



# PIONEER FOODS

# 2016

NOTICE AND PROXY OF ANNUAL GENERAL MEETING AND  
SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 SEPTEMBER 2016

## SALIENT FEATURES

<b>Continuing operations</b>		
Revenue*	<b>R20 600 million</b>	+12%
Adjusted operating profit (before items of a capital nature)**	<b>R2 273 million</b>	+6%
Adjusted headline earnings**	<b>R1 637 million</b>	+7%
Adjusted headline earnings per share**	<b>883 cents</b>	+6%
<b>Group</b>		
Earnings	<b>R1 690 million</b>	+50%
Earnings per share	<b>912 cents</b>	+49%
Diluted earnings per share	<b>847 cents</b>	+50%
Headline earnings	<b>R1 676 million</b>	+37%
Headline earnings per share	<b>904 cents</b>	+36%
Diluted headline earnings per share	<b>840 cents</b>	+37%
Net asset value per share	<b>4 239 cents</b>	+13%
Final gross dividend per listed ordinary share (2015: 237 cents)	<b>260 cents</b>	+10%
Total gross dividend per listed ordinary share (2015: 332 cents)	<b>365 cents</b>	+10%

Headline earnings ("HE") is calculated based on Circular 2/2015 issued by the South African Institute of Chartered Accountants.

\* Excluding biscuits, Pepsi and Maitland Vinegar from the comparatives.

\*\* HE and operating profit (before items of a capital nature) are adjusted for the share-based payment income/(charge), amounting to a gain of R23 million (2015: loss of R307 million), and the hedge gain, amounting to R22 million, of the B-BBEE Phase 1 equity transaction due to the volatility of these transactions.

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**DIRECTORS:** ZL Combi (Chairman), PM Roux (CEO)\*, N Celliers, Prof ASM Karaan, NS Mjoli-Mncube, PJ Mouton, LE Mthimunye-Bakoro, SS Ntsaluba, G Pretorius, AH Sangqu, NWThomson (\* Executive)

The following changes to the Pioneer Foods Board occurred during the period under review:

- Ms LE Mthimunye-Bakoro was appointed as an independent non-executive director with effect from 1 November 2016.
- Ms CJ Hess resigned as Chief Financial Officer with effect from 31 October 2016.
- Mr LP Retief resigned as an independent non-executive director with effect from 12 July 2016.
- Mr MM du Toit resigned as non-executive director with effect from 12 February 2016.
- Messrs SS Ntsaluba and NWThomson were appointed as independent non-executive directors and Mr PJ Mouton as non-executive director with effect from 19 November 2015.

**COMPANY SECRETARY:** J Jacobs **EMAIL:** Jay-Ann.Jacobs@pioneerfoods.co.za

**REGISTERED ADDRESS:** Glacier Place, 1 Sportica Crescent, Tyger Valley, 7530, South Africa

**TEL:** 021 974 4000 **FAX:** +27 86 407 0222 **EMAIL:** info@pioneerfoods.co.za

**TRANSFER SECRETARIES:** Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa, PO Box 61051, Marshalltown, 2107, South Africa

**TEL:** 011 370 5000 **FAX:** 011 688 5209

**SPONSOR:** PSG Capital (Pty) Ltd, PO Box 7403, Stellenbosch, 7599, South Africa

**TEL:** 021 887 9602 **FAX:** 021 887 9624



**Pioneer Food Group Ltd**

(Incorporated in the Republic of South Africa)  
 (Registration number: 1996/017676/06)  
 (Tax registration number: 9834/695/71/1)  
 (Share code: PFG)  
 (ISIN code: ZAE000118279)  
 ("Pioneer Foods" or "the Company")

20 December 2016

Dear Shareholder

**NOTICE OF THE 2016 ANNUAL GENERAL MEETING AND PROXY FORM**

We are pleased to enclose herewith a detailed notice of Pioneer Foods' Annual General Meeting to be held at 09:00 on Friday, 10 February 2017, at Lanzerac Hotel & Spa, Lanzerac Road, Stellenbosch, 7600.

We have also included the following:

- summary consolidated annual financial statements with explanatory notes and commentary; and
- a proxy form.

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

In a continued effort to support environmental initiatives, printed copies of Pioneer Foods' integrated annual report with summary financial statements **will only be mailed to shareholders on request from 11 January 2017**. The integrated annual report and financial statements will be available for download on the Company's website at [www.pioneerfoods.co.za](http://www.pioneerfoods.co.za) towards the end of December 2016.

Should you require a printed copy of the integrated annual report, please contact Rayhaan Samodien at [Rayhaan.Samodien@pioneerfoods.co.za](mailto:Rayhaan.Samodien@pioneerfoods.co.za) or Jay-Ann Jacobs at [Jay-Ann.Jacobs@pioneerfoods.co.za](mailto:Jay-Ann.Jacobs@pioneerfoods.co.za) to request a copy.

Yours sincerely

**Jay-Ann Jacobs**  
 Company Secretary

**NOTICE OF ANNUAL GENERAL MEETING  
 FOR THE YEAR ENDED 30 SEPTEMBER 2016**

Notice is hereby given to all shareholders recorded in the securities register of Pioneer Foods as at Friday, 09 December 2016, that the twentieth Annual General Meeting of Pioneer Foods will be held on Friday, 10 February 2017, at 09:00 at Lanzerac Hotel & Spa, Lanzerac Road, Stellenbosch, 7600 ("the Annual General Meeting").

**Purpose**

The purpose of the Annual General Meeting is to transact the business set out in the agenda below.

**Agenda**

- Presentation of the audited annual consolidated financial statements of the Company, including the reports of the directors and the Audit Committee for the year ended 30 September 2016. The audited annual consolidated financial statements are available on the Company's website at [www.pioneerfoods.co.za](http://www.pioneerfoods.co.za).
- Resolutions:
  - Ordinary Resolutions 1 – 11
  - Special Resolutions 1 – 5

**Ordinary resolutions**

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

**1. Ordinary Resolution Number 1**

"Resolved that the re-appointment of PricewaterhouseCoopers Incorporated as auditor for the ensuing year on the recommendation of the Audit Committee be and is hereby approved. Mr Duncan Adriaans (accredited on the Johannesburg Stock Exchange ("JSE") list of auditors and registered in accordance with the Auditing Professions Act, Act 26 of 2005) is hereby confirmed as the individual responsible for performing the function of auditor as from February 2017 and that the Audit Committee be authorised to approve their remuneration."

*Reason for Ordinary Resolution Number 1*

*The reason for Ordinary Resolution Number 1 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the Annual General Meeting of the Company as required by the Companies Act, Act 71 of 2008 ("Companies Act").*

**2. Ordinary Resolution Number 2**

"Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the JSE Listings Requirements, and subject to the proviso that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% of the issued share capital as at the date of this notice of Annual General Meeting, provided that:

- The approval shall be valid until the date of the next Annual General Meeting of the Company, provided it shall not extend beyond 15 months from the date of this resolution.
- The general issues of shares for cash in any one financial year may not exceed in the aggregate 5% of the Company's issued share capital (number of securities) of that class as at the date of this notice of Annual General Meeting. As at the date of this notice of Annual General Meeting, 5% of the Company's issued ordinary share capital amounts to 11 624 359 ordinary shares.
- In determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30 business day period.
- Any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties.



## 2. Ordinary Resolution Number 2 (continued)

Any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue."

*Reason for and effect of Ordinary Resolution Number 2*

*The reason for Ordinary Resolution Number 2 is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the Company.*

*In terms of the JSE Listings Requirements, in order for Ordinary Resolution Number 2 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.*

## 3. Ordinary Resolutions Numbers 3 – 6 (inclusive)

"Resolved that the following directors, who retire by rotation in terms of the memorandum of incorporation of the Company and, being eligible, and offering themselves for re-election, be and are hereby re-elected as directors:

### 3.1 Ordinary Resolution Number 3:

**Re-election of independent non-executive director:** Prof Abdus Salam Mohammad Karaan

### 3.2 Ordinary Resolution Number 4:

**Re-election of independent non-executive director:** Mr Gerrit Pretorius

### 3.3 Ordinary Resolution Number 5:

**Re-election of independent non-executive director:** Mr Andile Hesperus Sangqu

### 3.4 Ordinary Resolution Number 6:

**Re-election of non-executive director:** Mr Norman Celliers

*Reason for Ordinary Resolutions Numbers 3 – 6 (inclusive)*

*The reason for and effect of Ordinary Resolutions Numbers 3 – 6 (inclusive) is that these directors will retire at the Annual General Meeting by rotation in terms of clause 29.3.4 of the Company's memorandum of incorporation and being eligible, have availed themselves for re-election. A brief profile of each of the directors up for re-election to the Board appears in annexure 3 to this notice of Annual General Meeting.*

## 4. Ordinary Resolution Number 7

"Resolved that the appointment by the Board of the following director be and is hereby confirmed:

### 4.1 Ordinary Resolution Number 7

**Confirmation of appointment:** Ms Lindiwe Evarista Mthimunye-Bakoro (independent non-executive director)

*Reason for Ordinary Resolution Number 7*

*The reason for and effect of Ordinary Resolution Number 7 is that Ms Mthimunye-Bakoro was appointed by the Board on 1 November 2016 and in terms of clause 29.2.7 of the Company's memorandum of incorporation, such appointments are subject to the approval of the shareholders of the Company. A brief profile of Ms Mthimunye-Bakoro appears in annexure 3 to this notice of Annual General Meeting.*

## 5. Ordinary Resolutions Number 8 – 10 (inclusive)

### Appointment of members of the Audit Committee

"Resolved that the following members being eligible and availing themselves for re-appointment, be and are hereby re-appointed as a members of the Audit Committee of the Company, as recommended by the Board of Directors of the Company until the next Annual General Meeting of the Company to be held in 2018."

### 5.1 Ordinary Resolution Number 8

**Re-appointment of member of the Audit Committee:** Mr Norman William Thomson

### 5.2 Ordinary Resolution Number 9

**Re-appointment of member of the Audit Committee:** Mr Sango Siviwe Ntsaluba

### 5.3 Ordinary Resolution Number 10

### Subject to the result of Ordinary Resolution Number 7

**Appointment of member of the Audit Committee:** Ms Lindiwe Evarista Mthimunye-Bakoro

*Reason for Ordinary Resolutions Numbers 8 – 10 (inclusive)*

*In terms of the provisions of section 94(2) of the Companies Act, a company shall at every Annual General Meeting elect an Audit Committee comprising at least three members. A brief profile of each of the independent non-executive directors proposed to be appointed to the Audit Committee appears in annexure 3 to this notice. As is evident from the profiles, all these directors have the requisite academic qualifications or experience in one or more of the following areas, i.e. economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resources.*

## 6. Ordinary Resolution Number 11

### Non-binding endorsement of Pioneer Foods' remuneration policy

"Resolved that the shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out in annexure 4 to the notice of Annual General Meeting."

