followed the resignation of Mr. Patrick Burton, the previous lead independent director, on 17 August 2020. The duties and functions performed by Mr. André Hanekom as chairman and independent non-executive director are separate from those performed by the chief executive officer, Mr. Hennie Lourens, who is an executive director.

The chief executive officer is responsible for leading the implementation and execution of the strategy and for policy and operational planning and serves as the chief link between management and the Board. Overseeing the succession planning of the chief executive officer and the executives is performed by the Remco. The Remco is satisfied that sufficient measures are in place to ensure continuity. The chief executive officer is not a member of any other governing body outside of Quantum Foods.

The Board appoints the chief executive officer and the company secretary. The independence of each non-executive director is regularly assessed by monitoring information submitted by directors relating to their relevant business interests.

Quantum Foods established a nomination committee on 26 August 2020. This committee conducts recruitment processes and recommends suitable candidates to the Board to fill Board vacancies as and when a vacancy arises.

The Board is diverse in terms of gender, race, business acumen and tenure. This diversity provides for challenging and robust discussion and views, leveraging an appropriate mix of knowledge, skills, experience, diversity and independence. The Board recognises that a gender gap exists, with only one female Board member currently appointed. The Board has therefore further adopted and approved a diversity policy, which specifically identifies gender diversity as a focus area and addresses diversity attributes generally.

When identifying suitable candidates for appointment to the Board, the Nomcom considers candidates on merit against objective criteria with due regard for the potential benefits of increased race and gender diversity at a Board level. Targets for race and gender diversity at Board level were considered in 2018, resulting in the decision to appoint a black female non-executive director to the Board. This was concluded in the 2019 financial year. Two Board members resigned in 2020 and Mr. Larry Wilson Riddle, who has significant experience in a wide range of disciplines, was appointed on 28 September to fill the one vacancy identified by the Board. Going forward, gender and race diversity will be considered as part of the Board's succession planning. The Board will continue to discuss, and annually agree on, measurable targets for achieving race and gender diversity at Board level.

At each annual general meeting ("AGM"), one-third of the non-executive directors retire by rotation but are eligible for re-election. Any non-executive director who has already held office for a period of more than three years since his/her last election for appointment at the AGM retires at the next AGM but remains eligible for re-election.

A director shall be obliged to retire at the conclusion of the AGM relating to the financial year in which he/she becomes 70 years old and shall not be eligible for re-election.

A brief professional profile of each candidate standing for election or re-election at the AGM is available in the Group's notice of AGM.

An internal appraisal of the Board and committees was conducted during the reporting period and no material issues were identified. The Board is satisfied that the evaluation process improves its performance and effectiveness. The Board annually considers using an external provider to facilitate the appraisal process of the Board and its committees. Given the changes to the composition of the Board during the reporting period, the Board resolved not to conduct an external appraisal during the 2020 reporting period.

COMPANY SECRETARY

All Board members have access to the advice and services of the company secretary, who is responsible for the proper administration of the Board and the implementation of sound corporate governance procedures. This includes corporate announcements, investor communications and unrestricted access to information about developments that may affect the Company and its operations. This includes access to Company information, records, documents and property. Following a Board-approved procedure, Board members may also seek independent advice in connection with their duties at the cost of the Group. The company secretary may access external legal advice.

The performance of the company secretary is evaluated annually. The Board is of the opinion that the company secretary is suitably qualified, competent and experienced to carry out her duties as stipulated under section 88 of the Companies Act. The Board is satisfied that an arm's-length relationship exists between the company secretary and the Board. The company secretary reports directly to the Board on statutory matters and to the chief financial officer in relation to her other duties.

The Board believes effective arrangements for accessing professional corporate governance advice are in place.

Legal compliance

The Board recognises its responsibility to ensure that Quantum Foods complies with all applicable laws and monitors adherence to all regulatory charters, codes and standards. Board members have experience in, and knowledge of, the agricultural industry, and are aware of the potential impact of legislative changes. The responsibility for implementation and execution of effective compliance management is delegated to management, and management continually monitors the regulatory environment and identifies appropriate responses to changes and developments. Such changes are reported to the Board.

On an ongoing basis, the Company monitors key identified legislation for any changes and developments that could potentially impact the business. The company secretary reports to the Board and the Board reviews and monitors updates to legislation on a quarterly basis.

No regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations were imposed on the Company or any of its directors or officers during the 2020 financial year.

In 2021, the Group will continue to monitor key identified legislation for any changes and developments.

Combined assurance

Quantum Foods has defined the Group's combined assurance model in line with King IV, which is updated alongside the risk profile of the Company and its subsidiaries. The objective of combined assurance is to enable effective control of the Group's risk environment. Assurance processes in the Group include management, various second line and external assurance providers such as health and safety, as well as internal and external audit. These various assurance role players oversee corporate governance at Quantum Foods and provide different types of assurance. They are differentiated by their levels of independence from the Group's operational activities and the Group itself.

Through the use of Quantum Foods' combined assurance model, the independence of assurance gradually increases over four lines.

1. Management oversight

The senior and line management of each division and business unit are responsible for day-to-day risk management and for managing, measuring and mitigating operational risk.

2. Governance of risk and compliance

The ARC operates within written guidelines instituted by the Board and is responsible for reviewing and monitoring the Company's risk management performance and providing a high-level risk assessment to the Board on an ongoing basis.

3. Internal audit

The internal auditors serve as an independent appraisal and assurance body that fulfils a core requirement within the Group's governance structures. It aims to add value by providing the Group with autonomous and objective assurance.

4. External audit and other independent third-party assurance providers

In line with the Group Governance Framework, external assurance providers are appointed for the Group's operations. Feedback on the audits is monitored by the ARC. The external auditors are appointed by shareholders on recommendation of the ARC.

ARC → **Board**

The ARC has reviewed and is satisfied with the effectiveness of the Group's combined assurance model.

GROUP EXTERNAL AUDIT

The 2020 external audit services for the South African, Mozambican, Ugandan and Zambian operations were provided by PwC. Feedback on the audits provided to the subsidiary boards is monitored by the ARC.

Read more about Group external audit in the ARC report on page 85.

GROUP INTERNAL AUDIT

The Group's internal audit services for 2020 were provided by Deloitte & Touche. The internal audit service contract is valid for a further year. The internal audit function is constituted in terms of the internal audit charter. Management and the ARC may identify additional risk areas to be included in the internal audit work plan that is developed by the internal audit function. Results and management actions undertaken by internal audit are reported to the ARC (and escalated to the Board if necessary). The ARC assesses the effectiveness of both the internal audit function and the head of internal audit on at least an annual basis.

During the year, the internal auditors monitored the effectiveness and adequacy of the Group's risk framework and risk register. The assurance process was determined as being a combination of internal and external accountabilities. Risk mitigation was identified, and risks with a high probability and impact were prioritised and included in the internal auditors' programme for the year.

The report of the ARC is provided on pages 85 to 86. Read more about the Group's strategic risks on page 35.

Stakeholder relations

Quantum Foods adopts a stakeholder-inclusive approach and has an established stakeholder engagement process in place. These engagement mechanisms are designed for stakeholders and include Group discussions and one-on-one meetings. The following broad stakeholder groups have been identified. The table below provides details on the methods of engagement and key considerations per stakeholder category as well as the Group's response:

Stakeholder category	Method of engagement	Stakeholder needs, expectations and concerns	Business response
Shareholders and investors	• Website • SENS • Trading updates • Results presentations every six months • Face-to-face meetings • Site visits	• Return on investment • Capital allocation • Business sustainability • Ethical management	• HEPS is a key performance measurement for management • New capital projects are evaluated against a Board-approved weighted average cost of capital • The Group takes a zero tolerance approach to unethical conduct
Employees	• Internal communication • Management and union meetings • Roadshows • Confidential tip-offs hotline • Training programmes	• Feedback on performance • Job security • Personal development (including training) • Health and safety	• The Group conducts regular formal and informal performance discussions • Formal health and safety audits are conducted annually at all sites (at a minimum) and training programmes are in place • Various training initiatives are available to the Group's employees *Read more on page 52.*
Customers and consumers	• Regular meetings • Consumer hotline • Customer satisfaction surveys	• Products within specification • Competitive pricing • Reliable supply	• Ensure that products adhere to standards • Supply products that are safe • Ensure that stock is available
Suppliers and contractors	• A centralised procurement team manages communication for larger expenditure items • The Group's decentralised procurement managers meet with suppliers and contractors	• Security of supply • Commitment to B-BBEE • Reasonable terms	• Policies and practices ensuring ethical procurement conduct are in place, with a focus on B-BBEE • Quality management is in place for key procurement categories
Communities	• Requests for assistance in the communities where we operate	• Basic human requirements (food, safety and education) • Drought relief	• The Group implements various corporate social investment initiatives *Read more on page 53.*
Government and regulatory bodies	• Independent audits • Adherence to regulatory requirements • Employee training on regulatory requirements	• Employees assume responsibility for compliance • Independent assurance to measure compliance	• The Group trains employees responsible for compliance and takes immediate action in the event of adverse findings • The Group participates in industry bodies • The corporate office supports regional management
Industry bodies	• Industry body meeting participation	• Active participation in industry body management • Keeping abreast of new developments	• Executive committee members are involved at senior level in industry bodies such as the South African Poultry Association and Animal Feeds Manufacturers Association

In 2020, the Group's key areas of focus for stakeholder relations included:

Topic	Progress and actions arising
Ongoing engagement with the NSPCA	Continual engagement with the NSPCA remains a major focus for the Group to ensure best-in-class welfare standards for birds. This is critical to the success of the business.
Engagement with shareholders	Following the release of the interim and final 2020 financial results, shareholders were invited to a presentation where the results were discussed. The presentations were conducted virtually due to the COVID-19 restrictions. Shareholders were invited to attend the AGM in February 2020.
The Group-wide roll-out of the values programme	A formal programme to entrench Company values was made available to employees in all of the Group's operating geographies during the year, including South Africa, Mozambique, Uganda and Zambia. The programme encouraged employees to portray and live out the Group's values.
Corporate social investment initiatives and enterprise and supplier development assistance	A number of HDSA entities benefited in 2020 from the Group's various enterprise development, supplier development and corporate social investment initiatives. *Read more on page 53.*
COVID-19 assistance	As a provider of essential services, the Group was fortunate to be able to continue operations during the various stages of the COVID-19 lockdown. All employees received their normal remuneration throughout this period. The Company contributed R100 000 to the Solidarity Fund, which was established to provide relief to vulnerable South African households, and also issued most employee members with monthly vouchers to support families whose income may have been affected.

The Group's SEC is responsible for the governance and oversight of stakeholder relationships. Quantum Foods adopted a formal stakeholder engagement policy that outlines its approach to communicating and working with its stakeholders. Enquiries from shareholders are generally handled by the company secretary or directly by the chief executive officer or chief financial officer. The Company publishes information relevant to the application of King IV on its website. This includes any supporting documentation, Group policies or charters.

The Group's stakeholder engagement policy is available on the Company's website: www.quantumfoods.co.za.

IT governance

IT is entrenched in the way that Quantum Foods does business and almost every business process is supported by IT. King IV recommends that the governing body should delegate to management the responsibility to implement and execute effective technology and information management. This delegation points to the establishment of an IT steering committee by the Board.

The Board is responsible for IT governance and is ultimately responsible for ensuring information and IT strategies are aligned with business strategies. The ARC assists the Board in carrying out these responsibilities. Management is responsible for the implementation of all the structures, processes and mechanisms for IT and information governance. Management delegates to the IT steering committee, which is independent and tasked with identifying key projects as well as the implementation and monitoring of such projects.

The IT steering committee also monitors information security, and any significant security incidents are reported to the ARC. The IT steering committee is governed by Quantum Foods' IT charter, which outlines the decision-making rights and accountability framework to effectively govern the Group's IT service landscape. The committee has decision-making authority with respect to its duties and is accountable to the Board, the ARC and the executive committee across the following areas of responsibility:

- Strategy
- Investment
- Sourcing
- Risk management
- Information security
- Disaster recovery

Quantum Foods' IT charter is based on the principles of the Control Objectives for Information and Related Technologies ("COBIT") framework for IT governance. COBIT is an internationally recognised IT framework that guides the Board in discharging its IT responsibilities. COBIT is published by the Information Systems Audit and Control Association ("ISACA").

An IT governance framework and reporting system provides the Board with assurance that the IT strategy, procedures and controls within the business reduce IT risk, including information security, to an acceptable level. PwC, as external advisors, assist with ensuring that measures are put in place to ensure the security of IT.

The main focus areas during 2020 included:

- Supporting the Group's work from home policy, which was implemented at the onset of the COVID-19 lockdown. This included providing more users with computers, data connectivity and rolling out software to enable virtual meetings.
- An ongoing process to improve cyber risk resilience, which included employee training to increase awareness, a specific review by the internal audit function, an upgrade of remaining equipment to Windows 10, the further relocation of data to the more secure Microsoft Cloud environment, and regular vulnerability tests which were conducted by external consultants.
- Further roll out of Voice over IP phones to replace fixed-line telephony.
- Further enhancement of the business continuity programme.
- Evaluating potential service providers to deliver Group IT support services. This excluded the provision of SAP ERP system support which is contracted to BCX until 2021. The service contract was awarded to Logicalis South Africa.
- Evaluating potential ERP software available to the Group commenced in the year. The process was delayed due to COVID-19 restrictions and should be completed in 2021.

Going forward, the value delivered to the organisation through significant investments in IT will receive increased focus. Other planned areas of future focus include:

- Improved cyber risk resilience – Management of cyber risk will remain a focus area for 2021, mostly through ongoing training to maintain awareness and with the introduction of specialist software to improve incident detection capabilities
- Migration to Logicalis South Africa as a service provider for Group IT services
- Further upgrade of the IT infrastructure, with some physical server equipment to be replaced and a further upgrade to the network where sites will be converted to SD-WAN
- Evaluation of ERP software available to the Group

The Board is satisfied that, based on reports received from the ARC, an appropriate IT governance framework exists, is functioning and is effectively monitored.

Social and ethics committee report

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

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

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

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

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

Topic	Progress and actions arising
B-BBEE and targets	The SEC monitored the strategy and targets of the Company to improve on the level 8 compliance score achieved in 2019. A key focus remains on improving the ownership score, which reduced in 2019 following the repurchase of shares previously held by black economic empowerment parties inherited from Pioneer Foods. *More detail is available on page 53.* The SEC, together with the Board, regularly monitors B-BBEE compliance and targets and in doing so aims to present a B-BBEE ownership structure for approval by shareholders. The SEC specifically monitored the Group's enterprise and supplier development initiatives, with a focus on creating additional employment opportunities. *Read more about the Group's B-BBEE strategy on page 53 of this report.*
Sponsorships and charitable donations	The SEC monitored the various product donations and continues to monitor the Group's social responsibility initiatives. *These are detailed on pages 53 to 54.*
Water, energy and waste disposal management	The committee monitored water, energy and waste disposal management and a report containing usage details is reviewed biannually. The short-term aim is to reduce wastage of these elements across the Group's operations by monitoring performance year on year. *Read more on page 49.*

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

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

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

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

Prof. ASM Karaan
Chairman

Wellington
23 November 2020

Remuneration report

Letter from the chairman of the Remco to shareholders

Dear shareholders

This report summarises the remuneration policy that will apply to employees of Quantum Foods and its subsidiaries in 2021. It also highlights the activities of Quantum Foods' Remco and addresses the outcomes of the implementation of the 2020 remuneration policy.

Group profitability achieved in 2020 was the third highest recorded in Quantum Foods' history, despite headline earnings decreasing by 17.5% year on year. As a provider of essential services, the Group's operations were largely unaffected by COVID-19, and the egg business, in particular, benefited from increased demand in the lockdown period. All employees received their full guaranteed pay despite the COVID-19 lockdown period. 2020 earnings were supported by improved profitability from the feeds and farming business, which partially offset decreased profitability from the eggs and other African businesses. The Group's feed and farming business benefited from increased volumes, while profitability of the egg business was lower due to an increase in the cost of production and lower egg selling prices compared to 2019. Earnings from the other African businesses were negatively impacted by much lower demand for day-old chicks due to COVID-19 restrictions imposed in Uganda and Zambia and also due to the extremely high cost of maize in those two countries during the year.

The Group performance is reflected in the outcomes of our variable pay incentives. HEPS achieved for 2020 resulted in a 65% vesting of the third tranche of share appreciation rights ("SARs") allocated in 2016, 100% vesting of the second tranche of SARs allocated in 2017 and 100% vesting of the first tranche of SARs allocated in 2018. The employment period for the vesting of these SARs will only expire in February 2021 and the outcome of vested SARs exercised will be included in the 2021 report. In addition, the Group profit achieved in 2020 resulted in a 88.5% vesting of the economic profit component of the short-term incentive ("STI") and 65.0% vesting of the headline earnings before tax per share ("HEBTPS") component of the STI for 2020.

Quantum Foods' financial performance is discussed in the joint report of the chairman and CEO on pages 38 to 41.

The Remco made various key decisions in 2020. These included:

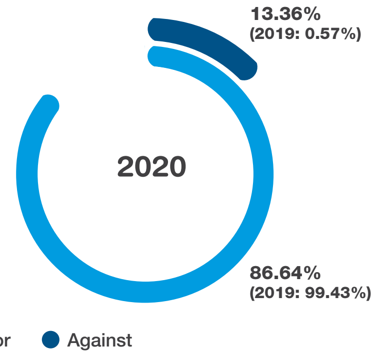
Topic	Progress and actions arising
Total guaranteed pay adjustments	Mandates for the adjustment of total guaranteed pay was determined by the Remco. The adjustments of 5% for sectoral and non-sectoral employees and executives considered inflation, the outcome of benchmarking, and affordability.
National minimum wage and farming sectoral and non-sectoral employee salary	During the 2019 reporting period, employees at one of the Group's operating locations disputed the inclusion of certain cash-based employee benefits in the calculation of their hourly pay. The Commission for Conciliation, Mediation and Arbitration ("CCMA") ruled in favour of the employees. The Company subsequently decided to take the ruling to the Labour Court for review. Given the restrictions and impact of COVID-19, this matter had minimal progress during the period and a date for the matter to be heard is awaited. The Remco will continue to oversee this process during 2021.
Short-term and long-term incentives, outcomes and new targets.	The Remco reviewed the STI and long-term incentive ("LTI") performance outcomes for 2020 and also considered new targets for the forthcoming year. The financial and operational performance targets for the STI have been amended for the 2021 financial year. The Company's LTI is the Equity-Settled SAR Plan and the headline earnings achieved for 2020 will be the baseline for determining achievement of the performance conditions of allocations made to participants in February 2021. COVID-19 did not play a role in setting the targets for 2021. *Read more about this on pages 75 to 76.*
Non-executive directors' fees	The Remco considered and will propose a 4.25% adjustment in non-executive directors' fees to shareholders at the February 2021 AGM.

Topic	Progress and actions arising
Equal pay for work of equal value	The Remco reviewed the results of an equal pay for work of equal value exercise and reviewed salary bands to ensure that these are market related. Subsequent to the salary band review, the Company adjusted the remuneration of some employees, where relevant, to ensure that these are market related. This will remain an area of focus for the Remco to ensure employees are remunerated fairly and any differentiation is justified.
Remuneration policy regarding malus and clawback	In 2019, the Remco was engaged by a shareholder who suggested the inclusion of malus and clawback provisions in the remuneration policy and SAR Plan rules. The Remco and the Board reviewed and approved changes to the remuneration policy and SAR Plan. The changes detail the circumstances ("trigger events", which are listed in part 2 of this report) under which the benefit accruing to a participant of the STI or LTI can be forfeited or clawed back (if already transferred to participants). These changes were presented to shareholders and approved at the February 2020 AGM.
Proposing an amendment to the charter and workplan of the committee to the Board	The Remco charter and workplan was amended by the Board to reduce the overlap between the Remco and SEC responsibilities. Following the change, the Remco focusses on aspects relating to remuneration while the SEC's responsibilities were expanded to include the other areas relating to human capital management.

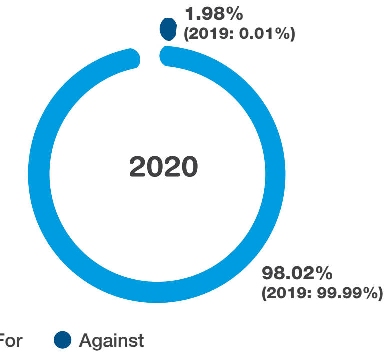
In implementing the remuneration policy, the Remco considered the advice of remuneration consultants. These consultants satisfied the Remco's requirements for independence and objectivity.

At the 2019 AGM held on 21 February 2020:

Shareholder vote on the Group's remuneration policy



Shareholder vote on the Group's implementation of its remuneration policy



As indicated in the graph above, the non-binding advisory votes were passed at the 2019 AGM held on 21 February 2020 and shareholder engagement was therefore not required.

FUTURE FOCUS AREAS

Going forward the Remco will focus specifically on:

Topic	Actions
Fair and responsible remuneration	Continued focus on identifying areas of improvement and implementing measures to ensure that employees and executives are remunerated fairly and responsibly. This includes addressing any anomalies within the remuneration structure.

The Remco is of the view that the remuneration policy achieved its objectives in 2020. In addition to its standard activities listed on page 70, during 2021 the Remco will continue to focus on the review of salary bands to ensure that employees are fairly remunerated. We look forward to receiving your support on the remuneration policy at the 2021 AGM, to be held on 19 February 2021.

Mr. GG Fortuin
Chairman

Wellington
13 November 2020

FY2021 remuneration policy

INTRODUCTION

Part 2 of this report sets out the forward-looking remuneration policy, which will apply in 2021. Therefore, any changes to the policy which were made by the Remco in 2020 are reflected in the relevant sections below. To the extent that some parts of the policy were not changed during 2020, these sections will remain the same.

The remuneration policy applied in 2020 is set out in the 2019 remuneration report, which is available at www.quantumfoods.co.za/company-documents.

The implementation of this remuneration policy in 2020 is set out in part 3 of this report.