*Reason for Ordinary Resolution Number 11*

*The reason for Ordinary Resolution Number 11 is that King III recommends that the remuneration policy of the Company be endorsed through a non-binding advisory vote by shareholders.*

**Special resolutions**

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

**7. Special Resolution Number 1****Approval of the non-executive directors' remuneration**

"Resolved in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its non-executive directors for their services rendered as directors as from 1 April 2017 until 31 March 2018, on the basis set out below:

	Fees from 1 April 2016 until 31 March 2017 Rand	Fees from 1 April 2017 until 31 March 2018 Rand
<b>Board</b>		
Chairperson	700 898	820 000
Lead independent director	398 237	424 122
Non-executive director (base fee)	217 658	231 806
	Committee fee (including base fee)	Committee fee (excluding base fee)*
<b>Committee members</b>		
<b>Audit committee</b>		
Chairperson	398 237	192 317
Member	350 000	135 981
<b>Risk committee</b>		
Chairperson	398 237	192 317
Member	288 077	74 996
<b>Human capital committee</b>		
Chairperson	398 237	192 317
Member	288 077	74 996
<b>Social and ethics committee</b>		
Chairperson	398 237	180 579
Member	288 077	74 996
<b>Nomination committee</b>	288 077	12 710 (per meeting)**

\* Until 2015, each non-executive director had been a member of at least one Board committee. The remuneration tabled for approval by shareholders therefore included a Board base fee and a fee for the relevant committee. In 2016, the Board undertook to review the Board committee composition, resulting in certain Board members serving on more than one committee. This then created a need to realign the remuneration approved by shareholders to the new responsibilities assumed by certain non-executive directors, post the Board review. The remuneration proposed for the 1 April 2017 to 31 March 2018 period has been adjusted to reflect the committee fee that will be allocated per member per committee.

\*\* Members of the nomination committee to be paid a fee of R12 710 per meeting.

**Reason for and effect of Special Resolution Number 1**

The reason for and the effect of Special Resolution Number 1 is to approve the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period as from 1 April 2017 until 31 March 2018.

The effect of Special Resolution Number 1 is that the Company will be able to remunerate its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next Annual General Meeting of the Company to be held in 2018.

**8. Special Resolution Number 2****General authority to provide financial assistance to related and inter-related companies**

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

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

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

**Reason for and effect of Special Resolution Number 2**

The reason for and the effect of Special Resolution Number 2 is to provide a general authority to the Board for the Company to grant direct or indirect financial assistance to any company or corporation forming part of the Company's group, including in the form of loans or the guaranteeing of their debts.

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

Prior to the Annual General Meeting, the Board will have adopted a resolution ("Section 45 Board Resolution") authorising the Company to provide, at any time and from time to time during the period commencing on the date on which Special Resolution Number 2 is adopted until the date of the next Annual General Meeting of the Company, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies of the Company. The financial assistance will entail loans and other financial assistance to subsidiaries of the Company (being related or inter-related companies of the Company) for purposes of funding the activities of the Company and its group.

The Section 45 Board Resolution will be effective only if and to the extent that Special Resolution Number 2 is adopted by the shareholders and the provision of any such financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (1) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and that (2) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act.

In as much as the Section 45 Board Resolution contemplates that such financial assistance will, in the aggregate, exceed one-tenth of 1% of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders. The Company does not have any employees represented by a trade union.

**9. Special Resolution Number 3****Financial assistance for the subscription of or the acquisition of securities in the Company and in related and inter-related companies**

“Resolved that, the Board be and is hereby authorised in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this Special Resolution Number 3), to authorise the Company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company (“related” and “inter-related” will herein have the meanings attributed to those terms in section 2 of the Companies Act), or for the purchase of any securities of the Company or a related or inter-related company, on the terms and conditions and for the amounts that the Board may determine.”

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

The Board undertakes that –

- it will not adopt a resolution to authorise such financial assistance, unless the Board is satisfied that –
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

*Reason for and effect of Special Resolution Number 3*

*The reason for and the effect of Special Resolution Number 3 is to provide a general authority to the Board of the Company for the Company to grant financial assistance to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.*

**10. Special Resolution Number 4****General authority to repurchase shares**

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

- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next Annual General Meeting of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the Company and/or the subsidiaries of the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company’s issued share capital at the time the authority is granted;
- a resolution has been passed by the Board approving the purchase, that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the Group;

**10. Special Resolution Number 4 (continued)****General authority to repurchase shares (continued)**

- the general repurchase is authorised by the Company’s memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company’s securities have not traded in such five business day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company’s behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme that have been submitted to the JSE in writing and executed by an independent third party.”

*Reason for and effect of Special Resolution Number 4*

*The reason for and effect of Special Resolution Number 4 is to grant the directors a general authority in terms of the Company’s memorandum of incorporation and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in the special resolution.*

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

**Additional information relating to special resolution number 4**

1. The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 4 to the extent that the directors, after considering the maximum number of shares to be repurchased, are of the opinion that the position of the Company and its subsidiaries (“Group”) would not be compromised as to the following:
  - the Group’s ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this Annual General Meeting and for a period of 12 months after the purchase;
  - the consolidated assets of the Group will at the time of the Annual General Meeting and at the time of making such determination be in excess of the consolidated liabilities of the Group and for 12 months thereafter. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group;
  - the ordinary share capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the Annual General Meeting and after the date of the share repurchase; and
  - the working capital available to the Group after the repurchase will be sufficient for the Group’s requirements for a period of 12 months after the date of the notice of the Annual General Meeting.
2. Prior to the commencing any repurchase the Board shall take a resolution confirming that it has authorised the repurchase, that the Group has passed the solvency and liquidity test and that, since it was performed, there have been no material changes to the financial position of the Group.
3. General information in respect of the share capital, material changes and major shareholders of the Company is contained on pages 20, 21, 31, 41 and 42 of this notice.
4. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of Annual General Meeting contains all information required by the JSE Listings Requirements.



**11. Special Resolution Number 5**

**Amendment to the Company’s MOI**

“Resolved, as a special resolution, that the memorandum of incorporation of the Company be and is hereby amended as follows:

- (i) by the replacement of the existing heading of clause 18 with the following heading:  
“CONSOLIDATION, SUBDIVISION AND REDUCTION OF CAPITAL AND FRACTIONAL ENTITLEMENT”;
- (ii) by the substitution of the existing clause 18.3 in its entirety, with the following new clause 18.3:  
“If a fraction of a Share comes into being as a result of any action contemplated in clause 18.1 or any other corporate action, the Board shall deal with such fraction in the manner as prescribed by the JSE Listings Requirements from time to time, or in the absence of any such prescription, the Board shall deal with such fraction in a manner as determined by the Board in its reasonable discretion.”
- (iii) by the substitution of the existing clause 16 in its entirety, with the following new clause 16:  
“If any problem arises with regard to any distribution in terms of this Memorandum of Incorporation, the Board may resolve it as it deems fit subject to clause 18.3 and the JSE Listings Requirements generally.”

*The reason for special resolution number 5 is to obtain the required approval from shareholders to amend the memorandum of incorporation of the Company in the manner that aligns the memorandum of incorporation with the recent amendments to the JSE Listings Requirements.*

*The effect of special resolution number 5 is that the Company will have the necessary authority to amend the memorandum of incorporation in the manner set out in special resolution number 5, which amendments have also been approved by the JSE.*

**12. To transact any other business that may be transacted at an Annual General Meeting of the Company.**

**Record dates**

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the Company in order to receive notice of the Annual General Meeting is **Friday, 9 December 2016**.

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the Company in order to be able to attend, participate and vote at the Annual General Meeting is **Friday, 3 February 2017**, and the last day to trade in the Company’s shares in order to be recorded in the securities register of the Company in order to be able to attend, participate and vote at the Annual General Meeting is **Tuesday, 31 January 2017**.

**Approvals required for Ordinary and Special Resolutions**

The Ordinary Resolutions, with the exception of Ordinary Resolution Number 2, contained in this notice of Annual General Meeting require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy and entitled to vote at the Annual General Meeting, subject to the provisions of the Companies Act, the memorandum of incorporation of the Company and the Listings Requirements of the JSE.

Special Resolutions Numbers 1 to 5 (inclusive) and Ordinary Resolution Number 2 contained in this Notice of Annual General Meeting require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting, subject to the provisions of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements.

**Attendance and voting by shareholders or proxies**

Shareholders who have not dematerialised their shares or who have dematerialised their shares with “own name” registration are entitled to attend and vote at the Annual General Meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the Company. Proxy forms must be lodged with the transfer secretaries of the Company, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than Wednesday, 8 February 2017, at 09:00 (South African time).

Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with “own name” registration.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all the shares issued by the Company.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with “own name” registration, should contact their Central Securities Depository Participant (“CSDP”) or broker in the manner and time stipulated in their agreement –

- to furnish them with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary letter of representation in order to do so.

**Proof of identification required**

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

By order of the Board

**J Jacobs**  
Company Secretary

Pioneer Food Group Ltd  
20 December 2016



# INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF PIONEER FOOD GROUP LTD

The summary consolidated financial statements of Pioneer Food Group Ltd, set out on pages 13 to 27 of the Notice and Proxy of Annual General Meeting and Summary Consolidated Financial Statements for the year ended 30 September 2016, which comprise the summary consolidated statement of financial position as at 30 September 2016, and 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 Pioneer Food Group Ltd for the year ended 30 September 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 17 November 2016. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

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

### Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Ltd's (JSE) requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

### Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Pioneer Food Group Ltd for the year ended 30 September 2016 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Other reports required by the Companies Act

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 17 November 2016 states that as part of our audit of the consolidated financial statements for the year ended 30 September 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.

Director: D Adriaans

Registered Auditor

Paarl

17 November 2016

## ANNEXURE 1

PIONEER FOOD GROUP LIMITED

### SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### Group statement of comprehensive income

	Audited Year ended 30 September 2016 R'm	Audited Year ended 30 September 2015 R'm
<b>Continuing operations</b>		
Revenue	20 599.7	18 748.2
Cost of goods sold	(14 516.7)	(12 773.7)
Gross profit	6 083.0	5 974.5
Other income and gains/(losses) – net	169.8	184.7
Other expenses	(3 934.8)	(4 313.3)
Excluding the following:	(3 979.6)	(4 006.5)
Phase I B-BBEE transaction share-based payment income/(charge) and related hedge	44.8	(306.8)
Items of a capital nature	21.3	(48.5)
Operating profit	2 339.3	1 797.4
Investment income	46.8	39.3
Finance costs	(167.3)	(142.1)
Share of profit of investments accounted for using the equity method	100.4	71.4
Profit before income tax	2 319.2	1 766.0
Income tax expense	(629.0)	(588.7)
Profit for the year from continuing operations	1 690.2	1 177.3
Loss for the year from discontinued operations (attributable to owners of the parent)	–	(45.0)
<b>Profit for the year</b>	<b>1 690.2</b>	<b>1 132.3</b>
<b>Other comprehensive income/(loss) for the year</b>		
Items that will not subsequently be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	0.9	(1.0)
Items that may subsequently be reclassified to profit or loss:	(203.4)	70.3
Fair value adjustments to cash flow hedging reserve	(118.3)	12.3
For the year	134.7	86.9
Current income tax effect	(36.7)	(31.0)
Deferred income tax effect	(1.0)	6.6
Reclassified to profit or loss	(299.0)	(69.8)
Current income tax effect	85.6	26.4
Deferred income tax effect	(1.9)	(6.8)
Fair value adjustments on available-for-sale financial assets	(1.2)	(4.6)
For the year	7.0	(0.6)
Deferred income tax effect	0.1	(0.2)
Reclassified to profit or loss	(8.3)	(3.8)
Share of other comprehensive income of investments accounted for using the equity method	(28.7)	22.7
Movement on foreign currency translation reserve	(55.2)	39.9
<b>Total comprehensive income for the year</b>	<b>1 487.7</b>	<b>1 201.6</b>
<b>Profit/(loss) for the year attributable to:</b>		
Owners of the parent		
For continuing operations	1 690.2	1 175.4
For discontinued operations	–	(45.0)
Non-controlling interest		
For continuing operations	–	1.9
<b>Total comprehensive income/(loss) for the year attributable to:</b>	<b>1 690.2</b>	<b>1 132.3</b>
Owners of the parent		
For continuing operations	1 487.7	1 244.7
For discontinued operations	–	(45.0)
Non-controlling interest		
For continuing operations	–	1.9
<b>Total comprehensive income/(loss) for the year attributable to:</b>	<b>1 487.7</b>	<b>1 201.6</b>





## Headline earnings reconciliation

	Audited Year ended 30 September 2016 R'm	Audited Year ended 30 September 2015 R'm
<b>Reconciliation between profit/(loss) attributable to owners of the parent and headline earnings</b>		
<i>Profit/(loss) attributable to owners of the parent</i>	1 690.2	1 130.4
For continuing operations	1 690.2	1 175.4
For discontinued operations	–	(45.0)
<i>Remeasurement of items of a capital nature – continuing operations</i>	(13.4)	50.8
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	(12.1)	1.7
Net profit on disposal of available-for-sale financial assets	(8.3)	(3.8)
Net profit on disposal of subsidiary	(24.2)	–
Impairment of available-for-sale financial assets	23.3	50.6
Before tax	(21.3)	48.5
Tax effect on remeasurement of items of a capital nature	7.9	2.3
<i>Remeasurement of items of a capital nature – discontinued operations</i>	–	45.0
Net loss on unbundling of Quantum Foods and disposal of Quantum Foods shares	–	27.4
Tax effect on remeasurement of items of a capital nature	–	17.6
<i>Remeasurement of items of a capital nature included in equity-accounted results</i>	(1.1)	1.1
Effect on remeasurement of items of a capital nature	(1.3)	1.5
Tax effect on remeasurement of items of a capital nature	0.2	(0.4)
<b>Headline earnings</b>	1 675.7	1 227.3
For continuing operations	1 675.7	1 227.3
For discontinued operations	–	–
Phase I B-BBEE transaction share-based payment (income)/charge and related hedge	(38.7)	306.8
<b>Adjusted headline earnings (Note 1)</b>	1 637.0	1 534.1
For continuing operations	1 637.0	1 534.1
For discontinued operations	–	–
Number of issued ordinary shares (million)	232.5	232.7
Number of issued treasury shares:		
– held by subsidiary (million)	18.0	18.0
– held by share incentive trust (million)	–	0.7
– held by B-BBEE equity transaction participants (million)	18.1	18.1
– held by BEE trust (million)	10.7	10.7
Number of issued class A ordinary shares (million)	3.7	4.2
Weighted average number of ordinary shares (million)	185.3	184.5
Weighted average number of ordinary shares – diluted (million)	199.6	200.1
Earnings per ordinary share (cents):		
– basic	912.1	612.8
– diluted	846.9	564.9
– headline	904.3	665.3
– diluted headline	839.6	613.4
– adjusted headline (Note 1)	883.4	831.6
– diluted adjusted headline (Note 1)	820.2	766.7
Gross dividend per ordinary share (cents)	365.0	332.0
Gross dividend per class A ordinary share (cents)	109.5	99.6
Net asset value per ordinary share (cents)	4 238.7	3 757.6
Debt to equity ratio (%)	12.5	5.8

**Note 1:**

Headline earnings ("HE") is calculated based on Circular 2/2015 issued by the South African Institute of Chartered Accountants. Adjusted HE is defined as HE adjusted for the impact of the share-based payment income/(charge) on the B-BBEE Phase I transaction on profit or loss (and the impact of the related hedge) due to the volatility of these items.

## Group statement of financial position

	Audited 30 September 2016 R'm	Audited 30 September 2015 R'm
<b>Assets</b>		
Property, plant and equipment	4 763.4	4 328.9
Goodwill	302.8	224.4
Other intangible assets	479.6	475.1
Biological assets	16.0	16.0
Investments in and loans to associates and joint ventures	861.2	574.0
Derivative financial instruments	439.7	–
Available-for-sale financial assets	128.3	141.8
Trade and other receivables	16.8	24.3
Deferred income tax	3.9	0.2
<b>Non-current assets</b>	7 011.7	5 784.7
<b>Current assets</b>	6 518.8	6 298.2
Inventories	3 212.5	2 678.9
Derivative financial instruments	57.6	20.6
Trade and other receivables	2 245.9	2 148.6
Current income tax	2.0	1.3
Cash and cash equivalents	1 000.8	1 448.8
Assets of disposal group classified as held for sale	–	88.1
<b>Total assets</b>	13 530.5	12 171.0
<b>Equity and liabilities</b>		
Capital and reserves attributable to owners of the parent	7 867.3	6 958.7
Share capital	23.2	23.3
Share premium	2 406.3	2 430.5
Treasury shares	(1 187.8)	(1 204.1)
Other reserves	253.3	460.5
Retained earnings	6 372.3	5 248.5
Non-controlling interest	–	12.3
<b>Total equity</b>	7 867.3	6 971.0
<b>Non-current liabilities</b>	2 344.8	2 273.4
Borrowings		
– B-BBEE equity transaction third-party finance	449.6	449.7
– Other	883.7	850.5
Provisions for other liabilities and charges	111.2	110.4
Share-based payment liability	317.9	395.8
Deferred income tax	582.4	467.0
<b>Current liabilities</b>	3 318.4	2 901.0
Trade and other payables	2 037.6	2 210.0
Current income tax	30.3	21.0
Derivative financial instruments	16.1	15.8
Borrowings	653.5	553.9
Loan from joint venture	26.0	20.5
Accrual for forward purchase contracts on own equity	493.3	–
Dividends payable	0.6	0.5
Share-based payment liability	61.0	79.3
Liabilities of disposal group classified as held for sale	–	25.6
<b>Total equity and liabilities</b>	13 530.5	12 171.0



## Group statement of changes in equity

	Audited Year ended 30 September 2016 R'm	Audited Year ended 30 September 2015 R'm
<b>Share capital, share premium and treasury shares</b>	<b>1 241.7</b>	1 249.7
Opening balance	1 249.7	1 091.9
Movement in treasury shares	16.4	5.3
Ordinary shares acquired by BEE trust	–	(22.9)
Ordinary shares issued – share appreciation rights	57.8	175.6
Ordinary shares bought back from management share incentive trust and cancelled	(82.1)	–
Employee share scheme – repurchase of shares	(0.1)	(0.2)
<b>Other reserves</b>	<b>253.3</b>	460.5
Opening balance	460.5	428.5
Equity compensation reserve transactions	49.5	38.9
Ordinary shares issued – share appreciation rights	(57.8)	(175.6)
Deferred income tax on share-based payments	4.5	105.9
Share of other comprehensive income of investments accounted for using the equity method	(28.7)	22.7
Unbundling of Quantum Foods	–	(7.5)
Other comprehensive income for the year	(174.7)	47.6
<b>Retained earnings</b>	<b>6 372.3</b>	5 248.5
Opening balance	5 248.5	4 582.0
Profit for the year	1 690.2	1 130.4
Other comprehensive income/(loss) for the year	0.9	(1.0)
Dividends paid	(634.0)	(463.3)
Management share incentive scheme – disposal of shares	67.2	1.4
Employee share scheme – transfer tax on share transactions	(0.5)	(1.0)
<b>Non-controlling interest</b>	<b>–</b>	12.3
Opening balance	12.3	10.4
Disposal of subsidiary	(12.3)	–
Profit for the year	–	1.9
<b>Total equity</b>	<b>7 867.3</b>	6 971.0

## Group statement of cash flows

	Audited Year ended 30 September 2016 R'm	Audited Year ended 30 September 2015 Restated R'm
Net cash profit from operating activities	2 667.9	2 512.2
Cash effect from hedging activities	(174.6)	16.2
Working capital changes	(774.5)	(546.4)
Net cash generated from operations	1 718.8	1 982.0
Settlement of share-based payment liability	(69.2)	(189.4)
Cash effect of forward purchase contracts related to share-based payments	25.2	–
Income tax paid	(451.1)	(475.5)
<b>Net cash flow from operating activities (Note 1)</b>	<b>1 223.7</b>	1 317.1
<b>Net cash flow from investment activities</b>	<b>(982.9)</b>	(422.7)
Property, plant and equipment and intangible assets		
– additions	(469.2)	(186.3)
– replacements	(339.9)	(465.5)
– proceeds on disposal	69.3	176.3
Business combinations	(146.9)	–
Proceeds on disposal of and changes in available-for-sale financial assets and loans	(29.0)	117.6
Proceeds on disposal of subsidiary	62.3	–
Investment in joint ventures	(200.5)	(126.3)
Interest received	42.7	37.2
Dividends received	4.1	2.1
Dividends received from joint ventures	24.2	22.2
<b>Net cash flow from financing activities (Note 1)</b>	<b>(1 204.9)</b>	(414.1)
Repayment of syndicated bullet loans	(400.0)	–
Proceeds from other borrowings	2.1	207.1
Treasury shares acquired by BEE trust	–	(22.9)
Other share scheme transactions	(3.0)	2.3
Interest paid	(170.1)	(137.4)
Dividends paid	(633.9)	(463.2)
Net cash, cash equivalents and bank overdrafts on unbundling of Quantum Foods	–	(105.6)
Effect of exchange rate changes on cash and cash equivalents	(7.1)	–
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(971.2)	374.7
Net cash, cash equivalents and bank overdrafts at beginning of year	1 392.8	1 018.1
Net cash, cash equivalents and bank overdrafts at end of year	421.6	1 392.8
Disclosed as continuing operations	421.6	1 380.9
Disclosed as disposal group held for sale	–	11.9

**Note 1:**

Refer to note 14 of the notes to the summary consolidated financial statements for further detail regarding this restatement.