REMUNERATION GOVERNANCE

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

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

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

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

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

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

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

Remuneration philosophy incorporating fair and responsible remuneration

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

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

Fair and responsible remuneration

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

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

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

REMUNERATION FRAMEWORK

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

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

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

<table>
<tr><th>Component</th><th>Policy and link to business strategy</th></tr>
<tr><td>STIs (variable)

Economic – drives sound operational efficiency that assist the Group’s ability to recover rising input costs and improved returns on the asset base. This enables the creation of shareholder value.</td><td>The STI constitutes a performance bonus. This bonus is designed to motivate and reward senior management for their contribution to the achievement of targets related to main business drivers, ultimately increasing shareholder value.

Performance conditions:

• HEBTPS target – the calculation for the achievement of the target is based on an audited and agreed comparative base for the previous financial year. HEBTPS has a 50% weight. The HEBTPS measure has been retained for the 2021 year.
• Growth in economic profit (“EP”) – the growth calculation is based on the weighted average cost of capital over a rolling three-year period, applied to the average net asset base of the Group. EP has a 25% weight. The EP measure has been retained for the 2021 year.
• 25% operational efficiency – the efficiency calculation is based on targets set for the percentage of second-grade eggs sold at egg packing stations, day-old chicks produced per broiler-type breeder hen placed at the start of the laying cycle, layer-type hen production efficiency, and operating cost management. Each of the four operational efficiency measures contribute one quarter to the overall operational efficiency performance measure. The operational efficiency measures have been retained for the 2021 financial year and have a 25% weight.

Details are set out in the STI section on page 75.

• Separate targets for HEBTPS and operational efficiency are set for STI participants employed in the Group’s other African operations to align the earnings achieved in each region. Growth in EP is also measured by country. Executive management determine the HEBTPS, EP and operational efficiency targets for the operations in Mozambique, Zambia and Uganda.

The table below provides more detail on the measurement of STI across the Group:

<table>
<tr><th></th><th>HEBTPS</th><th>EP</th><th>Operational efficiency</th></tr>
<tr><td>CEO, CFO and executives</td><td>Group target</td><td>Group target</td><td>RSA target</td></tr>
<tr><td>Other RSA participants</td><td>Group target</td><td>Group target</td><td>RSA target</td></tr>
<tr><td>African country manager</td><td>Group target</td><td>Group target</td><td>Country target</td></tr>
<tr><td>Other African participants</td><td>Country target</td><td>Country target</td><td>Country target</td></tr>
</table></td></tr>
<tr><td>LTIs (variable)

Economic – drives share price growth and by extension, the creation of shareholder value.</td><td>The LTI consists of an Equity-Settled SAR Plan designed to attract and retain talent over the long term, as well as align the interests of employees with that of shareholders. Participation in the LTI is restricted to the CEO, CFO, executive committee and a small percentage of the Group’s senior management.

50% of the SAR award is subject to performance conditions set out below. The remaining 50% is subject to continued employment. SARs vest in equal tranches over a three, four and five year period. As the SAR Plan includes an inherent hurdle based on share price growth, no value will accrue to participants regardless of the performance or continued employment conditions being met, should the share price not grow over a three to five-year period from the grant date.

Performance condition measured over three, four and five year performance periods respectively:

• Growth in Group HEPS – the hurdle for vesting is compound average growth (“CAGR”) in HEPS of higher than the CPI, plus 1% growth with full vesting at CPI plus 5% growth.

The Board has the discretion to increase the baseline HEPS for an allocation to ensure that the target for the vesting of this component is fair and reasonable to both shareholders and participants.</td></tr>
</table>

Pay mix

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

TGP

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

ANNUAL REVIEWS AND TGP INCREASES

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

STIs

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

EARNINGS POTENTIAL FOR STI

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

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

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

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

2021 STI PERFORMANCE MEASURES

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

Performance measure	Weighting	On-target performance	Stretch performance
Achievement of the Group’s HEBTPS target	50%	102.4* cents per share	115.1* cents per share
Growth in the Group’s EP	25%	25% of the three-year rolling average improvement in EP is included in the bonus pool.	
Achievement of operational efficiency targets	25%	Based on breed standards for day-old broiler chick production, as well as targets for the percentage of second-grade eggs sold at the egg packing stations, layer-type hen production efficiency and operating cost management. See further details in the operational targets section on page 76.	

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

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

HEBTPS targets

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

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

Operational targets

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

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

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

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

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

The 2021 weighting of the operational targets will be:

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

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

Remco discretion

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

Malus and clawback

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

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

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

LTIs

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

SAR

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

Rule changes approved at the February 2020 AGM

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

LTI allocation methodology

The SAR allocation levels are set out below:

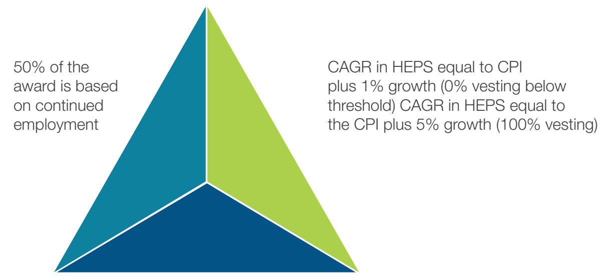
Position	SAR allocation level (as a multiple of TGP)
CEO	7
CFO and executives	3
Senior management	1

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

Vesting profile, performance period and conditions for vesting

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

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



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

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

Settlement

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

Dilution limit

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

Early termination

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

Malus and clawback

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

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

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

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

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

NON-EXECUTIVE DIRECTORS' FEES

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

The table below sets out the fees approved by shareholders at the February 2020 AGM and the fees that will be proposed to shareholders at the February 2021 AGM.

	Fees from 1 April 2021 Rand (exclusive of VAT)	Fees from 1 April 2020 until 31 March 2021 Rand (exclusive of VAT)
Chairman of the Board	**374 260**	359 000
Lead independent director	**321 100**	308 000
Committee chairman	**64 220**	61 600
Committee member	**59 420**	57 000
Board member (not serving on a committee)	**266 150**	255 300

SHAREHOLDER ENGAGEMENT METHODS

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

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

Implementation of the remuneration policy in 2020

TGP

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

STI OUTCOMES

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

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

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

	Weighting %	Target performance	Stretch performance	Actual performance	Actual achievement (% of measure)	STI outcome (% of STI)
Group and SA operations HEBTPS	**50%**	**110.0 cents**	**123.3 cents**	**118.9 cents**	**66.6**	**33.3**
EP	**25%**			**Three year rolling average improvement is R23.4 million**	**90.6**	**22.6**
Operational efficiency	**25%**			**See page 79**	**75.0**	**18.8**
Total	**100%**					**74.7**

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

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

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

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

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

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

LTI OUTCOMES

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

2017 grant	Threshold	Stretch	Actual
Performance measure = Compound annual growth in adjusted HEPS	CPI plus 1% growth	**CPI plus 5% growth**	**CPI plus 43.8% growth**
2017 SAR allocation*	33.4 cents	**37.3 cents**	**92.3 cents****
Vesting (%)	0	**100**	**100**
Vesting date	23 February 2020		
Performance period	1 October 2016 to 30 September 2019		
Employment period	23 February 2017 to 23 February 2020		

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

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

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

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

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

LTIs granted during 2020

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

Unvested LTIs

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

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

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

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

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

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

Reconciliation of LTI

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

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

REMUNERATION OUTCOMES FOR 2020

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

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

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

NED FEES

The table below sets out the fees paid to NEDs:

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

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

Approval

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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Directors' responsibility

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

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

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

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

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

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

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

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

NOTICE IN TERMS OF SECTION 29 OF THE COMPANIES ACT

The summary consolidated financial statements comprise a summary of the audited annual financial statements of the Group for the year ended 30 September 2020. The annual financial statements have been audited in compliance with the Companies Act. The annual financial statements have been prepared under the supervision of AH Muller, CA(SA), chief financial officer of the Company. A copy of the full audited annual financial statements of the Group is available on www.quantumfoods.co.za/financial-reports/

COMPANY SECRETARY CERTIFICATE

In accordance with section 88 of the Companies Act, for the year ended 30 September 2020, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

MO Gibbons
Company Secretary

25 November 2020

Audit and risk committee report

The audit and risk committee ("the committee") is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act, the JSE Listings Requirements and responsibilities highlighted in King IV.

Audit and risk committee charter

The committee is guided by formal terms of reference. An annual work plan serves as a guideline for the committee in the execution of its mandate. Both the charter and work plan are reviewed annually and amended as necessary.

The committee's role and responsibilities outlined in the charter include both the statutory duties and responsibilities as required by the relevant provisions of the Companies Act, JSE Listings Requirements as well as those highlighted in King IV.

Members of the audit and risk committee

As at 30 September 2020, the committee comprised three independent non-executive directors namely, Prof. ASM Karaan, Mr. GG Fortuin and Mr. LW Riddle.

These members will retire and avail themselves for election or re-election at the seventh AGM of the Company in terms of section 94(2) of the Companies Act. All members are required to act objectively and independently, as described in the Companies Act and in King IV.

The chairman of the Board, Group chief executive officer and the chief financial officer are permanent invitees to the committee meetings. In addition, relevant senior managers are invited to attend meetings from time to time. The company secretary is the statutory secretary of the committee. The internal and external auditors attend the relevant meetings of the committee.

Meetings

The committee held three meetings during the year. Attendance of the meetings are shown on page 60 of this integrated report. The internal and external auditors attended the committee meetings in their capacity as assurance providers.

Functions and responsibilities of the committee

During the period under review, the committee was able to discharge the following functions outlined in its charter and ascribed to it in terms of the Companies Act, JSE Listings Requirements and King IV:

- Reviewed the interim, provisional and summary results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - Took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act.
  - Considered and, when appropriate, made recommendations on internal financial controls.
  - Ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, No. 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.
  - Considered the solvency and liquidity requirement of the Companies Act in recommending proposed dividends to the Board.
- Reviewed the external audit reports on the consolidated annual financial statements.
- Reviewed the reports issued by the JSE on the proactive monitoring of financial statements.
- Oversaw the integrated reporting process. The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.
- Reviewed and confirmed that the non-audit services provided by the external auditors were not material. Any non-audit services to be performed above R500 000 must be approved by the committee.
- Reviewed and confirmed the suitability and independence of PwC as audit firm and Mr. RJ Jacobs as the designated auditor of the Group as contemplated in paragraph 3.84(g)(iii) read with paragraph 22.15(h) of the JSE Listings Requirements.
- Recommended the re-appointment of PwC as the external auditor and Mr. RJ Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 94(8) of the Companies Act. 2021 will be Mr. RJ Jacobs' third year as designated auditor of the Company. The re-appointment of PwC as the recommended external auditor will be formally proposed to the shareholders at the AGM.

- Confirmed that PwC and the designated auditor are accredited by the JSE.
- Approved the external auditors fees and terms of engagement.
- Approved the agreement with the external auditors for the provision of non-audit services.
- Confirmed and approved the internal audit charter and annual risk based internal audit year plan.
- Reviewed the internal audit risk reports and fraud hotline reports.
- Reviewed and approved the risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.
- Provided oversight over the IT governance of the Group.
- Provided oversight over the combined assurance arrangements, including the external and internal auditors and satisfied itself of the effectiveness of the combined assurance model implemented by the Group.
- Reviewed the effectiveness of the internal audit function and the head of internal audit.

The committee is satisfied that sufficient time was dedicated to risk governance and that it discharged its responsibilities as set out in the charter and work plan for the period under review.

The committee is satisfied with the assurance of the internal and external auditors, with the effectiveness of the design and implementation of internal financial controls. There were no significant weaknesses noted which resulted or could result in material financial loss, fraud, corruption or error.

Internal audit

The internal audit function is a key element of the combined assurance structure. The Group outsourced its internal audit function to Deloitte & Touche. The committee was satisfied that the internal auditor fulfilled its roles and responsibilities, as outlined in the charter and the assessment of the internal control environment.

Chief financial officer and finance function

The committee considered and satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements with the appropriateness of the expertise and experience of Mr. AH Muller as chief financial officer.

In addition, the committee considered and has satisfied itself with the appropriateness of the expertise and adequacy of resources of the financial function and experience of senior members of management responsible for the financial function.

The committee has ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating satisfactory.

Significant audit matters and quality of external audit

The committee considered and resolved that the key audit matters reported on by the external auditors are the only significant matters required for consideration of the annual financial statements. The committee is satisfied that the key audit matters reported on by the external auditors have been appropriately addressed. The committee was satisfied with the quality of the external audit.

Going concern

The committee has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Group and has made recommendations to the Board accordingly.

The Board's statement regarding the going concern status of the Group, as supported by the committee, is included in the directors' responsibility report on page 84.

Mr. GG Fortuin
Chairman: Audit and risk committee

Wellington
25 November 2020

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 88 to 100 of the Quantum Foods integrated report 2020, which comprise the summary consolidated statement of financial position as at 30 September 2020, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Quantum Foods Holdings Limited for the year ended 30 September 2020.

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

Summary consolidated financial statements

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

The audited consolidated financial statements and our report thereon

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

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act as applicable to summary financial statements.

Auditor's responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RJ Jacobs
Registered Auditor

Stellenbosch
25 November 2020

Summary consolidated statement of financial position

as at 30 September 2020

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

Summary consolidated statement of comprehensive income

for the year ended 30 September 2020

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

Summary consolidated statement of changes in equity

for the year ended 30 September 2020

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

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

Summary consolidated statement of cash flows

for the year ended 30 September 2020

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

Notes to the summary consolidated financial statements

for the year ended 30 September 2020

Segmental analysis	2020 R'000	2019 R'000
SEGMENT INFORMATION		
Segment revenue	**5 095 085**	4 417 674
Eggs	**1 229 592**	1 095 195
Farming	**1 350 043**	1 325 152
Animal feeds	**2 237 071**	1 758 627
Other African countries	**278 379**	238 700
Segment results – excluding items of a capital nature	**219 556**	244 611
Eggs	**6 254**	38 341
Farming	**121 505**	112 087
Animal feeds	**99 288**	89 100
Other African countries	**5 899**	14 226
Head office costs	**(13 390)**	(9 143)
Items of a capital nature per segment included in other gains/(losses) – net		
(Loss)/profit on disposal of property, plant and equipment before income tax	**(1 088)**	622
Eggs	**(1)**	(96)
Farming	**(267)**	1 053
Animal feeds	**(989)**	(426)
Other African countries	**169**	91
Segment results	**218 468**	245 233
Eggs	**6 253**	38 245
Farming	**121 238**	113 140
Animal feeds	**98 299**	88 674
Other African countries	**6 068**	14 317
Head office costs	**(13 390)**	(9 143)
A reconciliation of the segment results to operating profit before income tax is provided below:		
Segment results	**218 468**	245 233
Adjusted for:		
Investment income	**6 010**	15 102
Finance costs	**(8 579)**	(3 959)
Share of (loss)/profit of associate companies	**(432)**	209
Profit before income tax per statement of comprehensive income	**215 467**	256 585

1. BASIS OF PREPARATION

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

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

(a) New and amended standards adopted by the Group

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

(a) Adjustments recognised on adoption of IFRS 16

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

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

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2020

2. CHANGES IN ACCOUNTING POLICIES (continued)

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

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

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

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

	30 September 2020 R'000	1 October 2019 R'000
Land and buildings	**22 849**	21 817
Plant, machinery and equipment	**8 600**	16 149
Vehicles	**26 460**	29 581
Total right-of-use assets	**57 909**	67 547

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)	30 September 2019 As originally presented R'000	IFRS 16 impact R'000	1 October 2019 R'000
ASSETS			
Non-current assets	1 181 521	62 023	1 243 544
Property, plant and equipment	1 160 768	(5 524)	1 155 244
Right-of-use assets	–	67 547	67 547
Total assets	2 514 329	62 023	2 576 352
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent	1 837 412	(9 864)	1 827 548
Retained earnings	606 722	(9 864)	596 858
Non-current liabilities	256 790	51 786	308 576
Interest-bearing liability	6 021	(6 021)	–
Lease liability	–	61 906	61 906
Deferred income tax	242 843	(4 099)	238 744
Current liabilities	420 127	20 101	440 228
Trade and other payables	420 019	(361)	419 658
Interest-bearing liability	108	(108)	–
Lease liability	–	20 570	20 570
Total liabilities	676 917	71 887	748 804
Total equity and liabilities	2 514 329	62 023	2 576 352

No impact on the statement of comprehensive income.

(i) Impact on segment disclosures and earnings per share

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

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

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

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2020

2. CHANGES IN ACCOUNTING POLICIES (continued)

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

(ii) Practical expedients applied

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

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

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

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

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments

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

(ii) Extension and termination options

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

Critical judgements in determining the lease term

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

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2020

	30 September 2020 R'000	30 September 2019 R'000
3. REVENUE		
Disaggregation of revenue from contracts with customers:		
Revenue		
Eggs	**1 229 592**	1 095 195
Layer farming*	**237 671**	197 058
Broiler farming**	**1 112 372**	1 128 094
Animal feeds	**2 237 071**	1 758 627
Zambia***	**157 626**	144 538
Uganda***	**67 329**	48 966
Mozambique****	**53 424**	45 196
	5 095 085	4 417 674

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

	30 September 2020 R'000	30 September 2019 R'000
4. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	**70 265**	105 091
Unrealised – reflected in carrying amount of biological assets	**(4 598)**	790
Realised – reflected in cost of goods sold	**74 863**	104 301
Agricultural produce fair value adjustment	**25 813**	40 015
Unrealised – reflected in carrying amount of inventory	**248**	(2 891)
Realised – reflected in cost of goods sold	**25 565**	42 906
Foreign exchange differences	**(64)**	339
Financial instruments fair value adjustments	**(33)**	3 003
Foreign exchange contract cash flow hedging ineffective (loss)/gain	**(2 393)**	447
(Loss)/profit on disposal of property, plant and equipment	**(1 088)**	622
	92 500	149 517

	30 September 2020 R'000	30 September 2019 R'000
5. EARNINGS PER ORDINARY SHARE		
Basic		
The calculation of basic earnings per share is based on profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	**154 899**	189 195
Weighted average number of ordinary shares in issue ('000)	**193 291**	204 298
Diluted		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive contingent ordinary shares. Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share.		
The calculation of diluted earnings per share is based on profit for the year, attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	**154 899**	189 195
Diluted weighted average number of ordinary shares in issue ('000)	**199 653**	207 185
Headline earnings is calculated in accordance with Circular 1/2019 issued by SAICA.		
Reconciliation between profit attributable to owners of the parent and headline earnings		
Profit for the year	**154 899**	189 195
Remeasurement of items of a capital nature		
Loss/(profit) on disposal of property, plant and equipment	**752**	(554)
Gross	**1 088**	(622)
Tax effect	**(336)**	68
Headline earnings for the year	**155 651**	188 641
Earnings per share (cents)	**80.1**	92.6
Diluted earnings per share (cents)	**77.6**	91.3
Headline earnings per share (cents)	**80.5**	92.3
Diluted headline earnings per share (cents)	**78.0**	91.0
6. CONTINGENT LIABILITIES		
Guarantees in terms of loans by third parties to contracted service providers	**23 231**	23 861
No litigation matters with potential material consequences exist at the reporting date.		

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2020

7. FUTURE CAPITAL COMMITMENTS

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

8. EVENTS AFTER THE REPORTING PERIOD

Dividend

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

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

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

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

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

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

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

9. PREPARATION OF FINANCIAL STATEMENTS

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

10. AUDIT

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

CORPORATE INFORMATION

Quantum Foods Holdings Ltd

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

Directors

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

* *Executive.*

Company secretary

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

Company details

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

Transfer secretaries

Computershare Investor Services (Pty) Ltd
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)
Ground Floor
17 Fricker Road
Illovo 2196
Tel: 011 550 5000
Fax: 011 550 5002

Auditor

PricewaterhouseCoopers Inc.