## Group segment report

	Audited Year ended 30 September 2016 R'm	Audited Year ended 30 September 2015 Restated R'm
<b>Segment revenue (Note 1)</b>		
Essential Foods	12 854.8	11 334.5
Groceries	4 695.1	4 797.4
International	3 049.8	2 616.3
<b>Total</b>	<b>20 599.7</b>	<b>18 748.2</b>
<b>Segment results (Note 1)</b>		
Essential Foods	1 249.5	1 278.5
Groceries	541.6	434.5
International	484.2	444.5
Other	(2.1)	(4.8)
	<b>2 273.2</b>	<b>2 152.7</b>
Phase I B-BBEE transaction share-based payment income/(charge) and related hedge	44.8	(306.8)
<b>Operating profit before items of a capital nature</b>	<b>2 318.0</b>	<b>1 845.9</b>
<b>Reconciliation of operating profit (before items of a capital nature) to profit before income tax</b>		
Operating profit before items of a capital nature	2 318.0	1 845.9
Adjusted for:		
Remeasurement of items of a capital nature	21.3	(75.9)
Interest income	42.7	37.2
Dividends received	4.1	2.1
Finance costs	(167.3)	(142.1)
Share of profit of investments accounted for using the equity method	100.4	71.4
<b>Profit before income tax (including discontinued operations)</b>	<b>2 319.2</b>	<b>1 738.6</b>
<b>Note 1:</b>		
Refer to note 14 of the notes to the summary consolidated financial statements for further detail regarding this restatement.		

## NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

The summary consolidated financial statements of the Group for the year ended 30 September 2016 have been prepared in accordance with the requirements of the JSE Ltd ("JSE") for summary financial statements, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to summary financial statements. The Listings Requirements of the JSE require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 – *Interim Financial Reporting*. This summary report is an extract from audited information, but this summary report has not been audited.

The directors take full responsibility for the preparation of the summary consolidated financial statements and that the financial information has been correctly extracted from the underlying financial records.

## 2. Accounting policies

The accounting policies applied in the preparation of the consolidated 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.

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty, other than the judgement exercised in classifying the forward purchase contracts on own equity as explained below, were the same as those that applied to the consolidated financial statements for the year ended 30 September 2015.

**Derivative financial instruments – forward purchase contracts on own equity**

The Group entered into forward purchase contracts on its own equity to hedge against the upside price risk of the Pioneer Food Group Ltd share price that the Group is exposed to in respect of the Phase I cash-settled broad-based employee share scheme.

The forward purchase contracts on own equity have been classified as derivative financial instruments. One of the characteristics of a derivative is that it has no initial net investment, or one that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

An amount of R493.3 million accrued to the counterparty at inception of the respective contracts on 8 July 2016 and is payable on 3 October 2016. This amount represented 79% of the market value of the shares at inception.

The Group is of the opinion that it meets the initial net investment criteria as this amount is smaller than, and does not approximate, the market price of the shares.



	Audited Year ended 30 September 2016	Audited Year ended 30 September 2015
<b>3. Share capital</b>		
During the period under review the following share transactions occurred:		
Number of listed issued and fully paid ordinary shares		
At beginning of year	232 739 331	231 691 881
Shares issued in terms of employee share appreciation rights scheme	345 578	1 047 450
Shares repurchased from management share incentive trust and cancelled	(612 000)	-
At end of year	232 472 909	232 739 331
345,578 (30 September 2015: 1,047,450) listed ordinary shares of 10 cents each were issued at an average of R167.24 (30 September 2015: R167.71) per share in terms of the share appreciation rights scheme.		
612,000 shares were repurchased at an average price of R134.11 per share and subsequently cancelled.		
Number of treasury shares held by the share incentive trust		
At beginning of year	729 612	1 110 213
Movement in shares	(69 992)	(380 601)
Repurchased by the Company and cancelled	(612 000)	-
At end of year	47 620	729 612
Proceeds on the sale of treasury shares by the share incentive trust (R'000)	1 630	6 660
Proceeds on the repurchase of treasury shares from the share incentive trust by the Company (R'000)	82 075	-
Number of treasury shares held by B-BBEE transaction participants		
At beginning and end of year	18 091 661	18 091 661
Number of treasury shares held by Pioneer Foods Broad-Based BEE Trust		
At beginning of year	10 745 350	10 599 988
Shares acquired	-	145 362
At end of year	10 745 350	10 745 350
Purchase consideration for shares acquired by BEE Trust (R'000)	-	22 940
Number of treasury shares held by a subsidiary		
At beginning and end of year	17 982 056	17 982 056
Number of unlisted class A ordinary shares		
At beginning of year	4 234 300	6 043 940
Shares bought back and cancelled	(526 470)	(1 809 640)
At end of year	3 707 830	4 234 300
Purchase consideration paid for unlisted class A ordinary shares bought back (R'000)	69 244	189 405

#### 4. Borrowings

Pioneer Foods obtained a R300 million vehicle and asset finance facility during the 2014 financial year. This facility is used to finance the replacement of the Group's bakery delivery vehicle fleet. The vehicles are acquired in terms of instalment sales agreements. These borrowings are secured by the vehicles acquired in terms of these agreements. At 30 September 2016, further borrowings obtained during the year in terms of these facilities amounted to R25.9 million.

The three-year syndicated bullet facility of R400 million matured in September 2016 and was repaid.

Bokomo Foods UK Ltd obtained a revolving credit asset backed finance facility from the Royal Bank of Scotland during the year. This facility was mainly used to provide funding for the acquisition of Streamfoods Ltd. The funding is secured primarily against the trade and other receivables and inventories of Bokomo Foods UK Ltd, however, does include security against the other assets of this entity should this be insufficient. The initial funding was for £7.84m, however at 30 September 2016 the draw down amounted to £6.70m. A similar facility was obtained by Streamfoods Ltd to provide for future cash flows, however, at 30 September 2016 no draw down was made against this facility.

No other material new borrowings were concluded during the year under review. Changes in borrowings mainly reflect repayments made in terms of agreements. Short-term borrowings fluctuate in accordance with changing working capital needs.

#### 5. Events after the reporting date

##### 5.1 Dividend

The Board approved and declared a gross final dividend of 260.0 cents (2016: gross interim dividend of 105.0 cents and 2015: gross final dividend of 237.0 cents) per ordinary share. This will amount to approximately R576,491,653 (2016: interim of R232,727,851 and 2015: final of R526,332,444) depending on the exact number of ordinary shares issued at the record date. In addition, the 10,745,350 (2016 interim: 10,745,350 and 2015 final: 10,745,350) Pioneer Foods shares issued to the Pioneer Foods Broad-Based BEE Trust, will receive 20% of the dividend payable, i.e. 52.0 cents (2016: gross interim of 21.0 cents and 2015: gross final dividend of 47.4 cents) per share, amounting to R5,587,582 (2016: interim of R2,256,524 and 2015: final of R5,093,296).

The Board approved a gross final dividend of 78.0 cents (2016: gross interim dividend of 31.5 cents and 2015: gross final dividend of 71.1 cents) per class A ordinary share, being 30% of the dividend payable to the other class ordinary shareholders in terms of the rules of the relevant employee scheme. This will amount to approximately R2,892,107 (2016: interim of R1,185,210 and 2015: final of R2,862,920) depending on the exact number of class A ordinary shares issued at the record date.

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 15%, 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 221.0 cents per ordinary share and 66.3 cents per class A ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 260.0 cents per ordinary share and 78.0 cents per class A ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares and issued class A ordinary shares is 232,472,909 and 3,662,750 respectively as at the date of this declaration.

##### 5.2 Acquisition of a 49.89% equity interest in Weetabix East Africa

As announced on SENS on 16 November 2016, Pioneer Foods entered into an agreement to acquire a 49.89% shareholding in Weetabix East Africa Ltd. The agreement is subject to Kenyan regulatory approval.

##### 5.3 Other material events

There have been no other material events requiring disclosure after the reporting date and up to the date of approval of the summary consolidated financial statements by the Board.

**6. Contingent liabilities – Guarantees**

The Group had guarantees in issue of R32.7 million (30 September 2015: R36.5 million) as at 30 September 2016, primarily for loans by third parties to contracted suppliers.

As part of the financial assistance provided by Rand Merchant Bank, a division of FirstRand Bank Ltd (“RMB”), to BEE Investors in terms of the B-BBEE equity transaction concluded during 2012, Pioneer Foods (Pty) Ltd provided RMB with a guarantee amounting to R100 million.

	Audited 30 September 2016 R'm	Audited 30 September 2015 R'm
<b>7. Future capital commitments</b>		
Contractually committed		
– For next financial year	307.6	492.0
Approved by the Board, but not yet contractually committed	1 085.5	867.3
– For next financial year	989.7	372.7
– For year following next financial year	95.8	494.6
Share of items of joint ventures	74.1	137.8
	<b>1 467.2</b>	<b>1 497.1</b>

**8. Impairment of Quantum Foods shares**

The 18,091,661 Quantum Foods Holdings Ltd shares held by the Phase II B-BBEE transaction participants are accounted for as available-for-sale financial assets. As at 30 September 2016, the market value of the Quantum Foods Holdings Ltd shares was significantly lower than the original cost price and market value at 30 September 2015. Consequently, an impairment loss of R23.3 million (30 September 2015: R50.6 million) has been recognised. The loss has been included in the line item “Items of a capital nature” in the statement of comprehensive income for the year ended 30 September 2016.