Website address

www.quantumfoods.co.za

SHAREHOLDERS' DIARY

Financial year-end	30 September 2020
Annual general meeting	19 February 2021

REPORTS

Interim report for the half-year ending 31 March 2021	May 2021
Announcement of results for the year ending 30 September 2021	November 2021
Integrated report for the year ending 30 September 2021	December 2021

DIVIDENDS

Interim	Announcement	May 2021
	Payment	June 2021
Final	Announcement	November 2021
	Payment	January 2022

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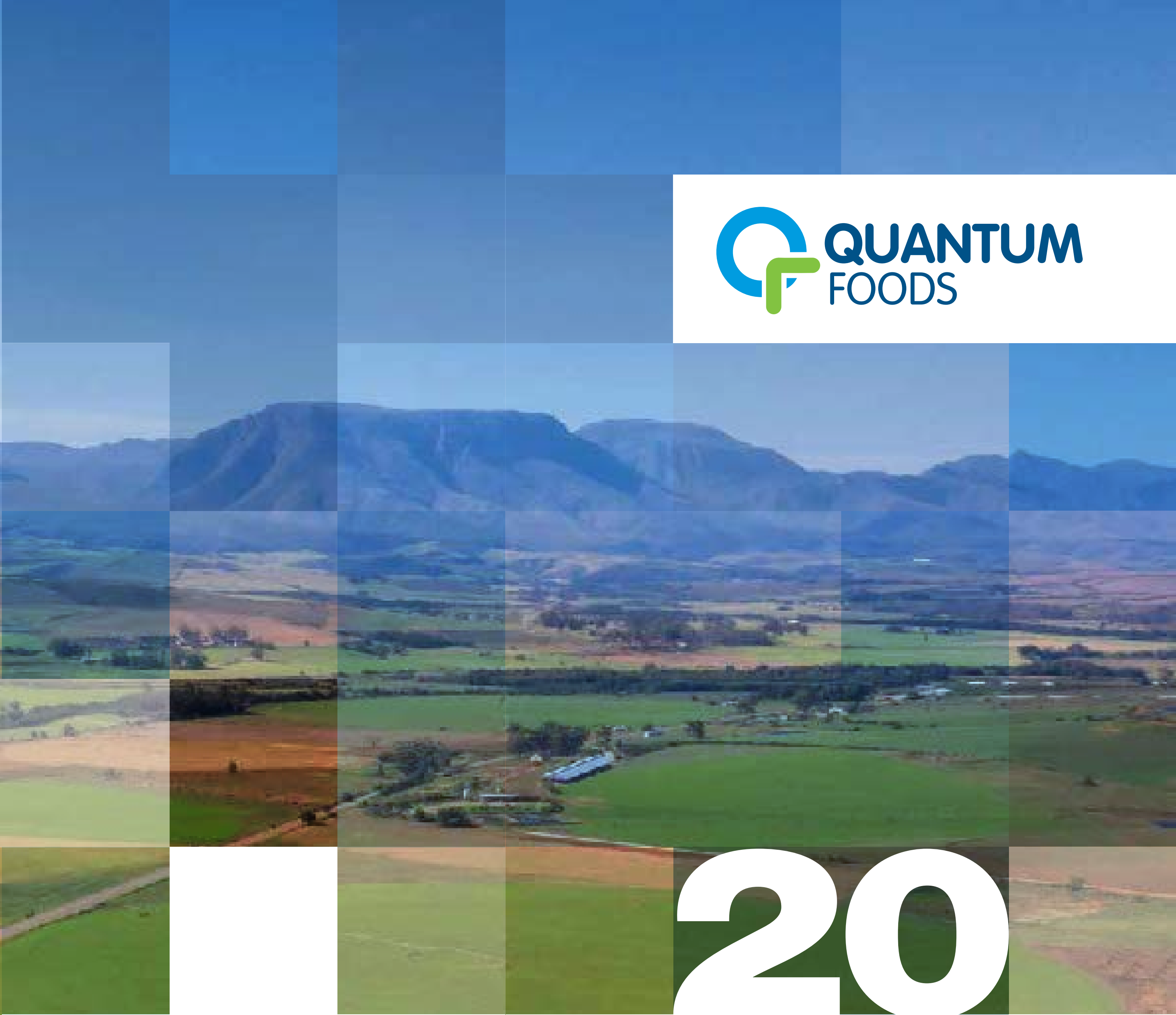
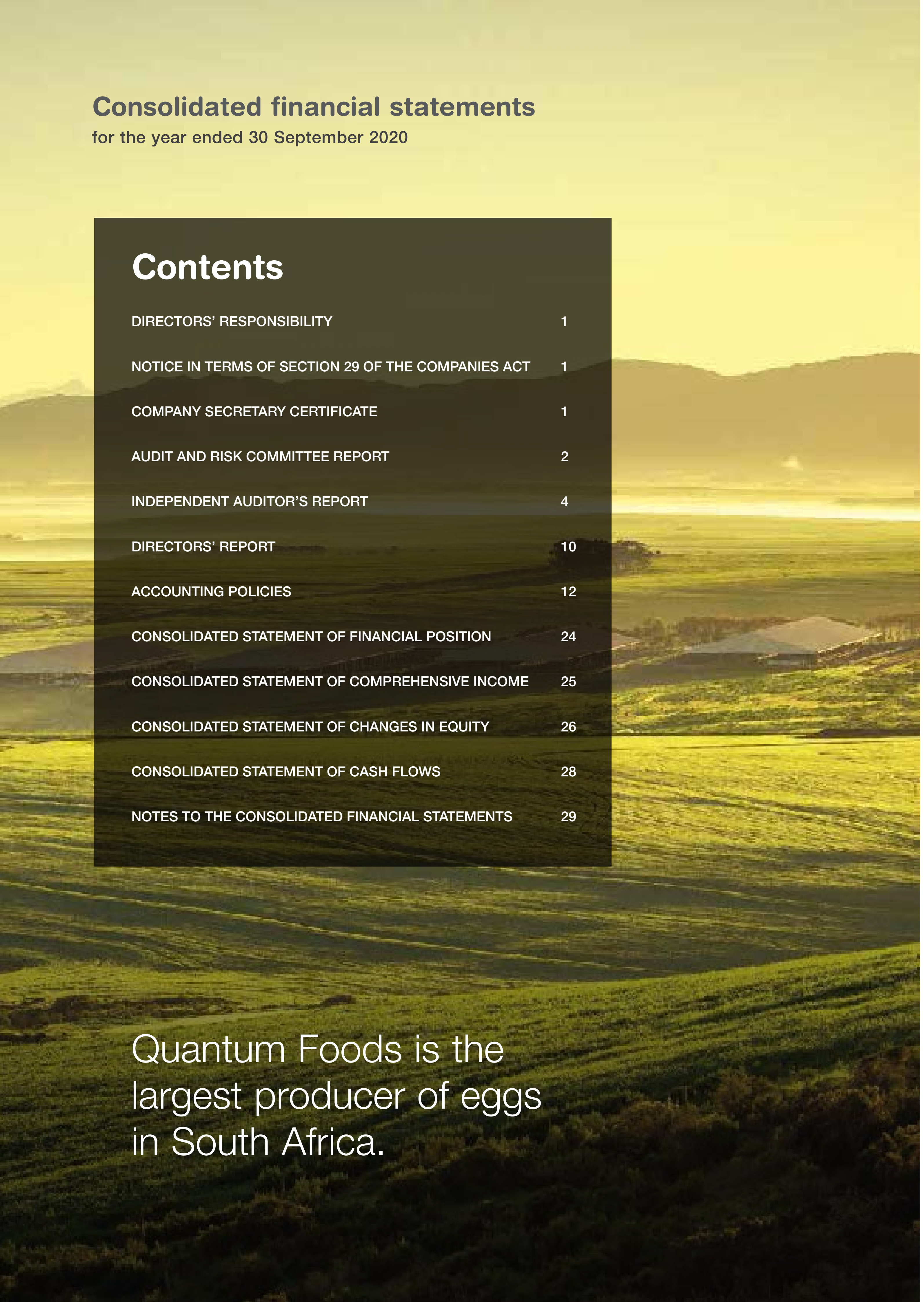
QUANTUM FOODS



2020

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2020



Consolidated financial statements

for the year ended 30 September 2020

Contents

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

Directors’ responsibility

In accordance with the requirements of the Companies Act, No. 71 of 2008, as amended (“Companies Act”), the board of directors (“Board”) is responsible for the preparation of the annual financial statements and the consolidated annual financial statements of Quantum Foods Holdings Ltd (“Quantum Foods” or the “Company”). These conform to International Financial Reporting Standards (“IFRS”) and fairly present the financial position, changes in equity, results of operations and cash flows of Quantum Foods and its subsidiaries (the “Group”) at the reporting date.

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

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

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

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

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

The annual financial statements which appear on pages 2 to 68 were approved by the Board on 25 November 2020 and are signed on its behalf by:

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

Notice in terms of section 29 of the Companies Act

These annual financial statements have been audited in compliance with the Companies Act. These annual financial statements have been prepared under the supervision of Mr. AH Muller, CA(SA), chief financial officer.

Company Secretary certificate

In accordance with section 88 of the Companies Act, for the year ended 30 September 2020, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

MO Gibbons
Company Secretary

Audit and risk committee report

The audit and risk committee ("ARC" or "the committee") is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act, the JSE Ltd ("JSE") Listings Requirements ("Listings Requirements") and responsibilities highlighted in the King IV Report on Corporate Governance™ for South Africa, 2016[1] ("King IV").

AUDIT AND RISK COMMITTEE CHARTER

The committee is guided by formal terms of reference. An annual work plan serves as a guideline for the committee in the execution of its mandate. Both the charter and work plan are reviewed annually and amended as necessary.

The committee's role and responsibilities outlined in the charter include both the statutory duties and responsibilities as required by the relevant provisions of the Companies Act, Listings Requirements, as well as those highlighted in King IV.

MEMBERS OF THE AUDIT AND RISK COMMITTEE

As at 30 September 2020, the committee comprised three independent non-executive directors namely, Prof. ASM Karaan, Mr. GG Fortuin and Mr. LW Riddle.

These members will retire and avail themselves for election or re-election at the seventh annual general meeting ("AGM") of the Company in terms of section 94(2) of the Companies Act. All members are required to act objectively and independently, as described in the Companies Act and in King IV.

The chairman of the Board, Group chief executive officer ("CEO") and the chief financial officer ("CFO") are permanent invitees to the committee meetings. In addition, relevant senior managers are invited to attend meetings from time to time. The company secretary is the statutory secretary of the committee. The internal and external auditors attend the relevant meetings of the committee.

MEETINGS

The committee held three meetings during the year. Attendance of the meetings was as follows:

	Status	ARC
WA Hanekom	Chairman, independent non-executive	3/3^
PE Burton*	Lead independent non-executive director	3/3
Prof. ASM Karaan	Lead independent non-executive director	3/3
GG Fortuin	Independent non-executive director	3/3
HA Lourens	CEO	3/3^
AH Muller	CFO	3/3^

^ *WA Hanekom, HA Lourens and AH Muller attended the ARC meetings as invitees.*

* *PE Burton resigned as a director and member of the ARC on 17 August 2020.*

The internal and external auditors attended the committee meetings in their capacity as assurance providers.

FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

During the period under review, the committee was able to discharge the following functions outlined in its charter and ascribed to it in terms of the Companies Act, Listings Requirements and King IV:

- Reviewed the interim, provisional and summary results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - Took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act.
  - Considered and, when appropriate, made recommendations on internal financial controls.
  - Ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, Act 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.
  - Considered the solvency and liquidity requirement of the Companies Act in recommending a proposed dividend to the Board.
- Reviewed the external audit reports on the consolidated annual financial statements.
- Reviewed the reports issued by the JSE on the proactive monitoring of financial statements.
- Oversaw the integrated reporting process. The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.
- Reviewed and confirmed that the non-audit services provided by the external auditor were not material. Any non-audit services to be performed above R500 000 must be approved by the committee.

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

- Reviewed and confirmed the suitability for re-appointment and independence of PricewaterhouseCoopers Inc. ("PwC") as the audit firm and Mr. RJ Jacobs as the designated auditor of the Group in accordance with paragraph 22.15(h) of the Listings Requirements.
- Recommended the re-appointment of PwC as the external auditor and Mr. RJ Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 49(8) of the Companies Act. 2021 will be Mr. RJ Jacobs's third year as the designated auditor of the Company. The re-appointment of PwC as the recommended external auditor will be formally proposed to the shareholders at the AGM.
- Confirmed that PwC and the designated auditor are accredited by the JSE.
- Approved the external auditor's fees and terms of engagement.
- Approved the agreement with the external auditor for the provision of non-audit services.
- Confirmed and approved the internal audit charter and annual risk-based internal audit year plan.
- Reviewed the internal audit risk reports and fraud hotline reports.
- Reviewed and approved the risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.
- Provided oversight over the combined assurance arrangements, including the external and internal auditors and satisfied itself of the effectiveness of the combined assurance model implemented by the Group.
- Reviewed the effectiveness of the internal audit function and the head of internal audit.

The committee is satisfied that sufficient time was dedicated to risk governance and that it discharged its responsibilities as set out in the charter and work plan for the period under review.

The committee is satisfied with the assurance of the internal and external auditors, with the effectiveness of the design and implementation of internal financial controls. There were no significant weaknesses noted which resulted or could result in material financial loss, fraud, corruption or error.

INTERNAL AUDIT

The internal audit function is a key element of the combined assurance structure. The Group outsourced its internal audit function to Deloitte & Touche. The committee was satisfied that the internal auditor fulfilled its roles and responsibilities, as outlined in the charter and the assessment of the internal control environment.

CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee considered and satisfied itself in terms of paragraph 3.84(g)(i) of the Listings Requirements with the appropriateness of the expertise and experience of Mr. AH Muller as CFO.

In addition, the committee considered and has satisfied itself with the appropriateness of the expertise and adequacy of resources of the finance function and experience of senior members of management responsible for the finance function.

The committee has ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating satisfactorily.

SIGNIFICANT AUDIT MATTERS AND QUALITY OF EXTERNAL AUDIT

The committee considered and resolved that the key audit matters reported on by the external auditor are the only significant matters required for consideration of the annual financial statements. The committee is satisfied that the key audit matters reported on by the external auditor have been appropriately addressed. The committee was satisfied with the quality of the external audit.

GOING CONCERN

The committee has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Group and has made recommendations to the Board accordingly. The Board's statement regarding the going concern status of the Group, as supported by the committee, is included in the directors' responsibility report on page 1.

GG Fortuin
Chairman: audit and risk committee

Wellington
25 November 2020

Independent auditor's report

To the Shareholders of Quantum Foods Holdings Ltd

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Quantum Foods Holdings Ltd ("the Company") and its subsidiaries (together "the Group") as at 30 September 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Quantum Foods Holdings Ltd's consolidated and separate financial statements set out on pages 12 to 68 comprise:

- the consolidated and company statements of financial position as at 30 September 2020;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

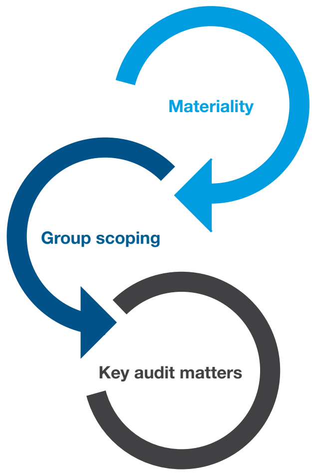
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Our audit approach

Overview



Overall Group materiality

R12 780 000, which represents 5% of the five-year average consolidated profit before income tax.

Group audit scope

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and equity accounted associates. Full scope audits were performed on Quantum Foods (Pty) Ltd due to its financial significance, and the ultimate parent company (Quantum Foods Holdings Ltd) and a subsidiary of the Group, Philadelphia Chick Breeders (Pty) Ltd, due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

Key audit matters

- Valuation of biological assets; and
- Impairment considerations.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	R12 780 000
How we determined it	5% of the five-year average consolidated profit before income tax
Rationale for the materiality benchmark applied	**We chose consolidated profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We used a five-year average consolidated profit before income tax figure to take into account the cyclical nature of Group profits. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.**

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and equity accounted associates (together "the components"). Quantum Foods (Pty) Ltd, the subsidiary in which most of the Group's trading operations take place, is the only financially significant component in the Group. All other components are considered financially insignificant.

In order to ensure sufficient work was performed over material line items in the consolidated financial statements, a full scope audit was performed on Quantum Foods (Pty) Ltd due to its financial significance. We also performed full scope audits on the ultimate parent company (Quantum Foods Holdings Ltd) and a subsidiary of the Group (Philadelphia Chick Breeders (Pty) Ltd) due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

The above, together with additional procedures performed at the Group level, including substantive procedures over the consolidation process, provided us with sufficient and appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of biological assets The biological assets of the Group consist of livestock. Livestock comprise poultry, which includes broiler and layer stock. Broiler stock includes breeding stock, day-old chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old chicks and hatching eggs. These assets are measured at fair value less cost to sell. At year-end the carrying value of the Group's biological assets was R355 million (refer to note 8 to the consolidated financial statements). Biological assets are measured at the end of each reporting period at fair value less cost to sell (refer to note 7 of the accounting policies). Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. In determining the fair value, management used unobservable inputs as disclosed in note 38.3 to the consolidated financial statements. The valuation of biological assets was considered to be a matter of most significance to the current year audit due to the magnitude of the biological asset balance in relation to the consolidated financial statements as a whole and the degree of estimation applied by management in determining the fair value of the biological assets. This key audit matter relates to the consolidated financial statements. **Impairment consideration** As at 30 September 2020, the net asset value of the Group exceeded its market capitalisation. This is an indicator of possible impairment. In terms of the applicable accounting standards, management was required to perform impairment tests for the underlying assets of the cash-generating units ("CGUs") of the Group, as well as the corresponding carrying value of the investment in subsidiary at a Company level. In their impairment assessment, management identified three CGUs within the Group for which impairment tests were performed, namely the feeds business, the layers business and the broiler business. In determining the recoverable amount of the CGUs, management used value-in-use calculations for the feeds and broiler business and fair value less cost to sell for the layer business. To determine the value-in-use, management used the budget as approved by the Board to determine future cash flows for the CGUs. These cash flows were then discounted using the CGUs weighted average cost of capital determined using the capital asset pricing model. The fair value less cost to sell used by management is based on valuation reports by an independent external valuation expert. Management based their fair value assessment on the property valuations performed on all material properties in the 2020 financial year. Fair values for all properties that were previously valued were determined based on valuations performed in prior years and, with the assistance of their expert, adjusted for changes in assumptions in the current year.	Through discussion with management, we obtained an understanding of management's valuation approach, including the identification of unobservable inputs used and estimates applied. We found management's approach to the valuation and the estimates applied to be consistent with those of the prior year. We obtained management's valuation of livestock which included the quantities and values of all livestock, and tested the mathematical accuracy of the valuation. No material exceptions were noted. We performed the following procedures over the quantities used in the valuation: • We obtained an understanding and tested controls relating to the safeguarding of livestock; • On a sample basis, we physically inspected livestock to assess the accuracy of the quantities used in the valuation and noted no exceptions; and • For livestock in the custody of third parties, we obtained confirmations of the quantities held directly from third parties, noting no exceptions. In addition, we tested the unobservable inputs used by management in determining the value of livestock as follows: • The market prices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds used in management's calculations were agreed to a sample of sales invoices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds in the market close to year-end and we noted no exceptions; and • The age of biological assets, at the different stages in the life cycle, used in management's year-end calculations were agreed to a sample of internal transfer documents. No exceptions were noted. Our audit addressed the key audit matter as follows: **Value-in-use calculations:** We tested the mathematical accuracy of the calculation in the model used for each CGU and found no differences. We tested key assumptions in the calculations prepared by management with reference to the Board approved budget and market data, which included data external to the Group. In our assessment, we considered the impact of the COVID-19 pandemic on the market data used and noted no material inconsistencies. We utilised our valuation expertise to consider the appropriateness of the discount rate used by management. We independently calculated a discount rate and compared that to the discount rate calculated by management and found management's rate to be within an acceptable range of our independently calculated rate. In addition to the testing of inputs described above, we assessed management's future cash flows by considering the historical accuracy with which management set the budgets. The actual results for the current year was compared to the budget as approved by the Board for that period. No significant variances were noted. In addition, we held discussions with management and inspected relevant documentation in order to assess the potential impact of COVID-19 and noted no aspects in this regard requiring further consideration.

Key audit matters	How our audit addressed the key audit matters
Impairment consideration (continued) Management's impairment tests performed indicated that the recoverable amounts of these CGUs are higher than the carrying values of both the CGUs and the investment in subsidiary, resulting in no impairment. We considered impairment considerations to be a matter of most significance to our current year audit due to the judgement involved in management's impairment tests. The disclosure of impairment tests is included in notes 2 and 5 to the consolidated financial statements. The key audit matter relates to the consolidated and separate financial statements.	**Value-in-use calculations:** (continued) We performed independent sensitivity calculations on the impairment tests prepared by management, to assess the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed the results of our calculations with management and based on the evidence obtained we accepted management's key assumptions. **Fair value less cost to sell calculation:** For the CGU where the fair value less cost to sell method was used, we assessed the professional competence, objectivity, independence and capabilities of management's expert and the adequacy of the work performed. The assessment was performed with reference to the curriculum vitae of the management's expert and discussions held, specifically assessing the expert's qualifications, registration with various valuation institutes and extensive work experience. Based on the assessment performed, the engagement team did not note any aspects in this regard requiring further consideration. For a sample of land, buildings and equipment of the Group used in the valuation, we agreed the assets to the fixed asset register. No exceptions were noted. We performed the following procedures in relation to management's fair value assessment: • We discussed with management's expert the methodology and assumptions used in determining the fair value for the current year. • We agreed the prior year assumptions as per the expert's current year report to the prior year assumptions as contained in the expert's prior year report. We also assessed the appropriateness of the adjustments made to the prior year assumptions in the current year report against various market indicators. We obtained and inspected the updated valuation report prepared by management's expert and noted the fair value contained therein. We performed independent sensitivity calculations on the valuation performed by management's expert. Based on these calculations we identified that there was headroom available between the recoverable amount and the net asset value of the CGU. **Investment in subsidiary:** We also compared the carrying value of the investment in the subsidiary to the recoverable amount of the underlying subsidiary that was tested by us in the impairment assessment of the CGUs. We noted that the recoverable amount exceeds the carrying value of the investment.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Quantum Foods Holdings Ltd Annual financial statements for the year ended 30 September 2020*" which includes the Directors' report, the Audit and risk committee report and the Company secretary certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "*Quantum Foods Integrated report 2020*", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Quantum Foods Holdings Ltd for 7 years. The business of Quantum Foods Holdings Ltd was previously transacted through Pioneer Food Group Ltd after the merger of Sasko (Pty) Ltd and Bokomo (Pty) Ltd in 1997, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 51 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: R Jacobs
Registered Auditor

Stellenbosch
25 November 2020

Directors' report

for the year ended 30 September 2020

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Quantum Foods Holdings Ltd (incorporated in South Africa) and its subsidiaries is a diversified feeds and poultry business providing quality animal protein to selected South African and African markets.

Registered office – 11 Main Road, Wellington, 7655.

2. FINANCIAL RESULTS

The annual financial statements on pages 12 to 68 set out fully the Group's financial position, financial performance and the cash flows for the year ended 30 September 2020.

3. SHARE CAPITAL

The authorised share capital consists of 400 000 000 (2019: 400 000 000) ordinary no par value shares. At year-end 200 024 716 (2019: 200 024 716) ordinary shares were in issue.

During the reporting period nil (2019: 10 505 000) ordinary shares were repurchased by the Company and cancelled.

During the reporting period a subsidiary acquired treasury shares. This subsidiary held 5 761 455 (2019: 7 107 946) ordinary shares at year-end. During the reporting period 2 643 138 (2019: 1 309 899) treasury shares were utilised to settle obligations in terms of the share appreciation rights scheme of the Group.

4. DIVIDENDS

A final gross cash dividend of 10.0 cents (2019: 25.0 cents) per ordinary share was declared. This is in addition to the interim gross cash dividend of 6.0 cents (2019: 8.0 cents) per ordinary share declared.

5. DIRECTORS

The directors of the Company are responsible for the activities and reports related to the Group. The Board comprises:

- Wouter André Hanekom – chairman
- Norman Celliers (resigned 19 June 2020)
- Hendrik Albertus Lourens
- André Hugo Muller
- Prof. Abdus Salam Mohammad Karaan
- Patrick Ernest Burton (resigned 17 August 2020)
- Geoffrey George Fortuin
- Tanya Golden
- Larry Wilson Riddle (appointed 28 September 2020)

6. SPECIAL RESOLUTIONS PASSED – ANNUAL GENERAL MEETING OF SHAREHOLDERS ("AGM")

At the AGM held at Rhebokskloof Estate, Agter Paarl, Windmeul on Friday, 21 February 2020 at 11:00 the following special resolutions were passed by the Company:

Special resolution one, for approval of the remuneration payable by the Company to its non-executive directors for their services as directors for the period 1 April 2020 until the date of the next AGM, was passed.

Special resolution two, for approval of the general authority of the Board and the Company's subsidiaries, to repurchase any of the shares issued by the Company on the basis reflected in the special resolution, was passed.

Special resolution three, for approval of the general authority of the Board to grant direct and indirect financial assistance to any company forming part of the Company's group, including in the form of loans or the guaranteeing of their debts, was passed.

Special resolution four, for the approval of the general authority of the Board to provide financial assistance to any person, by way of a loan, guarantee, the provision of security or otherwise, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, was passed.

7. LITIGATION STATEMENT

Refer to note 34 (contingent liabilities) of the annual financial statements for details on the contingent liabilities. No litigation matters with potential material consequences exist at the reporting date.

8. EVENTS AFTER THE REPORTING PERIOD

Other than the matters raised in note 41 to the annual financial statements, no other events occurred after the reporting date that may have a material effect on the Group.

9. AUDITORS

PwC will continue to act as the external auditors of the Company in accordance with section 90(6) of the Companies Act. The resolution for the reappointment of PwC as auditors will be presented to shareholders for approval at the next AGM.

10. MATERIAL RISKS

Proactive risk management is essential for the effective implementation of the Group's strategy and to ensure Quantum Foods remains a competitive and sustainable business. Risk management improves operational effectiveness and enables improved value creation. The strategic risks identified by the Group can be viewed on https://quantumfoods.co.za/downloads/company-documents/material-risks.pdf.

11. COVID-19 PANDEMIC

Due to the COVID-19 pandemic, South Africa and some of the other countries the Group operates in, implemented severe restrictions to combat the spread of the virus during the reporting period. These measures taken by various governments have negatively affected economic activity. The Group, however, provides an essential service due to the nature of the Group's activities, and was impacted minimally and was able to operate throughout the lockdown period.

The impact of the COVID-19 pandemic has been considered throughout the financial statements specifically relating to items as mentioned in note 2, critical accounting estimates and judgements, to the financial statements. The COVID-19 pandemic had minimal impact on Quantum Foods' business and the financial statements.

Accounting policies

for the year ended 30 September 2020

1. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated annual financial statements of the Group have been prepared in accordance with, and comply with, IFRS and IFRS Interpretations Committee interpretations issued and effective at the time of preparing these financial statements, the Listings Requirements of the JSE Ltd and the requirements of the Companies Act. These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The consolidated annual financial statements are prepared on the historic cost convention, except for biological assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2 to the consolidated annual financial statements.

1.1 New and amended accounting standards adopted by the Group

The following standards and amendments have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2019:

- *IFRS 16 – Leases*
- *Interpretation 23 – Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies following the adoption of IFRS 16. This is disclosed in note 26 of the accounting policies. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

1.2 New and amended accounting standards and interpretations that are not yet effective and have not been early adopted by the Group

The following amendments are not yet effective and have not been early adopted by the Group (the effective dates stated below refer to financial reporting periods beginning on or after the stated dates):

- *Amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – the definition of material (effective 1 January 2020)*
- *Amendments to IFRS 3 Business Combinations – definition of a business (effective 1 January 2020)*

Impact of the above amendments on the Group's financial statements

The Group has considered all standards, interpretations and amendments that are in issue but not yet effective. Management has concluded that these standards do not have a significant impact on the Group's financial statements.

2. BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date in profit or loss.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intergroup transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the stand-alone financial statements of the holding Company, the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

Interest-free loans to subsidiaries, with no specific terms of repayment and with a definite intent not to demand repayment, are considered to be capital distributions to the subsidiary and are included in the carrying amount of the investment.

Associates

Associates are all entities over which the Group has significant influence, but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as part of the "share of profit of associate company" in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognised in profit or loss. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Common control reserve

IFRS 3 excludes from its scope business combinations between entities under common control. The Group has made the policy choice to apply predecessor accounting.

The principles of predecessor accounting are that no assets or liabilities are restated to their fair values. The Group incorporates predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity.

No new goodwill arises. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Differences on consolidation are included in the common control reserve in equity.

3. PROPERTY, PLANT AND EQUIPMENT

Land and buildings mainly comprise factories, farms, poultry houses, offices and silos. All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Land is not depreciated. Depreciation on buildings, poultry houses, machinery, vehicles, furniture and equipment are calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives.

The expected useful lives are as follows:

• Buildings	20 – 25 years
• Poultry houses	25 years
• Plant, machinery and equipment	3 – 30 years
• Vehicles	3 – 20 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amounts. These are included within other gains/(losses) – net in profit or loss.

4. INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill arising from a business combination is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Trademarks

Trademarks are shown at historical cost. Subsequently, these intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Trademarks have finite useful lives.

Trademarks with finite useful lives are amortised over their useful lives of between 5 and 25 years and assessed for impairment when there is an indication that the assets may be impaired.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between two and five years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use it
- There is an ability to use the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use the software product are available
- The expenditure attributable to the software product during its development can be reliably measured

Other development expenditure that does not meet the criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

5. IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets, other than goodwill, that have suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

6. FINANCIAL ASSETS

6.1 Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss ("FVPL")
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

6.2 Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

6.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal amounts and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its financial assets:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal amounts and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a financial asset that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

6.4 Impairment

The Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

7. BIOLOGICAL ASSETS

Biological assets consist of livestock. The presentation of biological assets as current or non-current assets depends on the nature of the biological assets. Livestock is a consumable asset and is presented as current assets. Biological assets of the Group include biological assets held at contract growers, as the Group retains ownership of these assets. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Changes in the measurement of fair value less cost to sell are included within other gains/(losses) – net in profit or loss for the period in which they arise.

All costs incurred in maintaining the assets are included within cost of sales in profit or loss for the period in which they arise. Fair values of livestock held for breeding, laying hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

Agricultural produce is the harvested product of the entity's biological assets and is measured at its fair value less cost to sell at the point of harvest. Such measurement is the cost at that date when transferring the harvested produce to inventory. Agricultural produce of the Group includes eggs from laying hens.

8. INVENTORIES

Inventories are valued at the lower of cost or net realisable value. Cost in each category is determined as follows:

- Raw material at actual cost on a weighted average cost basis
- Own manufactured products at direct raw material and labour cost plus an appropriate portion of production overheads, on a weighted average cost basis
- Consumable and trading stock at actual cost on a weighted average cost basis
- Eggs purchased are valued at actual cost on a weighted average cost basis

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials.

9. TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 to 45 days and, therefore, are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 9.

Other receivables consist mainly of prepayments, value-added tax receivable and other debtors. Other debtors' amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments.

Deposits held at call with banks and other short-term highly liquid investments are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. These deposits are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

11. SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds.

When any Group company purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the parent. The Group values treasury shares on the weighted average cost basis.

12. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the year-end reporting date.

13. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs in profit or loss.

14. TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

15. CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period comprises current and deferred income tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group considers right-of-use assets and lease liabilities separately in respect of the deferred tax consequences of leases within the scope of IFRS 16. At the inception of a lease, deferred taxes are recognised for temporary differences that arise between the tax base and carrying amount of right-of-use-assets and lease liabilities. Subsequent to initial recognition, deferred taxes are recognised when temporary differences arise.

16. REVENUE RECOGNITION

Revenue comprises the transaction price of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after elimination of sales within the Group.

Income is recognised as follows:

Sale of goods

Sales of goods comprise the sale of animal feed, livestock and agricultural produce (eggs). Contracts with the Group's customers contain a single performance obligation to deliver the goods ordered by the customer. The sale of goods is the only income included in revenue in profit or loss.

Sales of goods are recognised when control of the products have transferred, being when a Group entity has delivered products to the customer, the customer has accepted the inventory risk related to the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from sales is based on the price specified in the sales contracts, net of value-added tax, estimated rebates and discounts and an adjustment for expected returns at the time of sale. Contract terms and accumulated experience are used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as sales are made with credit terms (0 to 45 days) which are consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group currently accepts returns from customers for damaged goods as well as returns for sell by date goods from certain customers. Contract terms and accumulated experience are used to estimate and provide for the returns at the time of sale. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting period. The refund liability is recorded within trade and other receivables unless a separate obligation to settle the customer exist, in which case the liability is recorded within trade and other payables.

Sale of services

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided. The sale of services is included in other income in profit or loss. Sale of services includes rental income received.

17. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates ("the functional currency"). The consolidated financial statements are presented in South African Rand, which is the Group's functional and presentation currency.

Transactions and balances

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

All other foreign exchange gains and losses are presented in profit or loss within other gains and losses – net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences resulting from changes in amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of South African Rand are translated into South African Rand as follows:

- Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the reporting date.
- Income and expenditure included in profit or loss for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenditure are translated at the exchange rates prevailing at the dates of the transactions).
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities, and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

18. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE

As explained in note 1 above, the Group has changed its accounting policy for leases where the Group is a lessee. The new policy is described below, and the impact of the change in note 26 of the accounting policies.

The Group leases various farms, equipment, warehouses and delivery vehicles. Lease agreements are typically made for fixed periods of 2 to 5 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

Payments associated with short-term leases, variable lease payments not based on an index or a rate in (i) below, and leases of low-value (below R75 000) assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT equipment.

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments

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

(ii) Extension and termination options

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

Critical judgements in determining the lease term

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

18.1 Accounting policies applied until 30 September 2019

The Group has applied IFRS 16 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, were classified as finance leases. Finance leases were capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment was allocated between the liability and the finance charges.

The corresponding rental obligations, net of finance charges, were included in borrowings. The interest element of the finance cost was charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts were depreciated over the shorter of the lease term or the useful lives of the assets.

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor, were classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease was terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty was recognised as an expense in the period in which termination takes place.

The Group ensured that the following two requirements were met in order for an arrangement transacted by the Group to be classified as a lease:

- Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract, but rather implied
- The arrangement in substance conveys a right to use the asset

The Group's assessment of whether an arrangement contained a lease was made at the inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances.

18. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE (CONTINUED)

18.1 Accounting policies applied until 30 September 2019 (continued)

Operating leases (continued)

Where the Group concluded that it was impracticable to separate payments for the lease from other payments required by the arrangement:

- In the case of a finance lease, the Group recognised an asset and a liability at an amount equal to the fair value of the underlying asset. Subsequently, the liability was reduced as payments were made and an imputed finance charge on the liability was recognised using the Group's incremental borrowing rate of interest.
- In the case of an operating lease, all payments under the arrangement were treated as lease payments.

19. ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSOR

Operating leases

Operating lease assets are included in property, plant and equipment in the statement of financial position. These assets are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the period of the lease and included in other income in profit or loss. The Group did not make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

20. EMPLOYEE BENEFITS

Retirement scheme arrangements

The policy of the Group is to provide retirement benefits for all its South African employees in the form of a defined contribution plan. A defined contribution plan is a retirement scheme under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the retirement benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other long-term employee benefits

The Group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within other operating expenses in profit or loss.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits falling due more than 12 months after the year-end reporting date are discounted to present value using the effective interest rate method.

Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders, as well as other financial and non-financial performance measures, after certain adjustments. The Group recognises a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Leave pay

Annual leave entitlement is provided for over the period that the leave accrues. In terms of the Group's policy, employees are entitled to accumulate vested leave benefits not taken to a cap of 36 days. Any leave days vesting in excess of the cap are forfeited in the vesting month.

Leave may not be converted to cash except at termination of employment.

21. SHARE-BASED PAYMENTS

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share appreciation rights is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share appreciation rights that are expected to become exercisable. At each reporting date, the Group revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Benefits falling due more than 12 months after the year-end reporting date are discounted to present value using the effective interest rate method.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the share appreciation rights are exercised.

22. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either cash flow or fair value hedges.

At the inception of the hedge relationship, the Group documents the economic relationship between the hedging instruments and hedged items including whether changes in cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of various derivative instruments used for hedging purposes and detail on movements in the hedging reserve are disclosed in note 10 to the consolidated annual financial statements. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the reporting date and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months from this date. Trading derivatives are classified as current assets or liabilities.

Cash flow hedges that qualify for hedge accounting

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability;
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

Cash flow hedging instruments are mainly used to manage operational exposure to foreign exchange and commodity price risks. Financial instruments designated as cash flow hedges include commodity futures and foreign exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately within other gains or losses – net in profit or loss.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item (aligned forward element) is recognised within other gains or losses – net in profit or loss.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in profit or loss in the case of inventory or in depreciation in profit or loss in the case of property, plant and equipment, as the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to other gains or losses – net in profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss within other gains or losses – net.

23. DIVIDEND DISTRIBUTION

Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Board.

24. SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision-maker ("CODM"), this being the chief executive officer and chief financial officer of the Group, in order to allocate resources and assess performance and for which distinct financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The operating segments were identified and grouped together based mainly on the nature of their activities and the products offered by them.

25. AMORTISED COSTS

Finance costs and investment income are recognised on a time-proportion basis using the effective interest rate method. When determining the amortised cost amount of financial assets and liabilities, the Group reduces the carrying amount to the amount recoverable or payable, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and it continues unwinding the discount as accretions of discount. These accretions or unwinding of discount on financial assets and liabilities carried at amortised cost are included in "finance costs" or "investment income" in profit or loss.

26. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements.

As indicated in note 1.1 above, the Group has adopted IFRS 16 retrospectively from 1 October 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. The new accounting policies are disclosed in note 18 of the accounting policies.

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

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

(i) Measurement of lease liabilities

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

(ii) Measurement of right-of-use assets

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

(iii) Adjustments recognised in the statement of financial position on 1 October 2019

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

Consolidated statement of financial position (extract)

	30 September 2019 As originally presented R'000	IFRS 16 impact R'000	1 October 2019 R'000
ASSETS			
Non-current assets	1 181 521	62 023	1 243 544
Property, plant and equipment	1 160 768	(5 524)	1 155 244
Right-of-use assets	–	67 547	67 547
Total assets	2 514 329	62 023	2 576 352
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent	1 837 412	(9 864)	1 827 548
Retained earnings	606 722	(9 864)	596 858
Non-current liabilities	256 790	51 786	308 576
Interest-bearing liability	6 021	(6 021)	–
Lease liability	–	61 906	61 906
Deferred income tax	242 843	(4 099)	238 744
Current liabilities	420 127	20 101	440 228
Trade and other payables	420 019	(361)	419 658
Interest-bearing liability	108	(108)	–
Lease liability	–	20 570	20 570
Total liabilities	676 917	71 887	748 804
Total equity and liabilities	2 514 329	62 023	2 576 352

No impact on the statement of comprehensive income.

(iv) Practical expedients applied

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

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

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

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

Consolidated statement of financial position

as at 30 September 2020

	Notes	2020 R'000	2019 R'000
ASSETS			
Non-current assets		**1 222 063**	1 181 521
Property, plant and equipment	3	**1 140 282**	1 160 768
Right-of-use assets	4	**57 909**	–
Intangible assets	5	**5 832**	7 722
Investment in associates	6	**13 679**	8 998
Trade and other receivables	9	**4 035**	3 356
Deferred income tax	17	**326**	677
Current assets		**1 422 723**	1 332 808
Inventories	7	**297 872**	288 029
Biological assets	8	**354 511**	379 596
Trade and other receivables	9	**518 043**	433 280
Derivative financial instruments	10	**–**	4 658
Current income tax	31	**516**	7 651
Cash and cash equivalents	11	**251 781**	219 594
Total assets		**2 644 786**	2 514 329
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		**1 885 642**	1 837 412
Share capital	12	**1 465 069**	1 465 069
Treasury shares	12	**(19 338)**	(23 947)
Other reserves	14	**(85 089)**	(210 432)
Retained earnings		**525 000**	606 722
Total equity		**1 885 642**	1 837 412
Non-current liabilities		**283 597**	256 790
Interest-bearing liability	15	**–**	6 021
Lease liabilities	16	**53 692**	–
Deferred income tax	17	**221 475**	242 843
Provisions for other liabilities and charges	18	**8 430**	7 926
Current liabilities		**475 547**	420 127
Trade and other payables	19	**444 384**	420 019
Derivative financial instruments	10	**6**	–
Current income tax	31	**12 989**	–
Interest-bearing liability	15	**–**	108
Lease liabilities	16	**18 168**	–
Total liabilities		**759 144**	676 917
Total equity and liabilities		**2 644 786**	2 514 329

Consolidated statement of comprehensive income

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Revenue	20	**5 095 085**	4 417 674
Cost of sales		**(3 945 221)**	(3 395 377)
Gross profit		**1 149 864**	1 022 297
Other income	21	**10 655**	9 915
Other gains/(losses) – net	22	**92 500**	149 517
Sales and distribution costs		**(263 434)**	(251 995)
Marketing costs		**(13 941)**	(13 278)
Administrative expenses		**(140 610)**	(126 517)
Other operating expenses		**(616 566)**	(544 706)
Operating profit		**218 468**	245 233
Investment income	24	**6 010**	15 102
Finance costs	25	**(8 579)**	(3 959)
Share of (loss)/profit of associate companies	6	**(432)**	209
Profit before income tax		**215 467**	256 585
Income tax expense	26	**(60 568)**	(67 390)
Profit for the year		**154 899**	189 195
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		**(1 714)**	(1 227)
For the year		**41 349**	26 178
Deferred income tax effect		**1**	(1 426)
Current income tax effect		**(11 579)**	(5 903)
Realised to profit or loss		**(43 730)**	(27 883)
Deferred income tax effect		**1 427**	18
Current income tax effect		**10 818**	7 789
Movement in foreign currency translation reserve			
Currency translation differences		**(45 680)**	13 080
Total comprehensive income for the year		**107 505**	201 048
Profit for the year attributable to owners of the parent		**154 899**	189 195
Total comprehensive income for the year attributable to owners of the parent		**107 505**	201 048
Earnings per ordinary share (cents)	27	**80**	93
Diluted earnings per ordinary share (cents)	27	**78**	91

Consolidated statement of changes in equity

for the year ended 30 September 2020

	Share capital R'000	Treasury shares R'000	Common control reserve R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2019	1 465 069	(23 947)	(167 877)	6 545	(66 821)	17 721	(210 432)	606 722	1 837 412
Change in accounting policy*	–	–	–	–	–	–	–	(9 864)	(9 864)
Reserve reclassified to retained earnings	–	–	167 877	–	–	–	167 877	(167 877)	–
Comprehensive income:									
Profit for the year	–	–	–	–	–	–	–	154 899	154 899
Other comprehensive income for the year	–	–	–	(1 714)	(45 680)	–	(47 394)	–	(47 394)
Movement in foreign currency translation reserve	–	–	–	–	(45 680)	–	(45 680)	–	(45 680)
Cash flow hedging									
Fair value adjustments to cash flow hedging reserve									
For the year	–	–	–	41 349	–	–	41 349	–	41 349
Deferred income tax effect	–	–	–	1	–	–	1	–	1
Current income tax effect	–	–	–	(11 579)	–	–	(11 579)	–	(11 579)
Realised to profit or loss	–	–	–	(43 730)	–	–	(43 730)	–	(43 730)
Deferred income tax effect	–	–	–	1 427	–	–	1 427	–	1 427
Current income tax effect	–	–	–	10 818	–	–	10 818	–	10 818
Recognition of share-based payments	–	–	–	–	–	9 566	9 566	–	9 566
Deferred income tax on share-based payments	–	–	–	–	–	5 180	5 180	–	5 180
Dividends paid – final and interim net of treasury shares	–	–	–	–	–	–	–	(59 861)	(59 861)
Ordinary shares acquired by subsidiary	–	(4 296)	–	–	–	–	–	–	(4 296)
Ordinary shares transferred – share appreciation rights	–	8 905	–	–	–	(9 886)	(9 886)	981	–
Balance as at 30 September 2020	1 465 069	(19 338)	–	4 831	(112 501)	22 581	(85 089)	525 000	1 885 642
Notes	12	12					14		

* *Refer to note 26 of the accounting policies for details regarding the restatement of the opening balance of retained earnings on 1 October 2019.*

	Share capital R'000	Treasury shares R'000	Common control reserve R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2018	1 500 248	(1 541)	(167 877)	7 772	(79 901)	13 604	(226 402)	582 086	1 854 391
Change in accounting policy (IFRS 9 adoption)	–	–	–	–	–	–	–	(795)	(795)
Shares repurchased and cancelled	(35 179)	–	–	–	–	–	–	–	(35 179)
Comprehensive income:									
Profit for the year	–	–	–	–	–	–	–	189 195	189 195
Other comprehensive income for the year	–	–	–	(1 227)	13 080	–	11 853	–	11 853
Movement in foreign currency translation reserve	–	–	–	–	13 080	–	13 080	–	13 080
Cash flow hedging									
Fair value adjustments to cash flow hedging reserve									
For the year	–	–	–	26 178	–	–	26 178	–	26 178
Deferred income tax effect	–	–	–	(1 426)	–	–	(1 426)	–	(1 426)
Current income tax effect	–	–	–	(5 903)	–	–	(5 903)	–	(5 903)
Realised to profit or loss	–	–	–	(27 883)	–	–	(27 883)	–	(27 883)
Deferred income tax effect	–	–	–	18	–	–	18	–	18
Current income tax effect	–	–	–	7 789	–	–	7 789	–	7 789
Recognition of share-based payments	–	–	–	–	–	9 525	9 525	–	9 525
Deferred income tax on share-based payments	–	–	–	–	–	(1 435)	(1 435)	–	(1 435)
Dividends paid – final and interim net of treasury shares	–	–	–	–	–	–	–	(162 775)	(162 775)
Ordinary shares acquired by subsidiary	–	(27 368)	–	–	–	–	–	–	(27 368)
Ordinary shares transferred – share appreciation rights	–	4 962	–	–	–	(3 973)	(3 973)	(989)	–
Balance as at 30 September 2019	1 465 069	(23 947)	(167 877)	6 545	(66 821)	17 721	(210 432)	606 722	1 837 412
Notes	12	12					14		

Consolidated statement of cash flows

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
CASH FLOW FROM OPERATING ACTIVITIES		**216 311**	162 706
Cash profit from operating activities	28	**332 548**	329 847
Working capital changes	29	**(70 312)**	(109 244)
Cash effect of hedging activities		**2 718**	(6 736)
Cash generated from operations		**264 954**	213 867
Income tax paid	31	**(48 643)**	(51 161)
CASH FLOW FROM INVESTING ACTIVITIES		**(85 413)**	(140 946)
Additions to property, plant and equipment	3	**(91 155)**	(152 587)
Additions to intangible assets	5	**–**	(4)
Proceeds on disposal of property, plant and equipment	32	**411**	3 271
Advance of non-interest-bearing loan	9	**–**	(6 728)
Interest received	24	**5 331**	15 102
Cash surplus		**130 898**	21 760
CASH FLOW FROM FINANCING ACTIVITIES		**(94 463)**	(225 941)
Principal elements of lease payments (2019: principal elements of finance lease payments)		**(22 441)**	(98)
Shares repurchased	12	**–**	(35 179)
Treasury shares acquired by subsidiary	12	**(4 296)**	(27 368)
Interest paid		**(7 909)**	(724)
Dividends paid to ordinary shareholders	30	**(59 817)**	(162 572)
Increase/(decrease) in cash and cash equivalents		**36 435**	(204 181)
Effects of exchange rate changes		**(4 248)**	1 314
Cash and cash equivalents at beginning of year		**219 594**	422 461
Cash and cash equivalents at end of year	11	**251 781**	219 594

Notes to the consolidated financial statements

for the year ended 30 September 2020

1. ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of this historical financial information are set out on pages 12 to 23.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The impact of the COVID-19 pandemic was considered as part of the assessment of assumptions used below.