This impairment charge attributable to available-for-sale financial assets is as follows:

<i>Nature</i>	Audited Year ended 30 September 2016 R'm	Audited Year ended 30 September 2015 R'm
Available-for-sale financial assets	23.3	50.6
Income tax effect	–	–
After income tax effect	<b>23.3</b>	<b>50.6</b>

**9. Acquisition of a 50% equity interest in Future Life Health Products (Pty) Ltd (“Future Life”)**

Pioneer Foods acquired a 50% shareholding in Future Life for an amount of R200 million. As announced on SENS on 9 November 2015, The Competition Tribunal of South Africa granted conditional approval of this transaction. These conditions will have no negative impact on the commercial prospects for this venture.

The effective date of this transaction was 1 December 2015.

**10. Disposal of interest in Maitland Vinegar Works (Pty) Ltd**

As at 1 October 2015, all conditions precedent for the disposal of the Group’s interests in Maitland Vinegar Works (Pty) Ltd were met. Consequently, the assets and liabilities related to Maitland Vinegar were presented as a “disposal group held for sale” in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* for the year ended 30 September 2015.

A profit of R24.2 million was recognised on this sale and has been included in the line item “Items of a capital nature” in the statement of comprehensive income for the year ended 30 September 2016.

**11. Business combination**

During the year under review the following business was acquired and all assets and liabilities relating to the acquisition have been accounted for on an acquisition basis:

	Audited Year ended 30 September 2016 R'm
<b>Streamfoods Ltd – 100% (UK – 29 July 2016)</b>	
Purchase consideration – settled in cash	<b>164.9</b>

**Reason for acquisition**

The acquisition of Streamfoods continues the Group’s international expansion strategy and provides a bolt-on business for Bokomo Foods UK. The acquisition provides growth prospects in the fruit snacking category and diversifies the risk of the company’s private label dominated portfolio.

**Reason for goodwill recognised on acquisitions**

The price paid for Streamfoods is competitive in the context of other food brands sold within the UK FMCG environment, with much higher price earnings multiples paid for similar businesses. The business combination presents synergistic opportunities for Streamfoods, expected to increase its competitiveness and market penetration and provides further exposure to the growing health-snacking category.

The assets and liabilities acquired of this business can be summarised as follows:

	Audited year ended 30 September 2016	
	Carrying value R'm	Fair value R'm
Property, plant and equipment	27.5	27.5
Goodwill	–	85.8
Inventories	43.3	43.3
Trade receivables	40.5	40.5
Cash and cash equivalents	18.0	18.0
Trade and other payables	(55.7)	(55.7)
Deferred income tax	5.5	5.5
<b>Total</b>	<b>79.1</b>	<b>164.9</b>
Purchase consideration – settled in cash		<b>164.9</b>
Less: Cash and cash equivalents acquired		<b>(18.0)</b>
<b>Net cash flow due to business combination</b>		<b>146.9</b>

At 30 September 2016, the fair values of the acquired assets, liabilities and goodwill for this business have been determined on a provisional basis as this business was acquired in close proximity to the reporting date, pending finalisation of the post-acquisition review of the fair values of the acquired net assets.

**The contribution of this business since acquisition:**

Revenue	57.5
Operating profit before finance cost and income tax	1.1

**The pro forma contribution of this business assuming the acquisition was at the beginning of the period:**

Revenue	296.7
Operating profit before finance cost and income tax	6.6

**12. Derivative financial instrument – forward purchase contracts on own equity**

The Group entered into forward purchase contracts on its own equity to hedge against the upside price risk of the Pioneer Food Group Ltd share price that the Group is exposed to in respect of the Phase I cash-settled broad-based employee share scheme.

The forward purchase contracts will be settled semi-annually during March and September in 21 tranches to coincide with the expected settlement of the share-based payment scheme. The last settlement will take place on 25 September 2026.

An amount of R493.3 million has accrued on the trade date (8 July 2016) and is payable to Investec Bank Ltd (the counterparty) on 3 October 2016. Interest to the amount of R9.5 million has accrued up to 30 September 2016 and is included in trade and other payables.

The forward purchase contracts will be settled in cash on the respective settlement dates. The amounts to be settled are calculated as the difference between a volume-weighted average price ("VWAP") of the Pioneer Food Group Ltd share price on the settlement date and the forward price. In the event that this difference is positive, the counterparty will settle this difference with the Group; should the difference be negative, the Group is required to settle this difference with the counterparty. Any differences between the projected dividend as per the contract and the actual dividend paid is to be settled in cash between the parties.

**13. Fair value measurement**

The information below analyses assets and liabilities that are carried at fair value at each reporting period, by level of hierarchy as required by IFRS 7 and IFRS 13.

	<b>Audited fair value measurements at 30 September 2016 using:</b>		
	<b>Quoted prices in active markets for identical assets and liabilities (Level 1) R'm</b>	<b>Significant other observable input (Level 2) R'm</b>	<b>Significant unobservable input (Level 3) R'm</b>
<b>Assets measured at fair value</b>			
Available-for-sale financial assets			
– Listed securities	126.8	–	–
– Unlisted securities	–	1.5	–
Derivative financial instruments			
– Foreign exchange contracts	–	6.6	–
– Forward contracts on own equity	–	489.9	–
– Embedded derivatives	–	0.8	–
Biological assets			
– Vineyards	–	–	16.0
<b>Liabilities measured at fair value</b>			
Derivative financial instruments			
– Foreign exchange contracts	–	16.1	–

	<b>Audited fair value measurements at 30 September 2015 using:</b>		
	<b>Quoted prices in active markets for identical assets and liabilities (Level 1) R'm</b>	<b>Significant other observable input (Level 2) R'm</b>	<b>Significant unobservable input (Level 3) R'm</b>
<b>Assets measured at fair value</b>			
Available-for-sale financial assets			
– Listed securities	141.6	–	–
– Unlisted securities	–	0.2	–
Derivative financial instruments			
– Foreign exchange contracts	–	20.4	–
– Futures – fair value hedges	–	0.2	–
Biological assets			
– Vineyards	–	–	16.0
<b>Liabilities measured at fair value</b>			
Derivative financial instruments			
– Foreign exchange contracts	–	15.1	–
– Embedded derivative	–	0.7	–

There have been no transfers between level one, two or three during the period, nor were there any significant changes to the valuation techniques and input used to determine fair values.



**13. Fair value measurement (continued)**

**Financial assets and liabilities**

The fair values of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price. These instruments are included in level 1. Instruments included in level 1 comprise primarily JSE-listed equity investments classified as available-for-sale.

The fair values of financial instruments that are not traded in an active market are 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 were observable, the instrument is included in level 2.

The fair values of the forward purchase contracts on own equity are determined at each reporting date and any changes in the values are recognised in profit or loss. The fair values of the forward purchase contracts have been determined by an independent external professional financial instruments specialist by using a discounted cash flow model. The inputs to this valuation method include the risk free rate, dividend yield, contractual forward price and the spot price at year-end.

The Group uses a variety of methods that makes assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments. Other techniques, such as estimated discounted cash flows, are used to determine the fair value of the remaining financial instruments. The fair value of foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

The carrying amounts of cash, 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 until maturity of these assets and liabilities.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair values of long-term investments and long-term borrowings are not materially different from the carrying amounts.

**Biological assets**

The fair value of vineyards is calculated as the future expected net cash flows from the asset, discounted at a current market-determined rate, over the remaining useful lives of the vineyards.

**14. Restatement of information for comparative periods**

**14.1 Restatement of segment results**

Segment revenue and segment results were restated to consolidate the Groceries: Cereals and other and Groceries: Beverages segments into a single Groceries segment.

	Audited Year ended 30 September 2015 R'm
Increase/(decrease) in revenue	
Groceries	4 797.4
Groceries: Cereals and other	(2 420.3)
Groceries: Beverages	(2 377.1)
<b>Total</b>	<b>-</b>
Increase/(decrease) in operating profit before items of a capital nature	
Groceries	434.5
Groceries: Cereals and other	(252.0)
Groceries: Beverages	(182.5)
<b>Total</b>	<b>-</b>

**14.2 Reclassification of line items in the statement of cash flows**

During the current year Pioneer Foods reclassified the cash payments to employees under the BEE Phase I employee share scheme from "net cash flow from financing activities" to "net cash flow from operating activities".

The impact on the comparative figures of the statement of cash flows is as follows:

	Audited Year ended 30 September 2015 R'm
Net cash flow from operating activities	(189.4)
Net cash flow from financing activities	189.4

**15. Preparation of financial statements**

These summary consolidated financial statements have been prepared under the supervision of CR Lamprecht, CA(SA), Acting Chief Financial Officer.

**16. Audit**

The external auditors, PricewaterhouseCoopers Inc., have audited the Group's financial statements for the year ended 30 September 2016 and their unqualified auditor's report is available for inspection at the registered office of the Company.

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



## COMMENTARY

### Introduction

Pioneer Foods has managed to deliver a credible set of financial results due to the benefits and resilience of its brand portfolio.

Notwithstanding significant external discontinuities, revenue increased by 12% (excluding Pepsi, Biscuits and Maitland Vinegar which were disposed of in 2015).

The business had to contend with the severe impact of the drought on maize and other crops, exponential increase in the wheat import duty, rand volatility and resultant cost push in a weak consumer environment. Export revenue into the rest of Africa came under pressure amidst severe currency devaluation to the ZAR, and the deterioration of in-country consumer spending power as a consequence.

The combined strength of the Group's brand portfolio and a sustained focus on cost management and extraction of efficiencies, assisted in mitigating the full effect of the aforementioned vagaries.

Essential Foods managed to improve its full year performance relative to the half year, whilst the Groceries and International Divisions delivered a commendable performance.

### Financial performance

Continuing operations adjusted for:

- the Phase I B-BBEE share-based payment charge and hedge; and
- the impairment of Quantum Foods shares held by the Phase II B-BBEE equity transaction participants.

The Group's gross profit margin decreased from 31.9% to 29.5% whilst the adjusted operating profit (before items of a capital nature) increased by 6% to R2 273 million. The operating profit margin contracted from 11.5% to 11.0% due to significant raw material inflation and portfolio mix effect.