Property, plant and equipment

These items are depreciated over their useful lives, taking into account the residual value at the end of the item's useful life. Residual values and useful lives are based on industry knowledge and past experience with similar assets.

The Group continuously considers the existence of impairment indicators. An impairment loss is only recognised if the asset or CGU carrying amount exceeds its respective recoverable amount. The recoverable amount of an asset or CGU is the higher of its value-in-use or fair value less costs to sell. These calculations require the use of estimates.

At year-end, the Group's net asset value exceeded its market capitalisation. In their impairment tests, management identified three CGUs within the Group for which impairment assessments were performed, namely the animal feeds business, the layers business and the broiler business.

To determine the value-in-use, management uses the budget as approved by the Board to determine future cash flows for the CGUs, after taking into account the impact of the COVID-19 pandemic. These cash flows are then discounted using the Group's weighted average cost of capital. These calculations were performed for the animal feeds and broiler business.

The fair value less cost to sell is based on valuations performed by an independent external valuation expert for the layers business.

Management based its fair value assessment on the property valuations performed on all material properties during the year. Fair values on all other properties were determined based on prior years' valuations performed and adjusted accordingly.

Significant headroom exists for all CGUs assessed by management. Consequently, management has not identified any impairment losses to be included in the Group's consolidated financial statements.

Fair value measurement of biological assets

In measuring fair value of biological assets, management estimates and judgements are required for determination of fair value. Refer to note 38 for key assumptions used.

Assessment of control over contract growers

The Group utilises contract growers for the growing of broilers in exchange for a fee. Goods delivered to contract growers are not recognised as revenue as the Group retains ownership of the goods. These goods are recognised as biological assets and inventories held at third parties.

The Group assesses whether it exercises control over contract growers based on an analysis of the activities of these entities, the Group's decision-making powers, its ability to obtain benefits from these entities and the residual risks regarding these entities that are retained by the Group. Based on this analysis, the Group concluded that it does not control the activities of any contract grower, as it does not have any decision-making powers and that these businesses are managed independently. Furthermore, these businesses retain the residual risk associated with production.

The Group assesses whether the arrangement with the contract growers contains a lease in terms of IFRS 16. Based on this analysis, the Group concluded that the arrangement does not contain a lease, as the Group does not have the right to direct the use of the identified asset throughout the period of use, as this is predetermined.

Impairment of financial assets

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement the Group evaluates, among other factors, the expected loss rates based on historical information and adjusted to reflect current and forward-looking information and macro-economic factors. Refer to note 9.

	2020 R'000	2019 R'000
3. PROPERTY, PLANT AND EQUIPMENT		
Land and buildings	331 592	325 889
Plant, machinery and equipment	785 714	806 904
Vehicles	22 976	27 975
Net book value	1 140 282	1 160 768

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
30 September 2020				
Cost				
At 1 October 2019	442 475	1 373 281	59 205	1 874 961
Change in accounting policy – IFRS 16*	–	(6 448)	–	(6 448)
Additions	21 839	65 256	4 060	91 155
Foreign exchange adjustment	(10 993)	(25 760)	(4 994)	(41 747)
Disposals	(93)	(3 162)	(1 470)	(4 725)
At 30 September 2020	453 228	1 403 167	56 801	1 913 196
Accumulated depreciation and impairment				
At 1 October 2019	(116 586)	(566 377)	(31 230)	(714 193)
Change in accounting policy – IFRS 16*	–	924	–	924
Depreciation charge	(8 646)	(59 073)	(6 584)	(74 303)
Foreign exchange adjustment	3 576	4 867	2 989	11 432
Depreciation on disposals	20	2 206	1 000	3 226
At 30 September 2020	(121 636)	(617 453)	(33 825)	(772 914)
Net book value at 30 September 2020	331 592	785 714	22 976	1 140 282
30 September 2019				
Cost				
At 1 October 2018	410 507	1 264 701	51 348	1 726 556
Additions	29 953	111 773	10 861	152 587
Foreign exchange adjustment	2 369	9 838	404	12 611
Disposals	(354)	(13 031)	(3 408)	(16 793)
At 30 September 2019	442 475	1 373 281	59 205	1 874 961
Accumulated depreciation and impairment				
At 1 October 2018	(108 653)	(520 048)	(25 986)	(654 687)
Depreciation charge	(7 846)	(55 769)	(6 946)	(70 561)
Foreign exchange adjustment	(327)	(2 512)	(250)	(3 089)
Depreciation on disposals	240	11 952	1 952	14 144
At 30 September 2019	(116 586)	(566 377)	(31 230)	(714 193)
Net book value at 30 September 2019	325 889	806 904	27 975	1 160 768

* *Adjustment due to the implementation of IFRS 16. Refer to note 26 of the accounting policies for further details.*

	2020 R'000	2019 R'000
The property, plant and equipment balance includes assets in the course of construction amounting to:	35 509	10 746
A register with full details of assets is available at the Group's registered office.		
Refer to note 35.3 for capital commitments for property, plant and equipment.		
Plant, machinery and equipment includes the following amounts where the Group is a lessee under a finance lease (refer to note 15 for further details):		
Leased equipment		
Cost		6 448
Accumulated depreciation		(924)
Net book value at for the year ended 30 September 2019		5 524

	2020 R'000
4. RIGHT-OF-USE ASSETS	
Land and buildings	22 849
Plant, machinery and equipment	8 600
Vehicles	26 460
Net book value	57 909

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
Carrying value				
At 1 October 2019*	21 817	16 149	29 581	67 547
Additions	6 013	1 156	8 370	15 539
Derecognitions	–	(5 524)	–	(5 524)
Reassessments	(1 257)	571	3 198	2 512
Depreciation charge	(3 612)	(3 752)	(14 689)	(22 053)
Foreign exchange adjustment	(112)	–	–	(112)
At 30 September 2020	22 849	8 600	26 460	57 909

* *Restated for adoption of IFRS 16. Refer to note 26 of the accounting policies for further details.*

	2020 R'000	2019 R'000
5. INTANGIBLE ASSETS		
Computer software	404	2 114
Goodwill	5 428	5 428
Trademarks	–	180
Net book value	5 832	7 722

	Computer Software R'000	Goodwill R'000	Trademarks R'000	Total R'000
30 September 2020				
Cost				
At 1 October 2019	14 432	5 428	24 544	44 404
At 30 September 2020	14 432	5 428	24 544	44 404
Accumulated amortisation and impairment				
At 1 October 2019	(12 318)	–	(24 364)	(36 682)
Amortisation for the year**	(1 710)	–	(180)	(1 890)
At 30 September 2020	(14 028)	–	(24 544)	(38 572)
Net book value at 30 September 2020	404	5 428	–	5 832
30 September 2019				
Cost				
At 1 October 2018	14 428	5 428	24 544	44 400
Additions	4	–	–	4
At 30 September 2019	14 432	5 428	24 544	44 404
Accumulated amortisation and impairment				
At 1 October 2018	(9 708)	–	(24 055)	(33 763)
Amortisation for the year**	(2 610)	–	(309)	(2 919)
At 30 September 2019	(12 318)	–	(24 364)	(36 682)
Net book value at 30 September 2019	2 114	5 428	180	7 722

** *Amortisation expenses are included in other operating expenses.*

	2020 R'000	2019 R'000
5. INTANGIBLE ASSETS (CONTINUED)		
The carrying value of the trademark above is included in the following CGUs:		
Eggs		
Safe Eggs	–	180
The trademark has been fully amortised during the current reporting period.		
Impairment test for goodwill		
Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.		
Animal feeds		
Olifantskop feed mill	5 428	5 428
The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets approved by the Board. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the agricultural industry in which the CGU operates.		
Key assumptions used for value-in-use calculation		
Growth rate	5.5%	5.5%
Discount rate	23.2%	22.3%

These assumptions have been used for the analysis of this CGU. The budgeted gross margin is based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports, after taking into account the impact of the COVID-19 pandemic. The pre-tax discount rates as disclosed above reflect specific risk relating to the relevant CGU, as well as any impact from the COVID-19 pandemic.

No impairment was recognised at the end of the reporting period presented.

	2020 R'000	2019 R'000
6. INVESTMENT IN ASSOCIATE		
Unlisted shares at cost	6 813	1 700
Balance beginning of year	1 700	1 700
Acquisition during the year	5 113	–
Interest in retained earnings and reserves	6 866	7 298
Balance beginning of year	7 298	7 089
Share of (loss)/profit of associate companies	(432)	209
	13 679	8 998
Cost of shares		
Bergsig Breeders (Pty) Ltd	1 700	1 700
Effective interest 29.9% (2019: 29.9%)		
Klipvlei Broilers (Pty) Ltd*	5 113	–
Effective interest 20% (2019: nil)		
	6 813	1 700
The following is the summarised statement of financial position of the above mentioned associate companies:		
Non-current assets	36 224	17 188
Current assets	26 002	18 275
Total assets	62 226	35 463
Non-current liabilities	20 694	2 247
Current liabilities	20 587	5 215
Total liabilities	41 281	7 462
Capital and reserves	20 945	28 001
Total equity and liabilities	62 226	35 463
The following is the summarised statement of comprehensive income of the associated companies for the year:		
Revenue	82 692	56 699
Operating (loss)/profit	(783)	1 610
Net (loss)/profit after income tax	(1 296)	698

* *A 20% shareholding in Klipvlei Broilers (Pty) Ltd was acquired on 8 March 2020 at the stated cost.*

Bergsig Breeders (Pty) Ltd and Klipvlei Broilers (Pty) Ltd are both private companies, and there is no quoted market price available for its shares. Both companies operate in the poultry industry in South Africa. Bergsig Breeders (Pty) Ltd supplies the Group with broiler hatching eggs and Klipvlei Broilers (Pty) Ltd supplies the Group with live broilers.

	2020 R'000	2019 R'000
7. INVENTORIES		
Raw material	206 427	196 510
Manufactured products	44 640	45 708
Packing materials and consumables	46 805	45 811
	297 872	288 029
Inventory carried at net realisable value	718	2 889
Cost of inventories included in cost of sales	3 835 698	3 237 937

The cost of inventories above excludes inventory written off and biological assets fair value adjustments.

The nature of the inventory held is raw materials used in production of animal feed and other food related products. The Group has considered the impact of the COVID-19 pandemic on the valuation of inventories. No material change to the valuation of inventory was considered necessary due to the nature of inventory held.

	2020 R'000	2019 R'000
8. BIOLOGICAL ASSETS		
Livestock – poultry	354 511	379 596

Poultry includes broiler and layer stock. Broiler stock includes breeding stock, day-old chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old chicks and hatching eggs.

Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material. The fair value estimation of the Group's biological assets was not materially impacted by the COVID-19 pandemic due to the nature of the biological assets and its produce.

	Broiler stock R'000	Layer stock R'000	Total R'000
Fair value at 1 October 2019	111 633	267 963	379 596
Increase due to establishment cost	804 987	1 078 141	1 883 128
Decrease due to harvest/sales	(806 861)	(1 091 036)	(1 897 897)
Fair value adjustment recorded in profit and loss	2 000	(6 598)	(4 598)
Foreign exchange adjustment	(434)	(5 284)	(5 718)
Fair value at 30 September 2020	111 325	243 186	354 511
Fair value at 1 October 2018	121 631	210 427	332 058
Increase due to establishment cost	861 782	946 070	1 807 852
Decrease due to harvest/sales	(870 989)	(891 384)	(1 762 373)
Fair value adjustment recorded in profit and loss	(1 125)	1 915	790
Foreign exchange adjustment	334	935	1 269
Fair value at 30 September 2019	111 633	267 963	379 596

	2020 R'000	2019 R'000
Biological assets at fair value less cost to sell consist of the following:		
Chickens – grandparents and other breeding stock	56 509	50 793
Chickens – laying	234 855	262 586
Chickens – broilers	36 791	38 015
Hatching eggs	25 195	26 996
Game	1 161	1 206
	354 511	379 596

	Quantity	Quantity
At 30 September, the Group held the following biological assets:		
Chickens – grandparents	33 595	36 617
Hatching eggs	7 494 850	8 273 338
Chickens – broilers	2 743 295	3 672 772
Chickens – layers 39 weeks and younger	3 284 401	4 211 252
Chickens – layers older than 39 weeks	2 768 712	2 259 632
Game	581	581

8. BIOLOGICAL ASSETS (CONTINUED)

	2020 R'000	2019 R'000
The Group produced the following agricultural produce for the year ended 30 September:		
Eggs (dozens)	**94 712 818**	83 857 187
Live birds (kg)	**61 256 928**	70 683 994
Number of day-old chicks	**78 695 849**	77 392 412
Number of point-of-lay hens	**6 278 127**	5 738 401
Number of culls	**3 385 002**	2 952 453

The Group is a fully integrated poultry operation. The agricultural produce indicates quantities produced by the Group and includes quantities transferred from one phase in the integrated value chain to another.

9. TRADE AND OTHER RECEIVABLES

	2020 R'000	2019 R'000
Trade receivables	**503 512**	429 671
Allowance for outstanding credit notes	**(2 085)**	(2 162)
Loss allowance	**(28 636)**	(26 340)
Trade receivables – net	**472 791**	401 169
Prepayments	**16 212**	11 880
Receivables from related parties (refer to note 36)	**9 089**	7 185
Other debtors	**3 748**	4 490
Receiver of revenue – VAT	**20 238**	11 912
	522 078	436 636
Interest charged and fully provided included in trade receivables in 2019, was reclassified in the current year as part of the loss allowance, as suspended interest.		
For the purposes of the statement of financial position trade and other receivables are presented as follows:		
Non-current assets	**4 035**	3 356
Current assets	**518 043**	433 280
	522 078	436 636

The carrying value of trade and other receivables approximates their fair value at the reporting date.

An allowance for outstanding credit notes is accounted for based on past experience.

The Group applies the IFRS 9 simplified approach to measuring the ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped on shared characteristics and the days past due. Shared characteristics refer to type of product sold to the customer (similar to disaggregation of revenue note for these product lines – refer to note 20).

The expected loss rates applied are based on the payment profiles of sales over a period of 48 months and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. Forward-looking information includes expected economic growth and employment rates and the potential impact thereof on our customers. The COVID-19 pandemic in the current year has significantly impacted the South African economy, and consequently, the general operating environment of the Group. Based on a combined assessment of the above, the calculated loss rates were adjusted upwards by a forward-looking factor of 20% (2019: 10%).

	2020 R'000	2019 R'000
Trade receivables	**503 512**	429 671
Excluding:		
– Balances of national customers*	**(203 012)**	(149 275)
– Receivables specifically provided for	**(27 615)**	(25 473)
– Receivables with balances covered by insurance^	**(173 242)**	(188 017)
Remaining trade receivables balance subject to loss allowance based on matrix approach	**99 643**	66 906

* *Balances of national customers (customers with a limited risk profile and with a national geographical representation) with no history of default and long history of trading with the Group. These customers have no long outstanding amounts, nor has there been any indication that these customers will default. The Group calculates the ECL on national customers with reference to the probability of default model using external credit ratings in determining the default risk of counterparties. The expected credit rating range used was between BB and BB+ (for emerging markets). The Group used a loss given default rate of 45%. Forward-looking assessment for national customers includes specific economic growth and employment rates and the impact of the COVID-19 pandemic. Based on a combined assessment of the above, the calculated loss rates were adjusted upwards by a forward-looking factor of 20% (2019: 10%). The calculated ECL on these balances was not considered to be material.*

^ *Balances covered by the Group's credit insurance with Credit Guarantee Insurance after deducting the co-payment as per insurance policy. The risk of default on these customers is considered part of the risk of default of the insurer, which risk was assessed as low due to past claims payment history. The ECL of balances insured was calculated using the same expected credit rating, loss given default rate and forward-looking information as national customers. The calculated ECL on these balances was not considered to be material.*

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Expected loss rate %	Gross carrying amount R'000	Loss allowance R'000
ECL allowance			
30 September 2020			
Current	**0.74%**	**75 861**	**561**
30 days	**0.32%**	**18 388**	**58**
60 days	**0.95%**	**1 783**	**17**
More than 90 days	**10.66%**	**3 611**	**385**
Total		**99 643**	**1 021**
Specific provision for losses			**27 615**
Total			**28 636**
ECL allowance			
30 September 2019			
Current	0.98%	48 244	471
30 days	0.33%	14 153	46
60 days	1.52%	1 251	19
More than 90 days	10.16%	3 258	331
Total		66 906	867
Specific provision for losses			25 473
Total			26 340

	2020 R'000	2019 R'000
Movements on the Group's loss allowance are as follows:		
At 1 October	**26 340**	21 873
Amounts restated through opening retained earnings	**–**	1 009
Increase/(decrease) in general loss allowance recognised in profit or loss during the year	**235**	(142)
Increase in specific loss allowance recognised in profit or loss during the year	**1 569**	922
Suspended interest included in the expected loss allowance*	**2 082**	4 706
Receivables written off during the year as uncollectible	**(180)**	(1 302)
Unused amounts reversed	**(1 095)**	(813)
Foreign exchange translation adjustment	**(315)**	87
At 30 September	**28 636**	26 340

* *Interest charged and fully provided for was classified as part of the trade receivables balance, subsequently it has been classified as part of the loss allowance balance.*

The ECL of receivables from related parties and other debtors were calculated as for trade receivables (refer above). The calculated ECL on these balances was not considered to be material.

Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amount of fully performing financial assets included in trade and other receivables at year-end equals:

	2020 R'000	2019 R'000
National customers	**194 609**	148 988
Other customers	**282 306**	238 456
	476 915	387 444

	2020 R'000	2019 R'000
9. TRADE AND OTHER RECEIVABLES (CONTINUED)		
Individually impaired receivables where indicators of impairment are present comprise of a number of customers. The following trade receivables were impaired at year-end:		
Other customers	27 615	25 473
A summary of the Group's trade receivables covered by insurance or secured by collateral is as follows:		
Trade receivable balances covered by Credit Guarantee Insurance (excluding specifically provided debtors balances)	213 761	219 292
Mortgage bonds – registered value	2 300	8 300
Notarial bonds – registered value	13 400	8 400
Cessions – book value	2 000	11 520
Bank guarantees – actual value	5 500	6 500
Fair value of collateral held on past due and/or impaired trade receivables:	13 047	26 450
The carrying amount of the Group's trade receivables are denominated in the following currencies which, except for the Euro balance, are the functional currencies of the relevant subsidiaries:		
Euro	–	865
Zambian kwacha	2 716	5 492
Ugandan shilling	2 880	2 016
Mozambican metical	6 095	5 100
South African rand	491 821	416 198
Total	503 512	429 671
Other receivables are largely denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.		

Loan to Chamomile Farming Enterprises (Pty) Ltd ("Chamomile")

The Group granted a long-term loan to Chamomile during the previous reporting period. Chamomile is a black-owned egg supplier of the Group. The loan was provided to increase Chamomile's layer hen capacity through capital improvements. The loan is unsecured, interest free and repayable in monthly instalments over 10 years, starting from the date the capital improvements are ready for use. Delays caused by the COVID-19 pandemic on construction of the capital improvements resulted in the first payment being due only in the next reporting period.

	2020 R'000	2019 R'000
Loans at the start of the year	4 233	–
Loans advanced during the year	–	6 728
Discounting of loan	679	(2 495)
Loans at the end of year – included in other debtors balance	4 912	4 233
Current portion of loan	(878)	(878)
Non-current portion of loan	4 034	3 355

The loan balance is not past due, nor has there been any indication that Chamomile will default. The calculated ECL of the loan receivable from Chamomile was not considered to be material, based on the assessment performed. The impact of the COVID-19 pandemic on the loan was considered as part of the ECL assessment.

	2020 R'000	2019 R'000
10. DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign exchange contracts – not earmarked for hedge accounting	–	32
Foreign exchange contracts – cash flow hedges	(6)	4 626
	(6)	4 658
For the purposes of the statement of financial position, derivative financial instruments are presented as follows:		
Current assets	–	4 658
Current liabilities	(6)	–
	(6)	4 658

Trading derivatives are classified as a current asset or liability. The carrying values of derivative financial instruments are measured at their fair values at the reporting date.

The purchase of foreign exchange contracts are for the import of raw materials used for production, or capital expenses.

Refer to note 38 for the Group's exposure to financial risks and how these risks are managed.