Profit before tax amounted to R2 319 million after finance costs of R167 million (2015: R142 million). Share of profit from joint ventures and associates increased from R71 million to R100 million, bolstered by excellent performances by Bokomo Botswana, Bowman Ingredients SA and newly acquired Future Life.

Adjusted headline earnings per share ("HEPS") from continuing operations, before the Phase I B-BBEE share-based payment charge and hedge, increased by 6% to 883 cents per share (2015: 832 cents per share). The exceptionally high base effect in 2015 where adjusted HEPS grew by 23% should also be borne in mind.

Earnings per share from continuing operations, on an adjusted basis, increased by 9% to 904 cents per share (2015: 831 cents per share).

The obligation of the cash-settled Phase I B-BBEE transaction is remeasured to fair value taking into account the Pioneer Foods share price at each reporting date. During the reporting period the share price decreased from R195.76 to R173.87 (2015: increase from R118.00 to R195.76) resulting in the recognition of a gain of R23 million (2015: charge of R307 million).

Furthermore, the Group entered into forward purchase contracts utilising its own equity to hedge itself against the upside risk of the Group's share price in terms of the Phase I B-BBEE scheme. A net gain of R16 million was recognised on the hedge for the year. This net gain, as well as the share-based payment gain/(charge) is added back for all amounts disclosed on an adjusted basis.

Total Group earnings was bolstered by a profit of R20 million on the disposal of the Maitland Vinegar group of companies on 1 October 2015, but negatively impacted by a further impairment of the Quantum Foods shares held by the consolidated Phase II B-BBEE SPVs amounting to R23 million (2015: R51 million).

Total Group earnings per share increased by 49% to 912 cents per share (2015: 613 cents per share) and total Group HEPS increased by 36% to 904 cents per share (2015: 665 cents per share).

Earnings excludes post-tax losses amounting to R122 million, relating to commodity derivative instruments deferred in equity. These losses are mainly attributable to decreases in commodity prices, which resulted in negative mark to market adjustments towards the end of the financial year. These contracts were entered into to secure continuous raw material supply given the volatile rand and to preserve the White Star brand leadership position.

### Divisional performance

#### Essential Foods

The Essential Foods Division was impacted the most, given the significant raw material inflation on maize, wheat duty structure, drought and R/\$ exchange rate volatility. Profitability contracted by 2% and the operating margin by 160 basis points. This is a creditable performance under the circumstances. The maize category showed demand resilience, in that White Star, the market leader, regained volume in the 2nd half, ending the year down 5% relative to the 14% contraction at the half year. The White Star Brand also achieved category leadership recognition and accolades in the Sunday Times Top Brand Survey, thereby maintaining its top spot in the maize category.

External wheat flour sales came under pressure due to severe cost push, however Bakeries continued to make progress along its strategic revitalisation journey, generating positive operating leverage. Bread volumes increased modestly despite capacity constraints during the fiscal. The Sasko Brand also received accolades in the Sunday Times Top Brands Survey, solidifying its number two position in bread. Bakery capital investment initiatives remain firmly on track in order to sustain volume and profit growth. Rice and legume volume growth was positive and profitable.

Essential Foods remains core to the business and will be diligently managed through this challenging period.

#### Groceries

The Groceries Division increased volume by 2% (excluding Pepsi, Biscuits & Maitland Vinegar) and operating profit by 25%, whilst expanding margins by 250 basis points. The division had to contend with significant raw material inflation in the 2nd half due to currency movements and crop shortages in certain instances.

Competition within the long life juice category remained intense. Manufacturing architecture was reorganised as part of an ongoing programme to enhance efficiencies and further reduce fixed costs. The impact of the proposed sugar tax on long life juice remains uncertain. Exciting innovation in the form of Liqui-Fruit Sparkling was launched to further bolster the product portfolio.

Breakfast Cereals delivered a stellar performance. A particular focus on brand architecture, pack designs and brand communication will further enhance Bokomo as the undisputed category leader. Weet-Bix continues to maintain phenomenal brand stature and leadership, being South Africa's leading cereal brand by market share, and maintained the No. 1 position in the Sunday Times Top Brand Survey. Capacity expansion plans will come to fruition early in the first quarter, which bodes well for growth.

Future Life achieved its acquisition hurdle rates and successfully introduced new product innovations. A full innovation pipeline will sustain this growth momentum.

#### International

The International Division had to contend with a disruptive year given the refurbishment and move of the UK Peterborough operations, as well as the impact of currency devaluation on the African continent. The consequent impact on consumer demand impeded year on year profit growth. That said, operating profit increased by 9% with the operating margin contracting by 110 basis points. Focused efforts resulted in Food Concepts Pioneer Limited in Nigeria becoming profitable. The integration of the UK acquisition, Streamfoods, is also progressing well. The vine fruit exports delivered an exceptional performance.



**Financial position**

Net cash profit from operating activities improved by 6% to R2 668 million (2015: R2 512 million). The major increases in commodity prices, especially maize and wheat, resulted in a significant incremental investment in working capital of R775 million (2015: R546 million).

Capital expenditure for the year amounted to R809 million (2015: R652 million). Major projects included the Aero-ton bakery expansion, the installation of an additional Weet-Bix line, the White Star Instant project, the plant replacement and upgrade of Cape Bakeries and the relocation of the Peterborough plant in the UK.

On 1 December 2015 the Group acquired 50% of the shares in Future Life Health Products (Pty) Ltd for an amount of R200 million.

On 1 August 2016 the Group acquired the business of Streamfoods Ltd in the UK for R165 million. This was funded from borrowing facilities in the UK. Streamfoods competes in the fruit snacking category.

The three year syndicated bullet facility of R400 million was repaid in September 2016. The Group's net interest-bearing debt, excluding the third-party debt relating to the Phase II B-BBEE transaction partners, was R501 million at year-end, with a net debt to equity ratio of 6% (2015: -1%), compared to a net positive position of R97 million at 30 September 2015.

**Prospects**

The outlook remains challenging in South Africa. Political and market stability is essential in order to restore confidence and stimulate growth in the economy. Pioneer Foods is not immune to the aforementioned. Strategic fixed capital investments come on stream in the new calendar year, brand strategies are robust, and a cost culture is well embedded within the business. Collectively these will assist in mitigating challenging trading conditions. The precarious maize position and reduced raisin crop will impact performance in the 1st half of the new financial year, however we remain confident that Pioneer Foods can sustain the momentum of profitable top line growth for the full year. We are optimistic about recent acquisitions and will continue to deploy capital efficiently to secure long term growth for the company and our shareholders.

**Dividend**

A gross final dividend of 260 cents (2015: 237 cents) per share has been approved and declared by the Board for the year ended 30 September 2016 from income reserves. The applicable dates for the final dividend are as follows:

Last date to trade cum dividend	Tuesday, 24 January 2017
Trading ex dividend commences	Wednesday, 25 January 2017
Record date	Friday, 27 January 2017
Dividend payable	Monday, 30 January 2017

The total dividend for the year under review is 365 cents per share, an increase of 10%.

The total amount of the dividend for the year is approximately R817 million (2015: R744 million) and is based on a dividend cover of 2.0 times (2015: 2.2 times). This is calculated as adjusted headline earnings for the year divided by the total dividend for the year, inclusive of treasury shares.

A gross final dividend of 78.0 cents (2015: 71.1 cents) per class A ordinary share, being 30% of the gross final dividend payable to ordinary shareholders in terms of the rules of the relevant employee scheme, will be paid during February 2017.

Share certificates may not be dematerialised or materialised between Wednesday, 25 January 2017 and Friday, 27 January 2017, both days inclusive.

By order of the Board

**ZL Combi**  
Chairman

Tyger Valley  
17 November 2016

**PM Roux**  
Chief Executive Officer

**ANNEXURE 2****Shareholder analysis****GROUP****Shareholder spread**

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
<i>Ordinary shares</i>				
Individuals	4 052	71.0	18 135 322	7.8
Nominees and trusts	746	13.1	14 706 033	6.3
Investment companies and corporate bodies	906	15.9	199 631 554	85.9
	<b>5 704</b>	<b>100.0</b>	<b>232 472 909</b>	<b>100.0</b>

**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 2016, is as follows:

**Analysis of shareholding – ordinary shares****Public shareholding***Major shareholders*

Government Employees Pension Fund	1	–	21 180 809	9.1
Dipeo Capital (RF) (Pty) Ltd (Note 1)	1	–	9 326 640	4.0
<i>Other shareholders</i>	<b>5 693</b>	<b>99.9</b>	<b>114 478 910</b>	<b>49.3</b>

**Non-public shareholding***Major shareholders*

Zeder Investments Ltd (Note 2)	1	–	58 250 788	25.1
Pioneer Foods (Pty) Ltd	1	–	17 982 056	7.7
<i>Other shareholders</i>				
Pioneer Foods Broad-Based BEE Trust	1	–	10 745 350	4.6
Pioneer Foods Share Incentive Trust	1	–	47 620	–
Directors	5	0.1	460 736	0.2
	<b>5 704</b>	<b>100.0</b>	<b>232 472 909</b>	<b>100.0</b>

**Distribution of ordinary shareholders**

Number of shares				
1 – 1,000 shares	3 121	54.7	930 928	0.4
1,001 – 10,000 shares	1 691	29.6	6 307 093	2.7
10,001 – 50,000 shares	599	10.5	13 527 039	5.8
50,001 – 100,000 shares	124	2.2	9 246 190	4.0
100,001 – 500,000 shares	130	2.3	28 322 092	12.2
500,001 shares and over	39	0.7	174 139 567	74.9
	<b>5 704</b>	<b>100.0</b>	<b>232 472 909</b>	<b>100.0</b>

**Note:**

- Formerly Ryla 21 (Pty Ltd). This entity resulted from the unbundling of Thembeke Capital Ltd during December 2014.
- The ultimate holding company, after the Agri Voedsel transaction was implemented in October 2014.

**ANNEXURE 3****Directors' profiles****ASM (Mohammad) Karaan (48)**

**Independent non-executive director, chairman of the social and ethics committee**  
**BSc Agric, BSc Agric (Hons), MSc Agric, PhD**

Prof Karaan 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 the University of Stellenbosch as a lecturer in the Agricultural Faculty. In October 2008, he became Dean of the Faculty of Agri Sciences at Stellenbosch University. He is a member of the National Planning Commission and holds directorships in the agribusiness sector.