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

10.1 Derivative instruments earmarked for hedging (cash flow hedges)

Commodity instruments	Fair value R'000
Commodity instruments	
30 September 2020	
Futures*	2 606
30 September 2019	
Futures*	7 007

* *Disclosed within cash and cash equivalents (restricted cash). Consists of 274 yellow maize (2019: 387) futures bought.*

Currency forward contracts	Foreign amount '000	Rand amount R'000	Fair value R'000
30 September 2020			
Purchases of foreign exchange contracts			(6)
Euro	33	648	(6)
30 September 2019			
Purchases of foreign exchange contracts			4 626
US dollar	6 526	98 883	4 626

Cash flow hedges are expected to realise in profit or loss in the next financial year.

10.2 Other derivative instruments – Currency forward contracts

	Foreign amount '000	Rand amount R'000	Fair value R'000
30 September 2019			
Purchases of foreign exchange contracts			32
British pound	(88)	(1 653)	32

	2020 R'000	2019 R'000
11. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	251 781	219 594
For the purposes of the statement of cash flows, the year-end cash and cash equivalents consist of cash at bank, on hand and restricted balances.		
The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:		
SA rand	205 556	187 122
US dollar	5 029	10 941
Zambian kwacha (functional currency of a subsidiary)	15 314	5 478
Ugandan shilling (functional currency of a subsidiary)	16 501	9 979
Mozambican metical (functional currency of a subsidiary)	9 381	6 074
Total	251 781	219 594

The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.

Restricted balances

Cash and cash equivalents include restricted balances of R2.6 million (2019: R7.0 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the Group when the related derivative positions are closed.

	2020 R'000	2019 R'000
12. SHARE CAPITAL		
Authorised – ordinary shares 400 000 000 (2019: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares 200 024 716 (2019: 200 024 716) ordinary no par value shares	**1 465 069**	1 465 069
Reconciliation of movement in issued shares		
Opening balance	**1 465 069**	1 500 248
Shares repurchased	**–**	(35 179)
	1 465 069	1 465 069

During the reporting period nil (2019: 10 505 000) ordinary shares were repurchased by the Company and cancelled. In 2019, the shares were repurchased at an average price of R3.35 per share and were subsequently cancelled.

	2020 R'000	2019 R'000
Treasury shares held by subsidiary		
At the beginning of the year: 7 107 946 (2019: 334 419) ordinary shares	**23 947**	1 541
1 296 647 (2019: 8 083 426) ordinary shares acquired during the year at an average price of R3.31 (2019: R3.39) per share	**4 296**	27 368
Issued to management in terms of share appreciation rights scheme: 2 643 138 (2019: 1 309 899) ordinary shares	**(8 905)**	(4 962)
	19 338	23 947

13. SHARE-BASED PAYMENTS

Management share appreciation rights scheme (equity-settled)

The Group operates a share appreciation rights scheme for qualifying management.

The exercise of vested share appreciation rights entitles the employee to ordinary shares in the Company. This number of ordinary shares is calculated by dividing the amount by which the exercise price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the phantom share right price at the exercise date. Phantom share right price is an amount equal to the volume weighted average price per share for the preceding three trading days. Special dividends declared during the period between the grant date and the vesting date are included in the exercise price of the share appreciation rights.

	2020 Number '000	2019 Number '000
Number of share appreciation rights made available		
Number at beginning of year	**25 163**	**22 866**
New allocation at R3.57 per share	**7 501**	**–**
New allocation at R4.25 per share	**–**	**6 049**
Redeemed	**(6 318)**	**(3 752)**
Expired/forfeited	**–**	**–**
Number at end of year	**26 346**	**25 163**
Number of share appreciation rights		
At R3.15 per share, exercisable up to 27 February 2021	**–**	**2 065**
At R2.66 per share, exercisable up to 18 February 2022	**1 296**	**3 028**
At R3.09 per share, exercisable up to 23 February 2023	**5 040**	**7 561**
At R3.91 per share, exercisable up to 22 February 2024	**6 460**	**6 460**
At R4.25 per share, exercisable up to 11 February 2025	**6 049**	**6 049**
At R3.57 per share, exercisable up to 17 February 2026	**7 501**	**–**
	26 346	**25 163**

Share appreciation rights were granted on 17 February 2020 at a strike price of R3.57. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 17 February 2023 subject to certain time and performance-based criteria.

The net estimated weighted average fair value at grant date per share appreciation right for share appreciation rights outstanding at 30 September 2020 is R1.16. The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based payment. The cost accounted for in the current year amounts to R9 564 100 (2019: R9 524 400).

13. SHARE-BASED PAYMENTS (CONTINUED)

	2020	2019
These fair values were calculated using the actuarial binomial option pricing model. The principal assumptions were as follows:		
Weighted average share price at grant date (cents per share)	**354**	344
Expected volatility	**26.1% – 32.9%**	20.9% – 31.9%
Expected dividend yield	**3.0%**	3.0%
Risk-free rate	**6.5% – 8.6%**	6.5% – 8.6%
Expected life (years)	**3 to 5**	3 to 5

Expected volatility was determined by calculating the volatility of the share price of a similar JSE-listed entity in the agricultural industry.

The shareholders initially approved a maximum number of 14 500 000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2020, 10 334 567 ordinary shares (2019: 12 977 705) were still available for issue.

	2020 R'000	2019 R'000
14. OTHER RESERVES		
Common control reserve	**–**	(167 877)
Share-based payment reserve	**22 581**	17 721
Foreign currency translation reserve	**(112 501)**	(66 821)
Hedging reserve	**4 831**	6 545
	(85 089)	(210 432)

The Group acquired its businesses from Pioneer Foods Group Ltd during the 2014 reporting period as part of the restructuring from Pioneer Foods Group Ltd. The acquisition was an acquisition of businesses under common control. The acquisition was accounted for using predecessor accounting at the carrying value of the asses/liabilities at the acquisition date. The difference between the consideration given and the book values of net assets acquired was recorded in the common control reserve in equity. The common control reserve has been classified to retained earnings during the current period.

The fair value of share appreciation rights issued to qualifying management are accounted for in the share-based payment reserve over the respective vesting periods. The reserve is adjusted at each reporting date when the entity revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to this reserve in equity for the equity-settled plan. Refer to note 13 for further detail.

The foreign currency translation reserve relates to exchange differences arising from translation of foreign subsidiaries' statements of comprehensive income at average exchange rates for the year and their statements of financial position at the ruling exchange rates at the reporting date if the functional currency differs.

The hedging reserve relates to the change in fair value of derivative financial instruments. These derivative financial instruments include futures as well as foreign exchange contracts – cash flow hedges.

	2020 R'000	2019 R'000
15. INTEREST-BEARING LIABILITY		
Non-current		
Finance lease liability	**–**	6 021
	–	6 021
Current		
Finance lease liability	**–**	108
	–	108
	–	6 129

The finance lease liability bore interest at a rate of 8.35%. The finance lease liability was effectively secured as the rights to the leased assets revert to the lessor in the event of default. The carrying amount of the finance lease liability approximated its fair value.

The Group entered an arrangement to purchase electricity generated by solar panels at one of its units. The 25-year agreement constituted a finance lease for accounting purposes until 30 September 2019.

Finance lease liabilities were included in borrowings until 30 September 2019, but were reclassified on 1 October 2019 to lease liabilities during adoption of the new leasing standard IFRS16. Refer to note 26 of the accounting policies for further details on the adoption of IFRS 16 and note 16 of the notes to the financial statements for further details on leases at 30 September 2020.

	2020 R'000	2019 R'000

16. LEASES

This note provides information for leases where the Group is a lessee.

Lease liabilities*	2020 R'000	2019 R'000
Current	18 168	
Non-current	53 692	
	71 860	

* *Restated for adoption of IFRS 16. Refer to note 26 of the accounting policies for further detail.*

The Group's leasing activities and accounting thereof are disclosed in note 18 of the accounting policies.

Right-of-use assets recognised in the statement of financial position in relation to the Group's lease liabilities are disclosed in note 4.

The statement of comprehensive income includes the following amounts relating to leases	2020 R'000	2019 R'000
Depreciation charge of right-of-use assets	22 053	
Interest expense (included in finance cost note 25)	7 799	
Expense relating to short-term leases (included in sales and distribution costs and other operating expenses)	4 425	
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	5 513	
Expense relating to variable lease payments not included in lease liabilities (included in sales and distribution costs and other operating expenses)	2 043	

The cash outflows for leases amounted to R42 221 349 during the current period.

17. DEFERRED INCOME TAX

	2020 R'000	2019 R'000
Balance at beginning of year	242 166	219 987
Change in accounting policy – IFRS 16* (2019: IFRS 9)	(4 099)	(214)
Balance at 1 October	238 067	219 773
Charge in profit or loss	(7 438)	19 517
Foreign exchange translation adjustment	(2 872)	33
Deferred income tax on hedging reserve charged to equity	(1 428)	1 408
Deferred income tax on share-based payment reserve	(5 180)	1 435
	221 149	242 166

* *Deferred tax on amounts restated through opening retained earnings due to the implementation of IFRS 16. Refer to note 26 of the accounting policies for further details.*

Due to the following temporary differences:	2020 R'000	2019 R'000
Capital allowances, including trademarks	184 111	183 618
Inventories	8 421	9 131
Biological assets	74 857	83 175
Assessed loss utilised	(7 450)	(5 543)
Prepaid expenses	1 939	1 514
Provision for long-service awards	(2 360)	(2 219)
Leave accrual	(6 700)	(5 742)
Bonus accrual	(5 449)	(5 743)
Provision for impairment of trade receivables	(4 703)	(4 203)
Rebates, growth incentives and settlement discount accruals	(4 000)	(2 480)
Allowance for credit notes	(584)	(605)
Deferred income	(1 966)	(771)
Derivative financial instruments	(24)	1 318
Share-based payments	(10 635)	(5 802)
Accruals personnel costs	(1 224)	(2 662)
Other	(3 084)	(820)
	221 149	242 166

For the purposes of the statement of financial position, deferred income tax is presented as follows:	2020 R'000	2019 R'000
Non-current assets	(326)	(677)
Non-current liabilities	221 475	242 843
	221 149	242 166

During the year, deferred income tax assets of R326 000 (2019: R677 493) have been recognised of which the utilisation thereof depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

These deferred tax assets relate to assessed losses of Group entities that suffered losses in the current and/or preceding years. The losses suffered in the current and/or previous period arose from identifiable causes that are unlikely to recur. These entities have a strong earnings potential, and future profitability is expected against which unrecognised tax losses can be utilised.

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2020 R'000	2019 R'000
Long-service awards	8 430	7 926

18.1 Long-service awards

	2020 R'000	2019 R'000
Balance at beginning of year	7 926	7 718
Interest	592	625
Actuarial loss	214	426
Current service costs	1 138	1 030
Payments	(1 440)	(1 873)
	8 430	7 926

The amount recognised in the statement of financial position was determined as follows:	2020 R'000	2019 R'000
Present value of unfunded obligations	8 430	7 926
Unrecognised actuarial loss	–	–
	8 430	7 926

Existing provisions are based on the following important assumptions:	2020	2019
Discount rate	7.4% p.a.	8.0% p.a.
Salary increases	5% p.a.	6% p.a.
Normal retirement age	60 years	60 years
The date of the most recent actuarial valuation is:	30 September 2020	30 September 2019

19. TRADE AND OTHER PAYABLES

	2020 R'000	2019 R'000
Trade payables	357 089	337 673
Accrued expenses	22 386	21 944
Related parties (refer to note 36)	6 072	3 087
Accrued leave-pay	24 571	21 305
Accrued 13th cheque	8 014	9 094
Accrued short-term incentive bonus	18 718	19 988
Value-added tax	–	48
Dividends payable	436	392
Other payables	7 098	6 488
	444 384	420 019

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

The carrying amount of the Group's trade payables are denominated in the following currencies:

	2020 R'000	2019 R'000
Uncovered	357 089	337 673
Euro	812	243
UK pound	–	81
US dollar	2 264	1 274
Zambian kwacha (functional currency of a subsidiary)	3 903	3 400
Ugandan shilling (functional currency of a subsidiary)	2 672	1 674
Mozambican metical (functional currency of a subsidiary)	1 010	2 909
South African rand	346 428	328 092
Total	357 089	337 673

Other payables are mostly denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.

	2020 R'000	2019 R'000
20. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Disaggregation of revenue from contracts with customers	**5 095 085**	4 417 674
The Group derives revenue from the transfer of goods at a point in time.		
Revenue		
Eggs	**1 229 592**	1 095 195
Layer farming*	**237 671**	197 058
Broiler farming**	**1 112 372**	1 128 094
Animal feeds	**2 237 071**	1 758 627
Zambia***	**157 626**	144 538
Uganda***	**67 329**	48 966
Mozambique****	**53 424**	45 196
	5 095 085	4 417 674

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

	2020 R'000	2019 R'000
Information regarding major customers		
During the period under review, revenue from the Group's top three customers was as follows:		
Customer A	**819 576**	679 457
Customer B	**492 054**	464 862
Customer C	**366 926**	337 744

Revenue from these customers is reported within all operating segments except other African countries.

	2020 R'000	2019 R'000
21. OTHER INCOME		
Rental income	**6 326**	6 186
Sundry income	**3 424**	2 783
Insurance claims	**905**	946
	10 655	9 915
22. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	**70 265**	105 091
Unrealised – reflected in carrying amount of biological assets	**(4 598)**	790
Realised – reflected in cost of goods sold	**74 863**	104 301
Agricultural produce fair value adjustment	**25 813**	40 015
Unrealised – reflected in carrying amount of inventory	**248**	(2 891)
Realised – reflected in cost of goods sold	**25 565**	42 906
Foreign exchange differences	**(64)**	339
Financial instruments fair value adjustments	**(33)**	3 003
Foreign exchange contract cash flow hedging ineffective (loss)/gain	**(2 393)**	447
(Loss)/profit on disposal of property, plant and equipment	**(1 088)**	622
	92 500	149 517

Biological assets fair value adjustment

The adjustment of biological assets from cost to fair value includes a realised and unrealised component. The unrealised portion is reflected in the carrying amount of biological assets in the statement of financial position, and the realised portion is reflected in cost of goods sold in profit and loss.

	2020 R'000	2019 R'000
23. EXPENSE BY NATURE		
Cost of raw materials	**3 606 273**	2 997 185
Fair value adjustment on biological assets and agricultural produce	**100 428**	147 207
Inventory written off	**9 095**	10 233
Research and laboratory costs	**16 242**	15 610
Staff costs	**468 356**	440 253
Wages and salaries	**402 436**	373 232
Other personnel costs	**29 884**	33 400
Pension costs	**26 472**	24 097
Share-based payments expense (refer to note 13)	**9 564**	9 524
Non-executive directors' remuneration	**1 953**	1 895
Technical services from non-employees	**14 004**	7 159
Auditors' remuneration	**4 262**	4 001
Audit – current year	**4 240**	4 001
Tax-related services	**22**	–
Internal audit fees	**1 632**	1 891
Rental of premises, machinery and vehicles	**12 845**	28 366
Travel and entertainment	**5 900**	10 448
Energy costs	**121 504**	112 950
Maintenance	**90 835**	88 348
Depreciation and amortisation	**98 246**	73 480
Insurance	**24 025**	18 599
Cleaning	**38 322**	31 709
Office expenses	**57 371**	48 760
Marketing costs	**10 157**	10 742
Security	**28 792**	26 164
Change in loss allowance for trade receivables	**529**	(1 335)
Change in allowance for credit notes	**(77)**	(506)
Bad debts	**132**	933
Transport and distribution costs	**265 117**	254 767
B-BBEE socio-economic and enterprise development	**3 829**	3 014
Total cost of sales, sales and distribution costs, marketing, administrative and other operating expenses	**4 979 772**	4 331 873
24. INVESTMENT INCOME		
Interest income on financial assets: loans and receivables		
– Call accounts and other	**5 331**	15 102
– Unwinding of discount on receivables	**679**	–
	6 010	15 102

Interest income is recognised on a time-proportion basis using the effective interest rate method. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as investment income in profit or loss where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

	2020 R'000	2019 R'000
25. FINANCE COSTS		
Interest expense on financial liabilities measured at amortised cost		
– Call loans	**110**	–
– Lease liability finance charges	**7 799**	516
– Provision for unwinding of discount	**670**	3 235
– Other	**–**	208
	8 579	3 959

	2020 R'000	2019 R'000
26. INCOME TAX EXPENSE		
Current income tax	**68 006**	47 873
Current year	**67 018**	47 871
Underprovision previous years	**988**	2
Deferred taxation	**(7 438)**	19 517
Current year	**(6 450)**	19 517
Overprovision previous years	**(988)**	–
	60 568	67 390

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory rate as follows:

	%	%
Standard rate for companies*	**28.00**	28.00
Increase/(decrease) in rate:		
Exempt income	**(0.38)**	(0.14)
Non-deductible expenditure	**2.17**	1.01
Effect of capital gains tax	**(0.10)**	(0.05)
Effect of different tax rates*	**(0.75)**	(1.38)
Other differences	**(0.83)**	(1.18)
Effective rate	**28.11**	26.26

* *The standard tax rate for foreign subsidiaries differs from the income tax rate of 28%. Quantum Foods Zambia Ltd's agricultural profits are taxed at 10%, other income and manufacturing activities (feed mill activities) are taxed at 35%. Quantum Foods Uganda Ltd's profits are taxed at 30%. Quantum Foods Mozambique S.A.'s profits are taxed at 16% (lower rate for first five years after initial investment).*

Non-deductible expenditure consist mainly of depreciation on assets (e.g. poultry houses bought) and expenses relating to corporate action which are not deductible for tax. Other differences include the unwinding of deferred tax balances recognised as part of business combinations of 0.59% (2019: 0.62%).

	R'000	R'000
Gross calculated tax losses of certain subsidiaries at the end of the reporting period available for utilisation against future taxable income of those companies	**25 254**	20 689
Less: Utilised in reduction of deferred tax	**(23 218)**	(16 455)
	2 036	4 234

A current and deferred income tax charge of R666 579 relating to fair value adjustments on the cash flow hedging reserve is credited (2019: R477 549 credited) directly through other comprehensive income/(loss).

	2020 R'000	2019 R'000
27. EARNINGS PER ORDINARY SHARE		
Basic		
The calculation of basic earnings per share is based on profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	**154 899**	189 195
Weighted average number of ordinary shares in issue ('000)	**193 291**	204 298
Diluted		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive contingent ordinary shares. Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share.		
The calculation of diluted earnings per share is based on profit for the year attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the period:		
Profit for the year	**154 899**	189 195
Diluted weighted average number of ordinary shares in issue ('000)	**199 653**	207 185
Headline earnings is calculated in accordance with Circular 1/2019 issued by the South African Institute of Chartered Accountants.		
Reconciliation between profit attributable to owners of the parent and headline earnings		
Profit for the year	**154 899**	189 195
Remeasurement of items of a capital nature		
Loss/(profit) on disposal of property, plant and equipment	**752**	(554)
Gross	**1 088**	(622)
Tax effect	**(336)**	68
Headline earnings for the year	**155 651**	188 641
Earnings per share (cents)	**80.1**	92.6
Diluted earnings per share (cents)	**77.6**	91.3
Headline earnings per share (cents)	**80.5**	92.3
Diluted headline earnings per share (cents)	**78.0**	91.0
28. CASH PROFIT FROM OPERATING ACTIVITIES		
Reconciliation of profit before tax and cash profit from operating activities:		
Profit before income tax	**215 467**	256 585
Adjustment for:		
Depreciation and amortisation	**98 246**	73 480
Biological assets fair value adjustment	**4 598**	(790)
Agricultural produce fair value adjustment	**(248)**	2 891
Net loss/(profit) on sale of property, plant and equipment	**1 088**	(622)
Adjustment on fixed rate leases	**–**	(326)
Unrealised (profits)/losses on FECs, foreign exchange and future contracts	**(499)**	(91)
Change in loss allowance for trade receivables	**529**	(1 335)
Change in provision for credit notes based on history	**(77)**	(506)
Bad debts	**132**	933
Share-based payments expense	**9 564**	9 524
Changes in provisions for long-service awards	**1 352**	1 456
Interest received	**(6 010)**	(15 102)
Interest paid	**8 579**	3 959
Share of loss/(profit) of associate companies	**432**	(209)
Leases derecognition included in operating profit	**(605)**	–
	332 548	329 847

	2020 R'000	2019 R'000
29. WORKING CAPITAL CHANGES		
Increase in inventory	**(9 843)**	(47 633)
Increase in trade and other receivables	**(85 425)**	(7 080)
Increase/(decrease) in trade and other payables	**5 597**	(2 241)
Decrease/(increase) in current biological assets	**20 735**	(49 639)
Changes to derivative financial instruments	**64**	(663)
Decrease in provisions	**(1 440)**	(1 988)
	(70 312)	(109 244)
30. DIVIDENDS PAID		
Amounts unpaid at beginning of the year	**(392)**	(189)
As disclosed in statement of changes in equity	**(59 861)**	(162 775)
Dividends declared during the year	**(62 007)**	(163 373)
Dividends on treasury shares received by subsidiary	**2 146**	598
Amounts unpaid at end of year	**436**	392
	(59 817)	(162 572)
31. INCOME TAX PAID		
Amounts unpaid at beginning of the year	**7 651**	2 477
Current tax charge in profit and loss	**(68 006)**	(47 873)
Hedging reserve – income tax current year	**(761)**	1 886
Amounts unpaid/(prepaid) at end of the year	**12 473**	(7 651)
	(48 643)	(51 161)
For the purposes of the statement of financial position, current income tax (receivable)/payable are presented as follows:		
Current assets	**(516)**	(7 651)
Current liabilities	**12 989**	–
	12 473	(7 651)
32. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS		
Book value of property, plant and equipment and intangible assets disposed	**1 499**	2 649
(Loss)/profit on disposal of property, plant and equipment	**(1 088)**	622
	411	3 271

33. NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2020 R'000	2019 R'000
Cash and cash equivalents	**251 781**	219 594
Lease liabilities (2019: Borrowings)	**(71 860)**	(6 129)
	179 921	213 465

	Cash R'000	Lease liabilities (2019: Borrowings) R'000
Net debt as at 1 October 2018	**422 461**	6 227
Cash flows	**(204 181)**	(98)
Foreign exchange adjustments	**1 314**	–
Net debt as at 30 September 2019	**219 594**	6 129
IFRS 16 adoption - lease liabilities	**–**	76 347
Net debt as at 1 October 2019	**219 594**	82 476
Movement in lease liabilities	**–**	11 923
Cash flows	**36 435**	(22 441)
Foreign exchange adjustments	**(4 248)**	(98)
Net debt as at 30 September 2020	**251 781**	71 860

	2020 R'000	2019 R'000
34. CONTINGENT LIABILITIES		
Guarantees in terms of loans by third parties to contracted service providers	**23 231**	23 861

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

35. COMMITMENTS

35.1 Operating lease commitments

Future minimum lease payments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2020 R'000	2019 R'000
No later than one year		26 450
Later than one year, and no later than five years		26 079
		52 529

35.2 Operating lease receivables

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	2020 R'000	2019 R'000
No later than one year	**2 335**	4 658
Later than one year, and no later than five years	**–**	–
	2 335	4 658

IFRS 16 was adopted on 1 October 2019. The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. Refer to note 26 of the accounting policies for further information on adoption. Lessor accounting has not been impacted.