*Director since 29 March 2010*

**G (Gerrit) Pretorius (68)**

**Lead independent non-executive director, chairman of the human capital committee and member of the nomination committee**  
**BSc, BEng, LLB, PMD**

Mr Pretorius is an electrical engineer by qualification and profession. He was an executive director and CEO of Reunert Ltd until retiring in August 2010 after 37 years of service. Since his retirement, he has been appointed as a non-executive director on the boards of various companies.

*Director since 17 February 2012*

**AH (Andile) Sangqu (49)**

**Independent non-executive director, chairman of the risk committee**  
**BCom (Acc), BCompt (Hons), CTA, Higher Dipl Tax, MBL**

Drawing on numerous years of financial management experience at some of South Africa's revered corporations, Mr Sangqu has garnered a deep understanding of the commercial market and business landscape. He has completed an Executive Development Programme (EDP) at Wits University as well as a Master's Degree in Business Leadership at Unisa's Graduate School of Business Leadership (SBL) in 2001. He has completed a High Performance Board (HPB) program at IMD Lausanne campus in Switzerland in October 2013. Mr Sangqu served as deputy director-general (Finance and Corporate Services) of the National Department of Public Works, as well as being the former chief executive officer of Prodigy-Coris Asset Management and managing director of Budget Foods (Pty) Ltd. He currently serves as Executive Head of Anglo American South Africa.

*Director since 24 February 2006*

**N (Norman) Celliers (43)**

**Non-executive director, member of the risk and human capital committees**  
**BEng (Civil), DipSoc (Oxon), MBA (Oxon)**

Mr Celliers holds a BEng (Civil) degree from the University of Stellenbosch and a MBA from the University of Oxford (England). His professional experience includes engineering, management consulting and private equity in South Africa and abroad. He has been the Chief Executive Officer of Zeder Investments Ltd since 2012 and serves on numerous boards, including Capespan Group Ltd (Chairman) and Quantum Foods Ltd.

*Director since 1 October 2012*

**NW (Norman) Thomson (65)**

**Independent non-executive director, chairman of the audit committee, member of the risk and human capital committees**  
**BCom, CA(SA)**

Mr Thomson worked 22 years for Woolworths, serving in various senior positions in Foods, Store Operations and Supply Chain. He was appointed to the Woolworths board in 2000 and held the position of Group Finance Director from 2001 until his retirement in 2013. He also served as a director on the board of Country Road in Australia and was chairman of the Woolworths group subsidiaries in Kenya, Tanzania, Uganda, Nigeria and Zambia until 2014.

*Director since 19 November 2015*

**SS (Sango) Ntsaluba (56)**

**Independent non-executive director, member of the audit, risk and nomination committees**  
**BCom, BCompt (Hons), CTA, CA(SA), HDip Tax Law, MCom**

Mr Ntsaluba is the founding chief executive officer and executive chairman of Amabubesi Investments. He currently serves as a director on the boards of Barloworld, National Housing Finance Corporation, Basil Read and Ubank. Mr Ntsaluba holds a BCompt (Hons) degree from the University of South Africa and is a qualified Chartered Accountant (South Africa).

*Director since 19 November 2015*

**LE (Lindiwe) Mthimunye-Bakoro (43)**

**Independent non-executive director, member of the audit committee**  
**BCom, Postgraduate Diploma: Accounting, Postgraduate Diploma: Tax Law, MCom, CA(SA)**

Ms Mthimunye-Bakoro is a Chartered Accountant (SA) and has extensive governance, finance and business experience, having worked in investment banking and served on the boards of various listed and unlisted companies, including Woolworths, Group 5, Sea Harvest, PetroSA and Hyundai Automotive South Africa.

*Director since 1 November 2016*

**ANNEXURE 4****Remuneration principles and policy****1. Introduction**

The remuneration report largely addresses the principles and policies affecting the CEO, Group executive management and senior management of the organisation. This stakeholder group has a clear line of sight of the key strategic themes of Pioneer Foods that drives the twin objectives of:

- strengthening the brands; and
- expanding the margins.

The alignment of strategic focus, execution and reward of this team is essential to the overall performance of the Group.

The strategic objectives of the remuneration policy are to:

- Support the attainment of the Group's business strategies;
- Attract, retain and motivate key and talented people;
- Compete in the market place to be an employer of choice;
- Reward individual, team and business performance and encourage superior performance; and to
- Support the key values of the Group.

Recognition is viewed as being critical to long-term sustainability and the Group has financial and non-financial methods of rewarding employees as part of its employee value proposition. Pioneer Foods is also committed to observing the principle of Equal Pay for work of Equal Value and has undertaken an exercise to measure internal pay disparities and to address them progressively over time.

**2. Group strategy alignment**

Alignment of Pioneer Foods' strategic direction, specific value drivers and the remuneration of the CEO, Group executive management and senior management members is ensured by the Human Capital Committee ("HCC").

The total remuneration approach is reviewed by the HCC annually to ensure the relative percentage of guaranteed and variable pay is market related and supportive of the strategic objectives. To this end, total remuneration incorporates elements of guaranteed and performance incentive pay; focused on retaining talent and rewarding the achievement of both short and long-term objectives. This is expressed as follows:

- Annual review of guaranteed pay taking into account factors such as CPI, industry performance, business performance and affordability. Benchmarks are conducted by job family to ensure the retention of scarce skills. Higher increases can be given to high-performing individuals, based on performance feedback. Annual review of guaranteed pay is effective 1 January.
- Payments of short term incentives ("STIs") are based on a percentage of guaranteed pay and dependent on the achievement of agreed specific hurdle rates; triggering at an entry target point and capped at an agreed stretch targeted point. STI payments are made annually on 15 December after confirmation of the financial results for the year ending 30 September.
- Long term incentives ("LTIs"), in the form of share appreciation rights (SARs), are allocated annually. Vesting takes place in years 3, 4 and 5 after allocation and 50% of the vesting thereof is time dependent and 50% performance dependent. Specific hurdle rates must be achieved for vesting on the performance based allocation. If performance conditions for any specific period are not met, the relevant SARs allocation is forfeited.

**3. CEO, executive team and senior management remuneration**

The remuneration mix of the CEO, Group executive management and senior management is differentiated to attract, retain and reward exceptional talent. These elements are explained in more detail below.

**4. Guaranteed remuneration**

The Group applies a total guaranteed package ("TGP") structure to guaranteed remuneration. The strategy is that the Group will strive to pay on average at the median for all positions. Jobs with the same grade can earn different amounts as determined by market factors, such as shortage of skills which can result in a premium being paid for those skills in short supply. TGP structuring rules include the following:

- Membership of the Group retirement fund is compulsory;
- Membership of medical aid is voluntary; and
- Travel allowance in accordance with the South African Revenue Services regulations, where applicable.

**4.1. Remuneration equity and competitiveness**

In order for the organisation to maintain appropriate remuneration equity and competitiveness vis-à-vis the labour market, remuneration is reviewed annually. As a guide, annual remuneration reviews are informed by:

- Income differential analyses as per the Employment Equity Act;
- Projected inflation;
- Internal equity;
- External market; and
- Performance if the individual and affordability. Where vast discrepancies exist, changes will be phased in at the discretion of management.

The Group uses the Task and Hay Chart job grading systems, as well as external benchmarking and survey data as is deemed necessary. The Group will select appropriate peer companies for benchmarking based upon: industry, organisation size, specific job that is being benchmarked (some roles are industry specific whereas other roles are generic to business) and any other parameters that are considered valid. As a rule, the benchmarking will be by job family.

The HCC also conducts an annual income differential and pay equity analysis. The reasons for differentials are then analysed and where necessary corrective measures are put in place to address the pay differentials.

**4.2 Group benefits**

The Group has the following benefits schemes in place in which all of the Group's employees are eligible to participate:

- Provident and retirement scheme – membership is compulsory for permanent employees;
- Insured risk benefits: minimum cover of 1 times TGP; up to 4 times (provident fund) or 7 times (retirement fund) by choice of the member; and
- Medical aid scheme – membership is not compulsory.

**5. Variable remuneration**

Variable Remuneration refers to the STI and LTI schemes.

**5.1 STI**

The STI is a performance bonus that is designed to incentivise participants to drive business performance and increase shareholder value. The STI is based on the following performance measurements:

- Growth in headline earnings before tax ("HEBT") for Group performance and operating profit ("EBIT") for divisional performance (weighted 40% Executives / 35% other participants). The growth calculation will be based on an audited and agreed comparative base for the previous financial year.
- Growth in economic profit (EP) for Group and divisional performance respectively (weighted 40% Executives / 35% other participants). For the EP calculation, applicable EBIT will be tax adjusted and compared to the Group's weighted average cost of capital (WACC) for the year as applied to the average net asset base of the Group or the relevant division.



**5. Variable remuneration (continued)**

**5.1 STI (continued)**

- Four specific goals (weighted 20% Executives / 30% other participants):
  - market share and volume (10%);
  - employment equity (5%);
  - employee engagement score (5%); and
  - individual specific performance targets (10%).

The bonus payment is dependent on the following hurdle rates as an entry point:

- For HEBT or EBIT growth element: CPI plus percentage growth in GDP;
- For EP element the hurdle is growth on the previous year's EP; and
- For specific goals, as annually determined and communicated.

A maximum bonus pool (cap) will be calculated as a percentage of economic profit and growth in economic profit annually to govern the total amount of STI payments. A key principle is that if there is no growth in EP, no bonus is payable and the pool is zero. This establishes a strong link between pay and performance.

Depending on seniority, payment at achieving the entry target point (based on TGP) is between 0% and 20%, and payment is capped varying between 15% and 150% of TGP on achieving the maximum targeted growth.

**5.2 LTI**

The LTI scheme comprises a share appreciation rights scheme (SARs scheme). The HCC determines the share allocation to qualifying managers (and for black employees with high potential) annually for the SARs scheme. Multiples of TGP determine the annual allocation of SARs to qualifying employees varying between 1 and 9 times of TGP. In determining the annual top-up calculations, the unvested value allocated in the past will be taken into account. No qualifying employee can be allocated more than 1 million ordinary shares cumulatively, once converted.

**5.2.1 Performance conditions**

50% of the SARs is subject to performance conditions and the remaining 50% portion is time-based. The vesting conditions for the performance-related portion of the SARs are as follows:

- Compounded average growth ("CAGR") in headline earnings per share (HEPS) of CPI plus 1% real growth will trigger vesting of 1/3 of the allocation at 3rd, 4th and 5th anniversary dates of allocation.
- 100 % vesting will be achieved at CAGR growth of CPI plus 5% real growth for each relevant period.