35.3 Capital commitments

	2020 R'000	2019 R'000
Contractually committed	**27 039**	14 622
Approved by the Board, but not yet contractually committed – for the next financial year	**135 451**	85 984
	162 490	100 606
Allocated as follows:		
Property, plant and equipment	**162 490**	100 606

The expenditure will be financed from operating income, cash reserves and borrowed funds, in accordance with a budget approved by the Board.

36. RELATED-PARTY TRANSACTIONS

Quantum Foods Holdings Ltd is the ultimate holding company of the Quantum Foods group of companies. The Group consists of:

- Quantum Foods (Pty) Ltd
- Philadelphia Chick Breeders (Pty) Ltd – all assets transferred to Quantum Foods (Pty) Ltd following an internal restructuring on 31 July 2020
- Quantum Foods Uganda Ltd (incorporated in Uganda)
- Quantum Foods Zambia Ltd (incorporated in Zambia)
- Quantum Foods Mozambique, S.A. (incorporated in Mozambique)
- Bergsig Breeders (Pty) Ltd – associate company
- Klipvlei Broilers (Pty) Ltd – associate company (refer to note 6)

The Group holds a 100% (2019: 100%) interest in Quantum Foods (Pty) Ltd, and this entity holds a 100% (2019: 100%) interest in all the other subsidiaries listed above. The subsidiaries are incorporated in South Africa unless indicated otherwise.

During the reporting period the Company and its subsidiaries conducted the following transactions with its associate companies and key management personnel:

	2020 R'000	2019 R'000
36.1 Sale of goods		
Bergsig Breeders (Pty) Ltd	**61 148**	55 295
Klipvlei Broilers (Pty) Ltd	**3**	–
	61 151	55 295
36.2 Purchase of goods/services		
Bergsig Breeders (Pty) Ltd	**63 185**	54 477
Klipvlei Broilers (Pty) Ltd	**3 175**	–
	66 360	54 477

	2020 R'000	2019 R'000
36. RELATED-PARTY TRANSACTIONS (CONTINUED)		
36.3 Key management personnel compensation		
Salaries and other short-term employee benefits	**19 713**	17 540
Post-employment benefits	**2 216**	1 940
Bonuses and incentives	**12 972**	13 386
Other long-term benefits	**187**	133
Share-based payments	**7 980**	7 478
	43 068	40 477

Key management personnel include the executive directors of the Board and members of the Group's executive committee.

	2020 R'000	2019 R'000
36.4 Year-end balances arising from sales/purchases of goods		
Receivables from related parties		
Bergsig Breeders (Pty) Ltd	**9 081**	7 185
Klipvlei Broilers (Pty) Ltd	**8**	–
	9 089	7 185
Payables to related parties		
Bergsig Breeders (Pty) Ltd	**(6 072)**	(3 087)

Receivables from related parties are unsecured and bear no interest.

37. FINANCIAL INSTRUMENTS BY CATEGORY

	Amortised cost R'000	Assets at fair value through profit and loss R'000	Total R'000
30 SEPTEMBER 2020			
Assets as per statement of financial position			
Trade and other receivables[1]	**485 628**	**–**	**485 628**
Cash and cash equivalents	**251 781**	**–**	**251 781**
Total	**737 409**	**–**	**737 409**
30 SEPTEMBER 2019			
Assets as per statement of financial position			
Derivative financial instruments	–	4 658	4 658
Trade and other receivables[1]	412 844	–	412 844
Cash and cash equivalents	219 594	–	219 594
Total	632 438	4 658	637 096

	Liabilities at fair value through profit and loss R'000	Other financial liabilities R'000	Total R'000
30 SEPTEMBER 2020			
Liabilities as per statement of financial position			
Lease liabilities[3]	**–**	**71 860**	**71 860**
Derivative financial instruments	**6**	**–**	**6**
Trade and other payables[2]	**–**	**393 081**	**393 081**
Total	**6**	**464 941**	**464 947**
30 SEPTEMBER 2019			
Liabilities as per statement of financial position			
Interest-bearing liability	–	6 129	6 129
Trade and other payables[2]	–	369 584	369 584
Total	–	375 713	375 713

[1] *Financial assets do not include prepaid expenses and VAT amounts receivable.*
[2] *Financial liabilities do not include accruals for 13th cheque, leave, short-term incentive bonus and VAT amounts payable.*
[3] *Refer to note 26 of the accounting policies for details on adoption of IFRS 16.*

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information is included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	– Future commercial transactions – Recognised assets and liabilities denominated in foreign currency	– Cash flow forecasting – Sensitivity analysis	Forward foreign exchange contracts for future commercial transactions
Market risk – price risk	Fluctuations in prices of feed raw materials, mainly maize and soya bean meal	Sensitivity analysis	– Futures contracts – Contracting at fixed delivery prices
Market risk – interest rate	Deposits at variable rates	Sensitivity analysis	Treasury function based on a rolling cash flow forecast
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments	– Ageing analysis – Credit ratings – Sensitivity analysis	– Deposits placed at banks with high credit rating – Credit limits, credit control, letters of credit and insurance for trade receivables
Liquidity risk	Investment in working capital, capital expenses, changes in profitability	Rolling cash flow forecasts	Committed working capital facility

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Board approved a broad decision-making framework in terms of which financial risks are evaluated, managed and hedged by executive management.

(a) Market risk

(i) Cash flow interest rate risk

The Group's interest rate risk arises from financial assets and financial liabilities.

Financial liabilities exposed to interest rate risk include interest-bearing short and long-term borrowings. At year-end the Group only had lease liabilities with no exposure to variable interest rates.

Financial assets exposed to cash flow interest rate risk include cash and short-term bank deposits.

Changes in the prime interest rate will result in a minimal impact on profit after tax.

(ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, British pound, US dollar, Zambian kwacha, Ugandan shilling and Mozambican metical. Foreign exchange risk arises from future commercial transactions denominated in foreign currencies, recognised assets and liabilities denominated in foreign currencies and derivative financial instruments. Apart from the Group's exposure to trade receivables and payables and cash denominated in foreign currencies, no other financial assets or liabilities expose the Group to significant foreign exchange risk.

Instruments used by Group

The Group manages short-term foreign exchange exposure relating to raw material imports (primarily US dollar based), in terms of formal hedging policies. Foreign exchange risk arising from capital imports is hedged in total. The Group either uses a foreign exchange forward contract ("FEC") to hedge its exposure to foreign currency risk or procures the relevant imported goods at a ZAR price which includes an FEC entered into on the Group's instruction. Only the spot component of forward contracts entered into by the Group is designated as a hedging instrument. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is the forward element, which is recognised in profit or loss.

Refer to note 10 for material FEC. Refer to notes on trade and other receivables, trade payables for financial exposure to foreign currency risk.

Refer to note 22 – other gains/(losses) – net for foreign exchange-related amounts recognised in profit or loss for the year.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to commodity price risk. The risk arises from the Group's need to buy specific quantities and qualities of raw materials to meet its feeds business' requirements. These raw materials include maize and soya bean meal.

The Group uses exchange-for-physical contracts to hedge itself against the price risk of the maize commodity acquired in South Africa. These contracts hedge the future purchase price of raw materials. Settlement of the physical contracts and local futures are effected by physical delivery. The commodity price risk arising from maize and soya bean meal imports are hedged by contracting at a fixed delivered price.

(iv) Sensitivity analysis

The table below summarises the impact on post-tax profit and equity of changes in market risks relating to the Group's financial instruments exposed to foreign exchange risk.

	2020 R'000	2019 R'000
Change in foreign currency		
Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 3% (2019: 3%), British pound of 3% (2019: 3%), Euro of 3% (2019: 3%), Zambian kwacha of 3% (2019: 3%), Ugandan shilling of 3% (2019: 3%) and Mozambique metical 3% (2019: 3%), with all other variables held constant.		
Rand depreciates against foreign currencies		
– Increase/(decrease) in profit after income tax		
Trade receivables	219	286
Cash and cash equivalents	1 145	828
Trade payables	(172)	(154)
Derivative financial instruments not earmarked for hedging	–	35
– Increase/(decrease) in equity after income tax		
Derivative financial instruments earmarked for hedging	14	2 147
	1 206	3 142
Change in commodity prices		
Derivative financial instruments affected by changes in the commodity prices relate to futures. The summary below reflects the results of an expected change in the maize price of 2% (2019: 2%), with all other variables held constant.		
Commodity price increase		
– Increase in equity after income tax		
Derivative financial instruments earmarked for hedging	1 301	1 534

If these prices were to decrease it will result in a decrease in reserves of the same amount.

(b) Credit risk

Financial assets that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents and derivative financial instruments, as well as credit exposure to trade receivables, including outstanding receivables and committed transactions.

The Group's credit risk exposure relating to derivative financial instruments is managed on a Group level and are placed with a limited number of creditable financial institutions, all of which have Moody's P-1 short-term credit ratings. A short-term rating of P-1 indicates that the issuer has a strong ability to repay short-term debt obligations.

The Group's credit risk exposure relating to trade receivables is managed on a centralised basis. Trade receivables are subject to credit limits, credit control and credit approval procedures. The credit quality of customers is assessed, taking into account their financial position, and past experience with the customer and other factors when approving new customers and determining or revising individual credit limits. The utilisation of credit limits is regularly monitored.

The Group insures its South African debtors with Credit Guarantee Insurance. In 2020, 45% (2019: 55%) of the Group's total unimpaired trade debtors have been covered by credit insurance. National customers have a limited risk profile and a national geographical representation. The credit quality of the national customers is considered to be good based on historical default rates. These customers include large national customers in the formal retail sector. The large national customers and other listed companies are assessed as being a low risk of default, and are thus not insured. These customers amounted to approximately 41% (2019: 37%) of trade receivables – net in the reporting period. Of the remaining other customers, 77% (2019: 87%) of the Group's trade receivables – net were insured.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.1 Financial risk factors (continued)

(b) Credit risk (continued)

Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for credit worthiness before delivery and payment terms are offered. The Group's risk is limited to 30% (2019: 20%) of the net invoiced sales to insured debtors. The Group's review includes external ratings where available and, in some cases, bank references. Limits are established for each customer, which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The impact from the COVID-19 pandemic was considered as part of the forward-looking adjustment included in the lifetime ECL allowance. Refer to note 9 for more details.

The amount of the specific provision for losses, included in the loss allowance, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss within other operating expenses. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, they are written off as other operating expenses in profit or loss. Subsequent recoveries of amounts previously written off are credited against other operating expenses in profit or loss.

Other receivables consist mainly of prepayments, value-added tax receivable and other debtors. The risk of default is assessed as low.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The credit quality of trade debtors that are neither past due nor impaired, is as follows:

	2020 R'000	2019 R'000
External customer (history of more than six months) – not previously impaired	474 169	382 589
External customer (history of more than six months) – previously impaired – debt repaid	–	–
New customers (history less than six months)	2 746	4 855
Total	476 915	387 444
The Group deposits cash surpluses with financial institutions of high quality and standing. The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.		
P-1 short-term credit rating	250 936	218 417
Not rated	381	687
Cash on hand	464	490
	251 781	219 594

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generating capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate. The Group's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity.

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held no short-term bank deposits.

At year-end the Group had a borrowing facility in the form of a debtors, finance facility at one of the major South African banks. Sufficient collateral in the form of trade receivables is provided as security for the debt.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	2020 R'000	2019 R'000
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	**209 047**	242 512

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed are the contractual undiscounted cash flows.

	Not later than 1 year R'000	Between 1 and 2 years R'000	More than 2 years R'000
Maturity analysis of financial liabilities			
30 September 2020			
Capital and interest – total			
Lease liabilities	**(24 570)**	**(20 725)**	**(45 519)**
Dividend payable	**(436)**	**–**	**–**
Trade and other payables	**(392 329)**	**–**	**–**
Other derivative financial instruments	**(6)**	**–**	**–**
	(417 341)	**(20 725)**	**(45 519)**
30 September 2019			
Capital and interest – total			
Borrowings excluding bank overdrafts and call loans	(615)	(615)	(12 561)
Trade and other payables	(368 886)	–	–
	(369 501)	(615)	(12 561)

Note: Financial liabilities do not include provisions, accrual for 13th cheque, deferred revenue, accrual for leave and VAT amounts payable.

38.2 Capital risk management

The Board's policy is to maintain a strong capital base to ensure the Group continues as a going concern in order to provide returns for shareholders and benefits for other stakeholders. When allocating capital, the Group's target is to achieve a return on invested capital in excess of its weighted average cost of capital.

	2020 R'000	2019 R'000
Net debt*	**71 860**	6 129
Total equity (as shown in the statement of financial position)	**1 885 642**	1 837 412
	3.81%	0.33%

* *Cash and cash equivalents exceed borrowings. Cash and cash equivalents are not deducted for ratio calculation.*

The main focus of the Group's capital management is to ensure liquidity, in the form of short-term borrowing facilities, in order to have sufficient available funding for the Group's working capital requirements.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.3 Fair value measurement

All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:

Level 1:
Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities at the end of the reporting period. No financial assets have been classified as level 1.

Level 2:
Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable inputs, which reflect the market conditions, including that of the COVID-19 pandemic in their expectations of future cash flows for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:
Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value at:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 September 2020				
Assets measured at fair value				
Biological assets				
– Livestock	**–**	**–**	**354 511**	**354 511**
Total	**–**	**–**	**354 511**	**354 511**
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	**–**	**6**	**–**	**6**
Total	**–**	**6**	**–**	**6**
30 September 2019				
Assets measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	4 658	–	4 658
Biological assets				
– Livestock	–	–	379 596	379 596
Total	–	4 658	379 596	384 254

There were no transfers between any levels during the year, nor were there any significant changes to the valuation techniques and inputs used to determine fair values.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Group uses a variety of methods that make assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for derivative financial instruments. The fair value of foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

Financial instruments in level 3

Biological assets

The layer and broiler livestock and agricultural produce are measured at fair value which is determined by using unobservable inputs and is categorised as level 3. Fair values of livestock held for breeding, layer-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

The fair value of the layer birds, which include rearing and layer livestock, are determined by the market prices of day-old chicks, point of lay hens and culls. These are the only selling points during the life cycle of the bird. The fair value of the layer birds are determined by their age at the different stages in the life cycle.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.3 Fair value measurement (continued)

Financial instruments in level 3 (continued)

The fair value of broiler livestock is determined by the market prices of day-old chicks and live birds at slaughter age. These are the only selling points during the life cycle of the bird. The fair value of the broiler livestock is determined by their age at the different stages in the life cycle.

The market prices used in the valuation is based on actual selling prices realised by the Group. The fair value estimation of the Group's biological assets was not materially impacted by the COVID-19 pandemic.

Changes in the fair value are included in profit or loss, with a loss of R4 597 774 (2019: profit of R790 003) being recognised as the unrealised fair value adjustment in profit or loss in the current period to adjust the biological asset livestock to fair value.

In measuring the fair value of biological assets, the following significant unobservable inputs were used:

	Range of unobservable inputs	
	2020 R'000	2019 R'000
Unobservable input		
Layer livestock		
Market price of day-old chicks	**R9.08 to R9.28**	R8.61 to R8.81
Market price of point-of-lay hens	**R65.76 to R70.51**	R65.82 to R69.54
Market price of culls	**R24.76 to R29.27**	R24.91 to R38.93
Broiler livestock		
Market price of day-old chicks	**R5.08 to R5.28**	R4.76 to R4.96
Market price of live birds	**R26.18 to R26.58**	R23.08 to R23.48

Sensitivity analysis

A sensitivity analysis of a 2% change in the market price, is shown for the significant unobservable inputs below:

Input	Sensitivity
Day-old chick market prices	A change in market price would result in a R0.6 million (2019: R0.6 million) change in the fair value of poultry livestock.
Point-of-lay hens market prices	A change in the market price would result in a R2.6 million (2019: R3.3 million) change in the fair value of laying hens.
Cull market prices	A change in the market price would result in a R0.9 million (2019: R0.7 million) change in the fair value of laying hens.
Live bird market prices	A change in the market price would result in a R0.7 million (2019: R0.7 million) change in the fair value of broiler livestock.

The effect of an increase in market prices will result in an increase in the fair value of the livestock.

The carrying amounts of cash and cash equivalents, trade and other receivables less provision for impairment, trade and other payables and short-term borrowings are assumed to approximate their fair values due to the short-term maturity of these assets and liabilities.

39. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed on a regular basis by the CODM in order to make strategic decisions.

Reportable segments are divided into the following:

- Eggs
- Farming
- Animal feeds
- Other African countries
- Head office costs

Quantum Foods comprises eggs, broiler and layer farming and animal feeds in South Africa and the businesses of Quantum Foods Zambia Ltd, Quantum Foods Uganda Ltd and Quantum Foods Mozambique, S.A.

The nature of the Quantum Foods Zambia, Quantum Foods Uganda and Quantum Foods Mozambique businesses operations are predominantly the production and sale of animal feeds, commercial eggs and day-old chicks. These three entities are aggregated for segmental reporting as these entities are similar in nature.

The eggs business is the commercial egg business, which consists of the sale of ungraded eggs and the processing of eggs in the pack stations and distribution thereof, to the market.

The layer farming business includes the layer livestock and commercial layer farms. The broiler farming business includes the broiler livestock and commercial broiler farms. The broiler farming and layer farming operating segments are aggregated for segment reporting. Both operations have similar risk profiles, being the production risk inherent to live bird farming. The exposure of these operations to market risk is low.

39. SEGMENT INFORMATION (CONTINUED)

The segment results disclosed per segment below are the CODM's measure of each segment's operational performance. The measure represents operating profit as per the statement of comprehensive income.

External revenue and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the statement of comprehensive income.

Segment assets consist of property, plant and equipment, intangible assets, inventories, biological assets, trade and other receivables and derivative financial instrument assets and exclude cash and cash equivalents, investment in associates and deferred and current income tax assets.

Segment liabilities consist of trade and other payables, provisions for other liabilities and charges, and derivative financial instrument liabilities, and exclude current and deferred income tax liabilities.

Segment capital expenditure consists of additions and replacements of property, plant, equipment and intangible assets.

	2020 R'000	2019 R'000
Segment revenue	**5 095 085**	4 417 674
Eggs	**1 229 592**	1 095 195
Farming	**1 350 043**	1 325 152
Animal feeds	**2 237 071**	1 758 627
Other African countries	**278 379**	238 700
Segment results	**218 468**	245 233
Eggs	**6 253**	38 245
Farming	**121 238**	113 140
Animal feeds	**98 299**	88 674
Other African countries	**6 068**	14 317
Head office costs	**(13 390)**	(9 143)
A reconciliation of the segment results to operating profit before income tax is provided below:		
Segment results	**218 468**	245 233
Adjusted for:		
Investment income	**6 010**	15 102
Finance costs	**(8 579)**	(3 959)
Share of profit of associate companies	**(432)**	209
Profit before income tax per statement of comprehensive income	**215 467**	256 585
Segment assets	**2 378 484**	2 277 409
Eggs	**278 228**	235 700
Farming	**1 075 813**	1 061 887
Animal feeds	**655 818**	580 680
Other African countries	**349 270**	379 619
Head office costs	**19 355**	19 523
A reconciliation of the segments' assets to the Group's assets is provided below:		
Segment assets per segment report	**2 378 484**	2 277 409
Adjusted for:		
Investment in associate	**13 679**	8 998
Current and deferred income tax assets	**842**	8 328
Cash and cash equivalents	**251 781**	219 594
Total assets per statement of financial position	**2 644 786**	2 514 329
Segment liabilities	**524 680**	434 074
Eggs	**111 582**	65 022
Farming	**100 177**	70 015
Animal feeds	**267 375**	238 203
Other African countries	**16 213**	18 949
Head office costs	**29 333**	41 885
A reconciliation of the segments' liabilities to the Group's liabilities is provided below:		
Segment liabilities per segment report	**524 680**	434 074
Adjusted for:		
Current and deferred income tax liabilities	**234 464**	242 843
Total liabilities per statement of financial position	**759 144**	676 917
Total segment capital expenditure (excluding business combinations)	**91 155**	152 591
Eggs	**11 153**	25 959
Farming	**19 952**	27 303
Animal feeds	**36 213**	41 550
Other African countries	**23 724**	57 206
Head office costs	**113**	573

39. SEGMENT INFORMATION (CONTINUED)

	2020 R'000	2019 R'000
Total segment depreciation and amortisation	**98 246**	73 480
Eggs	**16 464**	8 387
Farming	**37 852**	31 912
Animal feeds	**21 373**	13 785
Other African countries	**22 557**	19 396
Items of a capital nature per segment included in other gains/(losses) – net		
Profit/(loss) on disposal of property, plant and equipment and intangible assets before income tax	**(1 088)**	622
Eggs	**(1)**	(96)
Farming	**(267)**	1 053
Animal feeds	**(989)**	(426)
Other African countries	**169**	91

Geographical information

The Group mainly operates in South Africa. Other operations are located in other African countries. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.

Revenue derived by Group companies domiciled in South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.

	2020 R'000	2019 R'000
Segment revenue	**5 095 085**	4 417 674
South Africa	**4 816 706**	4 178 974
Other African countries	**278 379**	238 700
Total segment non-current assets	**1 222 063**	1 181 521
South Africa	**971 475**	901 802
Other African countries	**250 588**	279 719
Total segment capital expenditure (excluding business combinations)	**91 155**	152 591
South Africa	**67 431**	95 385
Other African countries	**23 724**	57 206

40. RETIREMENT BENEFITS

The Group contributes to retirement and provident funds for all its South African employees which are administered by several service providers. These retirement and provident funds are defined contribution plans which are arranged and governed by the Pension Fund Act of 1956, and no actuarial valuation is required.

41. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final cash dividend of 10.0 cents (2019: 25.0 cents) per ordinary share has been approved and declared by the Board for the year ended 30 September 2020, on 26 November 2020. This will only be reflected in the statement of changes in equity in the next reporting period.

An interim dividend of 6.0 cents (2019: 8.0 cents) per ordinary shares was declared and paid during the year.

Additional information disclosed

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

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

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

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

The Group considered the impact of the COVID-19 pandemic post-30 September 2020 and concluded that the significant accounting judgements, estimates and assumptions applied in the preparation of these annual financial statements remain appropriate. Refer to note 2 for significant accounting judgements, estimates and assumptions applied.

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 consolidated annual financial statements by the Board.

42. GOING CONCERN STATEMENT

The Board evaluated the going concern assumption as at 30 September 2020, taking into account the current financial position and their best estimate of the cash flow forecasts in terms of their current knowledge and expectations of ongoing developments of the COVID-19 pandemic, and considered it to be appropriate in the presentation of these financial statements.

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.

43. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS

	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Retirement fund contributions R'000	Long-term incentives R'000	Directors' fees R'000	Total R'000
30 September 2020							
Executive directors							
HA Lourens	**3 418**	**62**	**2 910**	**370**	**1 538**	**–**	**8 298**
AH Muller	**2 130**	**88**	**1 390**	**235**	**822**	**–**	**4 665**
Total executive directors	**5 548**	**150**	**4 300**	**605**	**2 360**	**–**	**12 963**
Non-executive directors							
WA Hanekom	**–**	**–**	**–**	**–**	**–**	**457**	**457**
N Celliers (resigned 19 June 2020)	**–**	**–**	**–**	**–**	**–**	**223**	**223**
Prof. ASM Karaan	**–**	**–**	**–**	**–**	**–**	**361**	**361**
PE Burton (resigned 17 August 2020)	**–**	**–**	**–**	**–**	**–**	**365**	**365**
GG Fortuin	**–**	**–**	**–**	**–**	**–**	**301**	**301**
T Golden	**–**	**–**	**–**	**–**	**–**	**246**	**246**
LW Riddle (appointed 28 September 2020)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total non-executive directors	**–**	**–**	**–**	**–**	**–**	**1 953**	**1 953**
Total directors	**5 548**	**150**	**4 300**	**605**	**2 360**	**1 953**	**14 916**
Prescribed officer							
HE Pether	**1 195**	**78**	**860**	**243**	**688**	**–**	**3 064**
30 September 2019							
Executive directors							
HA Lourens	3 234	62	3 143	351	640	–	7 430
AH Muller	2 019	88	1 502	224	292	–	4 125
Total executive directors	5 253	150	4 645	575	932	–	11 555
Non-executive directors							
WA Hanekom	–	–	–	–	–	428	428
N Celliers	–	–	–	–	–	282	282
Prof. ASM Karaan	–	–	–	–	–	338	338
PE Burton	–	–	–	–	–	390	390
GG Fortuin	–	–	–	–	–	282	282
T Golden	–	–	–	–	–	175	175
Total non-executive directors	–	–	–	–	–	1 895	1 895
Total directors	5 253	150	4 645	575	932	1 895	13 450
Prescribed officer							
HE Pether	1 149	78	928	211	252	–	2 618

43. REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS (CONTINUED)

Directors' share appreciation rights ("SARs")

	Number of SARs initially allocated	Date awarded	Exercisable up to date	Strike price Cents	Fair value per SAR at grant date* Cents	Fair value of total SARs granted during the year R'000	Number of SARs redeemed cumulative	Number of SARs redeemed in current year	Exercise price at date of redemption Cents	Value increase from strike price to price at redemption R'000	Number of SARs not redeemed
30 September 2020											
Executive directors											
HA Lourens	**774 376**	**2015/02/27**	**2021/02/27**	**315**	**–**	**–**	**774 376**	**258 124**	**421**	**275**	**–**
	634 240	**2016/02/18**	**2022/02/18**	**266**	**–**	**–**	**422 824**	**211 412**	**430**	**346**	**211 416**
	2 280 786	**2017/02/23**	**2023/02/23**	**309**	**–**	**–**	**760 262**	**760 262**	**430**	**917**	**1 520 524**
	2 267 972	**2018/02/22**	**2024/02/22**	**391**	**–**	**–**	**–**	**–**	**–**	**–**	**2 267 972**
	1 912 728	**2019/02/11**	**2025/02/11**	**425**	**–**	**–**	**–**	**–**	**–**	**–**	**1 912 728**
	1 404 498	**2020/02/17**	**2026/02/17**	**357**	**106**	**1 489**	**–**	**–**	**–**	**–**	**1 404 498**
AH Muller	**477 854**	**2015/02/27**	**2021/02/27**	**315**	**–**	**–**	**477 854**	**159 284**	**418**	**165**	**–**
	187 902	**2016/02/18**	**2022/02/18**	**266**	**–**	**–**	**125 268**	**62 634**	**580**	**197**	**62 634**
	510 736	**2017/02/23**	**2023/02/23**	**309**	**–**	**–**	**170 244**	**170 244**	**580**	**461**	**340 492**
	656 978	**2018/02/22**	**2024/02/22**	**391**	**–**	**–**	**–**	**–**	**–**	**–**	**656 978**
	497 266	**2019/02/11**	**2025/02/11**	**425**	**–**	**–**	**–**	**–**	**–**	**–**	**497 266**
	433 542	**2020/02/17**	**2026/02/17**	**357**	**106**	**460**	**–**	**–**	**–**	**–**	**433 542**
Prescribed officer											
HE Pether	**224 410**	**2015/02/27**	**2021/02/27**	**315**	**–**	**–**	**224 410**	**149 608**	**579**	**198**	**–**
	122 190	**2016/02/18**	**2022/02/18**	**266**	**–**	**–**	**81 460**	**40 730**	**579**	**128**	**40 730**
	402 570	**2017/02/23**	**2023/02/23**	**309**	**–**	**–**	**134 190**	**134 190**	**579**	**362**	**268 380**
	345 174	**2018/02/22**	**2024/02/22**	**391**	**–**	**–**	**–**	**–**	**–**	**–**	**345 174**
	315 264	**2019/02/11**	**2025/02/11**	**425**	**–**	**–**	**–**	**–**	**–**	**–**	**315 264**
	273 492	**2020/02/17**	**2026/02/17**	**357**	**106**	**290**	**–**	**–**	**–**	**–**	**273 492**
30 September 2019											
Executive directors											
HA Lourens	774 376	2015/02/27	2021/02/27	315	–	–	516 252	258 126	436	313	258 124
	634 240	2016/02/18	2022/02/18	266	–	–	211 412	211 412	421	327	422 828
	2 280 786	2017/02/23	2023/02/23	309	–	–	–	–	–	–	2 280 786
	2 267 972	2018/02/22	2024/02/22	391	–	–	–	–	–	–	2 267 972
	1 912 728	2019/02/11	2025/02/11	425	96	1 836	–	–	–	–	1 912 728
AH Muller	477 854	2015/02/27	2021/02/27	315	–	–	318 568	159 284	436	193	159 286
	187 902	2016/02/18	2022/02/18	266	–	–	62 634	62 634	423	98	125 268
	510 736	2017/02/23	2023/02/23	309	–	–	–	–	–	–	510 736
	656 978	2018/02/22	2024/02/22	391	–	–	–	–	–	–	656 978
	497 266	2019/02/11	2025/02/11	425	96	477	–	–	–	–	497 266
Prescribed officer											
HE Pether	224 410	2015/02/27	2021/02/27	315	–	–	149 608	149 608	441	188	74 802
	122 190	2016/02/18	2022/02/18	266	–	–	40 730	40 730	423	64	81 460
	402 570	2017/02/23	2023/02/23	309	–	–	–	–	–	–	402 570
	345 174	2018/02/22	2024/02/22	391	–	–	–	–	–	–	345 174
	315 264	2019/02/11	2025/02/11	425	96	303	–	–	–	–	315 264

* *These fair values were calculated using the actuarial binomial option pricing model.*

44. DIRECTORS' AND PRESCRIBED OFFICERS INTEREST IN SHARES

The direct and indirect interest of the directors and prescribed officers in the issued share capital of the Company are reflected in the table below:

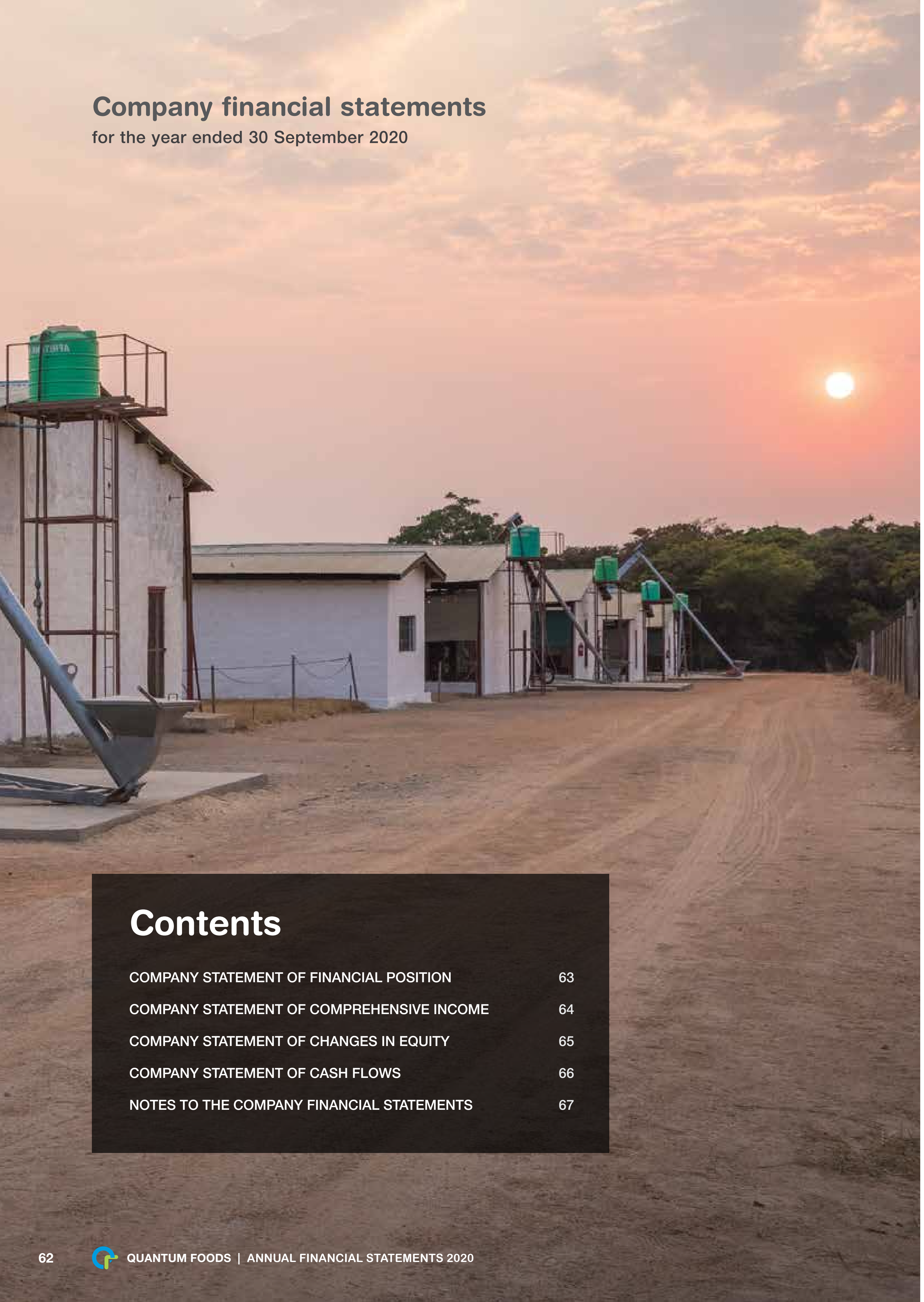
	Number of shares#			% of issued ordinary
	Direct	Indirect	Total	share capital
30 September 2020				
HA Lourens	**1 428 563**	**–**	**1 428 563**	**0.714**
AH Muller	**515 851**	**–**	**515 851**	**0.258**
WA Hanekom	**–**	**10 355 320**	**10 355 320**	**5.177**
N Celliers**	**–**	**–**	**–**	**–**
Prof.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

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

Notes:
- * *Appointed during the year.*
- ** *Resigned as director during the year.*
- ^ *Prescribed officer.*
- \# *There has been no change in the directors' or prescribed officer' interest in shares from the end of the financial year to the date of the approval of the annual financial statements. None of the shares held by directors or prescribed officer are pledged as security.*

45. SHAREHOLDER INFORMATION

	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Shareholder spread				
Category				
Ordinary shares				
Individuals	**3 818**	**91.2**	**19 782 770**	**9.9**
Nominees and trusts	**221**	**5.3**	**5 312 082**	**2.7**
Investment companies and corporate bodies	**146**	**3.5**	**174 929 864**	**87.5**
	4 185	**100.0**	**200 024 716**	**100.0**
Non-public/public shareholders				
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2020, is as follows:				
Analysis of shareholding and shareholders holding 5% or more ordinary shares				
Public shareholding				
Major shareholding				
Astral Operations Ltd	**1**	**0.0**	**19 550 855**	**9.8**
Other shareholders	**4 177**	**99.9**	**37 966 116**	**19.0**
Non-public shareholding				
Major shareholding				
Aristotle Africa S.à r.l.	**1**	**0.0**	**62 640 678**	**31.3**
Country Bird Holdings (Pty) Ltd	**1**	**0.0**	**61 620 084**	**30.8**
Other shareholders				
Directors and prescribed officers	**4**	**0.1**	**12 485 528**	**6.2**
Quantum Foods (Pty) Ltd	**1**	**0.0**	**5 761 455**	**2.9**
	4 185	**100.0**	**200 024 716**	**100.0**
Distribution of ordinary shareholders				
Number of shares				
1 – 1 000 shares	**2 686**	**64.2**	**597 140**	**0.3**
1 001 – 10 000 shares	**1 029**	**24.5**	**3 922 061**	**2.0**
10 001 – 100 000 shares	**421**	**10.1**	**12 475 868**	**6.2**
100 001 – 1 000 000 shares	**40**	**1.0**	**10 520 822**	**5.3**
1 000 001 shares and over	**9**	**0.2**	**172 508 825**	**86.2**
	4 185	**100.0**	**200 024 716**	**100.0**



Company financial statements

for the year ended 30 September 2020

Contents

Company statement of financial position

as at 30 September 2020

	Notes	2020 R'000	2019 R'000
ASSETS			
Non-current assets		**1 585 386**	1 585 386
Investment in subsidiary	3	**1 585 386**	1 585 386
Current assets		**757**	585
Trade and other receivables		**104**	–
Cash and cash equivalents		**653**	585
Total assets		**1 586 143**	1 585 971
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		**1 577 865**	1 576 390
Share capital	4	**1 465 069**	1 465 069
Retained earnings		**112 796**	111 321
Total equity		**1 577 865**	1 576 390
Current liabilities		**8 278**	9 581
Dividends payable		**436**	392
Trade and other payables		**3 359**	147
Borrowings from related party	5	**4 483**	9 042
Total liabilities		**8 278**	9 581
Total equity and liabilities		**1 586 143**	1 585 971

Company statement of comprehensive income

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Revenue	6	**72 001**	198 156
Other income	7	**1 562**	1 515
Administrative expenses		**(8 116)**	(1 759)
Other operating expenses		**(2 011)**	(1 956)
Operating profit	8	**63 436**	195 956
Investment income	9	**47**	120
Profit before income tax		**63 483**	196 076
Income tax expense	10	**–**	–
Profit for the year		**63 483**	196 076
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**63 483**	196 076
Profit for the year attributable to owners of the parent		**63 483**	196 076
Total comprehensive income for the year attributable to owners of the parent		**63 483**	196 076

Company statement of changes in equity

for the year ended 30 September 2020

	Share capital R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2018	1 500 248	78 618	1 578 866
Shares repurchased and cancelled	(35 179)	–	(35 179)
Comprehensive income:			
Profit for the year	–	196 076	196 076
Interim dividend for 2019	–	(16 002)	(16 002)
Final dividend for 2018	–	(147 371)	(147 371)
Balance as at 30 September 2019	1 465 069	111 321	1 576 390
Balance as at 1 October 2019	**1 465 069**	**111 321**	**1 576 390**
Comprehensive income:			
Profit for the year	**–**	**63 483**	**63 483**
Interim dividend for 2020	**–**	**(12 001)**	**(12 001)**
Final dividend for 2019	**–**	**(50 007)**	**(50 007)**
Balance as at 30 September 2020	**1 465 069**	**112 796**	**1 577 865**
Note	4		

Company statement of cash flows

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
CASH FLOW FROM OPERATING ACTIVITIES		**(5 457)**	(2 409)
Cash loss from operating activities	12	**(8 565)**	(2 200)
Working capital changes	13	**3 108**	(209)
CASH FLOW FROM INVESTING ACTIVITIES		**72 048**	198 276
Interest received	9	**47**	120
Dividends received	6	**72 001**	198 156
Cash surplus		**66 591**	195 867
CASH FLOW FROM FINANCING ACTIVITIES		**(66 523)**	(195 584)
Loan received from related party	5	**5 435**	4 508
Loan repaid to related party	5	**(9 994)**	(1 743)
Shares repurchased	4	**–**	(35 179)
Dividends paid to ordinary shareholders	14	**(61 964)**	(163 170)
Increase in cash and cash equivalents		**68**	283
Cash and cash equivalents at beginning of year		**585**	302
Cash and cash equivalents at end of year		**653**	585

Notes to the company financial statements

for the year ended 30 September 2020

		2020 R'000	2019 R'000
1.	**ACCOUNTING POLICIES**		
	The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to the accounting policies on page 12.		
2.	**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**		
	The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.		
3.	**INTEREST IN SUBSIDIARY**		
	Cost of shares		
	Quantum Foods (Pty) Ltd	**1 585 386**	1 585 386
	The Company holds a 100% interest in the subsidiary listed above.		
	The subsidiary is incorporated in South Africa.		
	The interest in subsidiary was assessed for impairment at the end of the reporting period. The recoverable amounts of the relevant CGUs of the subsidiary were determined through fair value less cost to sell and value-in-use calculations. No impairment losses were recognised. Refer to note 2 of the Group financial statements for more information regarding the impairment evaluation.		
4.	**SHARE CAPITAL**		
	Authorised – ordinary shares 400 000 000 (2019: 400 000 000) ordinary no par value shares		
	Issued and fully paid – ordinary shares 200 024 716 (2019: 200 024 716) ordinary no par value shares	**1 465 069**	1 465 069
	During the reporting period, nil (2019: 10 505 000) ordinary shares were repurchased by the Company and cancelled. The shares were repurchased at an average price of R3.35 per share during the previous reporting period.		
5.	**BORROWINGS FROM RELATED PARTY**		
	Loan from Quantum Foods (Pty) Ltd		
	Beginning of year	**9 042**	6 277
	Loans advanced during the year	**5 435**	4 508
	Loans repaid during the year	**(9 994)**	(1 743)
	End of year	**4 483**	9 042
	Unsecured interest-free loan with no fixed terms of repayment.		
6.	**REVENUE**		
	Dividends received from Quantum Foods (Pty) Ltd	**72 001**	198 156
7.	**OTHER INCOME**		
	Administration fees received from Quantum Foods (Pty) Ltd	**1 562**	1 515
8.	**OPERATING PROFIT**		
	The operating profit is calculated after taking into account other income (refer to note 7), as well as the following:		
	Auditors' remuneration	**19**	14
	Consulting fees	**5 219**	286
	Listing fees and shareholder communication	**1 594**	1 452
	Directors' remuneration	**1 953**	1 895
9.	**INVESTMENT INCOME**		
	Interest income on call accounts and other	**47**	120

	2020 R'000	2019 R'000

10. INCOME TAX EXPENSE

	2020 R'000	2019 R'000
Current income tax		
Current year	–	–
	%	%
Standard rate for companies	28.0	28.0
Exempt income	(31.8)	(28.3)
Non-deductible expenditure	3.8	0.3
	–	–

11. DIVIDEND PER ORDINARY SHARE

	2020 R'000	2019 R'000
Interim 6.0 cents (2019: 8.0 cents) per ordinary share	12 001	16 002
Final 10.0 cents (2019: 25.0 cents) per ordinary share	20 002	50 007
	32 003	66 009

Dividends payable are not accounted for until they have been declared by the Board. The statement of changes in equity does not reflect the final dividend payable. The final dividend will be accounted for as an appropriation of retained earnings in the following year. Withholding tax on dividends became effective from 1 April 2012 at a rate of 15%, which rate was increased to 20% from 22 February 2017.

The total Rand value of the final dividend for the year is an approximate amount. The exact amount is dependent on the number of shares in issue at the record date.

12. CASH LOSS FROM OPERATING ACTIVITIES

	2020 R'000	2019 R'000
Reconciliation of profit before tax and cash loss from operating activities:		
Profit before income tax	63 483	196 076
Adjusted for:		
Dividends received	(72 001)	(198 156)
Interest received	(47)	(120)
	(8 565)	(2 200)

13. WORKING CAPITAL CHANGES

	2020 R'000	2019 R'000
Increase in trade and other receivables	(104)	–
Increase/(decrease) in trade and other payables	3 212	(209)
	3 108	(209)

14. DIVIDENDS PAID

	2020 R'000	2019 R'000
Amounts unpaid at beginning of year	(392)	(189)
As disclosed in statement of changes in equity	(62 008)	(163 373)
Amounts unpaid at end of year	436	392
	(61 964)	(163 170)

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