The time allowed to exercise the SARs will be 6 months after each and every respective vesting date. If performance vesting conditions are not met at vesting date, the relevant SARs allocation is forfeited.

**5.2.2 Dilution limit**

The total value of ordinary shares that may be transferred to employees under the SARs is limited to 14.5 million shares and represented approximately 7.5% of the issued ordinary shares at the date of approval of the scheme by shareholders granted in 2006. The rules allow for the Group to buy shares in the market and to settle awards, which the HCC does in order to avoid dilution.

An additional allocation is made annually to senior black management and any exercise of these allocations will only be possible after 5 years of the date of allocation. Depending on seniority, the cumulative value of these additional allocations varies between 75% and 100% of a participant's TGP.

**6. Executive contracts**

The average notice period for the CEO, Group executive management and senior management is three months. Pioneer Foods is not contractually bound to make gratuitous payments if an executive or senior manager leaves the Group due to underperformance. The vesting of STIs and LTIs on termination of employment is governed by the relevant plan rules.

**6. Executive contracts (continued)**

**6.1 Restraint of trade**

When warranted by circumstances that could not reasonably have been foreseen, the HCC will exercise its discretionary powers to safeguard the interest of Pioneer Foods by introducing paid restraints of trade for executive directors and key employees. The agreement comprises periods of retention ranging from 30 to 36 months, as well as meeting individual performance standards during the employment period. Should employment terminate for any reason whatsoever during those periods, the payment will not be made to the executive directors and key employees.

The restraint will operate for 1 year after the retention period and payment has been made; however, the restraint will lapse if the executive directors and key employees remain employed for periods ranging from 9 to 24 months after the date of payment. These payments will be disclosed in the remuneration reports in the year in which they vest.

This is currently limited to six key persons.

**7. HCC discretion**

Where faced with extra-ordinary circumstances, the HCC retains the discretion to adjust any of the parameters set out in the remuneration policy, subject to the full disclosure of the reasons for such discretion being exercised.

**8. Non-executive directors**

The overriding principle governing the payment of fees to non-executive directors ("NEDs") is that they will be made in the context of good governance. The amounts will be determined by the HCC and approved by the Board.

Where appropriate, independent benchmark advice will be sought as to levels of remuneration for NEDs.

If required, the NEDs may be requested to perform work outside of their standard duties, which standard duties would include Annual General Meeting and annual/interim results presentations, and for this they will be reimbursed based upon the time spent and their level of expertise.

The fees paid to different roles, such as that of the chairperson of the Board, may vary from the fees paid to other NEDs, which variation shall be based on market benchmarks applicable to that role.

An adjustment to the fees will be made for 2017, subsequent to a market survey within the industry and relative to the peer group.



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**ANNEXURE 5**

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**Going concern statement**

The Audit Committee (“the committee”) considered and reviewed management’s short- to medium-term plan and associated projections and satisfied itself of the going concern status of the Group. Based on the committee’s recommendation, the Board’s statement regarding the going concern status of the Group is included in the directors’ responsibility report in the Group annual financial statements.

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**ANNEXURE 6**

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**Directors’ responsibility**

In accordance with the requirements of the Companies Act, Act 71 of 2008, as amended, the Board of directors (“the Board”) is responsible for the preparation of the annual financial statements and the consolidated annual financial statements of Pioneer Food Group Ltd (“Pioneer Foods”) which conform to International Financial Reporting Standards (“IFRS”) and which fairly present the state of affairs of Pioneer Foods and its subsidiaries (“the Group”) at the end of the financial year, and the financial performance and cash flows for that period. The Board is also responsible for the information other than that of the annual statutory financial statements that are included in the annual integrated report for both its accuracy and its consistency with the financial statements.

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. Management enables the Board to meet its responsibilities in this regard. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the Group’s financial records and its financial statements. The Board and management are, furthermore, also committed 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 reasoning provided by management as well as the internal and external 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. During the year under review, and up to the date of this report, nothing has come to the Board’s attention that indicates or implies a breakdown in the functioning of these controls, resulting in a material loss to the Group. 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 to adopt the going concern basis in preparing the financial statements.

The annual financial statements were approved by the Board on 17 November 2016 and are herewith signed on its behalf by:

**ZL Combi**  
Chairman

**PM Roux**  
Chief Executive Officer

**ANNEXURE 7****Directors' interest in shares**

As at 30 September 2016 the aggregate of the direct and beneficial interest of directors was 0.20% (2015: 0.20%) of the issued share capital of the Company. Indirect interest through listed public companies have not been taken into account. Individual directors' interest in the issued share capital of the Company is reflected below. Since the end of the financial year and the date of the annual report there were no changes in the interest of directors.

GROUP	Number of shares#			% of issued ordinary share capital
	Direct	Indirect*	Total	
<b>30 September 2016</b>				
ZL Combi	–	172 295	172 295	0.07
Prof ASM Karaan	–	86 147	86 147	0.04
NS Mjoli-Mncube	–	86 147	86 147	0.04
G Pretorius	–	30 000	30 000	0.01
AH Sangqu	–	86 147	86 147	0.04
	–	460 736	460 736	0.20
<b>30 September 2015</b>				
PM Roux	14 000	–	14 000	–
ZL Combi	–	172 295	172 295	0.07
Prof ASM Karaan	–	86 147	86 147	0.04
NS Mjoli-Mncube	–	86 147	86 147	0.04
G Pretorius	–	30 000	30 000	0.01
AH Sangqu	–	86 147	86 147	0.04
	14 000	460 736	474 736	0.20

**Notes**

- Include shares issued during a previous year to SPVs, wholly owned by BEE directors, in terms of the B-BBEE equity transaction.
- # There has been no change in the directors' interest in shares from the end of the financial year to the date of the approval of the annual financial statements.

**ANNEXURE 8****Share capital**

	Audited 30 September 2016 R'000	Audited 30 September 2015 R'000
<b>GROUP</b>		
<b>Authorised – ordinary shares of 10 cents each</b>		
400,000,000 (2015: 400,000,000) ordinary shares	40 000	40 000
<b>Authorised – class A ordinary shares of 10 cents each</b>		
18,130,000 (2015: 18,130,000) class A ordinary shares	1 813	1 813
<b>Total issued and fully paid – ordinary shares of 10 cents each</b>		
At beginning of year: 232,739,331 (2015: 231,691,881) ordinary shares	23 275	23 170
Issued to management in terms of share appreciation rights scheme: 345,578 (2015: 1,047,450) ordinary shares	35	105
Shares bought back from management share incentive trust and cancelled: 612,000 (2015: Nil) ordinary shares	(61)	–
At end of year: 232,472,909 (2015: 232,739,331) ordinary shares	23 249	23 275
<b>Shares issued in terms of share appreciation rights scheme</b>		
During the year the Company issued 345,578 (2015: 1,047,450) ordinary shares of 10 cents each at an average of R167.24 (2015: R167.71) per share in terms of the share appreciation rights scheme.		
<b>Shares issued in terms of the B-BBEE equity transaction</b>		
During 2012 the Company issued 28,691,649 shares to the value of R1,000,347,998 to special purpose vehicles ("SPVs") that were formed in terms of a B-BBEE equity transaction. In terms of the transaction 17,488,631 ordinary shares were issued to strategic BEE partners at a subscription price of R55.14 per share and 603,030 ordinary shares to current and former black directors of the Company at a subscription price of R58.04 per share. A further 10,599,988 shares were issued to the Pioneer Foods Broad-Based BEE Trust ("BEE Trust") at a subscription price of R0.10 per share.		
The BEE Trust acquired no further (2015: 145,362) listed ordinary shares of 10 cents each. The shares were acquired at an average of R157.82 per share during 2015.		
These SPVs are consolidated as wholly owned subsidiaries in terms of IFRS and these issued shares of the Company are consequently treated as treasury shares of the Group. The B-BBEE equity transaction was in accordance with the Company's memorandum of incorporation and the Companies Act, Act 71 of 2008, as amended.		
<b>Treasury shares of 10 cents each – nominal value</b>		
<b>Treasury shares held by management share incentive trust</b>		
At beginning of year: 729,612 (2015: 1,110,213) ordinary shares	73	111
Net treasury shares sold to participants: 69,992 (2015: 380,601) ordinary shares	(7)	(38)
Net treasury shares sold to the Company: 612,000 (2015: Nil) ordinary shares	(61)	–
At end of year: 47,620 (2015: 729,612) ordinary shares	5	73
<b>Treasury shares held by B-BBEE equity transaction participants</b>		
At beginning and at end of year: 18,091,661 (2015: 18,091,661) ordinary shares	1 809	1 809



## Share capital (continued)

GROUP	Audited 30 September 2016 R'000	Audited 30 September 2015 R'000
<b>Treasury shares of 10 cents each – nominal value (continued)</b>		
<b>Treasury shares held by Pioneer Foods Broad-Based BEE Trust</b>		
At beginning of year: 10,745,350 (2015: 10,599,988) ordinary shares	1 075	1 060
Nil (2015: 145,362) ordinary shares acquired during the year	–	15
At end of year: 10,745,350 (2015: 10,745,350) ordinary shares	1 075	1 075
During 2015 the Trust acquired 145,362 shares for an amount of R22,940,476.		
<b>Treasury shares held by subsidiary</b>		
At beginning and at end of year: 17,982,056 (2015: 17,982,056) ordinary shares	1 798	1 798
<b>Total treasury shares – nominal value</b>		
At beginning of year	4 755	4 778
Ordinary shares bought by Pioneer Foods Broad-Based BEE Trust during the year	–	15
Ordinary shares sold by management share incentive trust (at strike price)	(7)	(38)
Ordinary shares bought back from management share incentive trust and cancelled	(61)	–
At end of year	4 687	4 755
<b>Net listed ordinary share capital – nominal value</b>		
Total issued and fully paid ordinary shares	23 249	23 275
Treasury shares held by management share incentive trust	(5)	(73)
Treasury shares held by B-BBEE equity transaction participants	(1 809)	(1 809)
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	(1 075)	(1 075)
Treasury shares held by subsidiary	(1 798)	(1 798)
	18 562	18 520
The unissued ordinary shares in the Company, limited to 5% of the ordinary shares in issue at the last year-end date, are placed under the control of the directors until the next annual general meeting and they are authorised to issue any such shares as they may deem fit, subject to some restraints relating to the issue price.		
<b>Treasury shares – carrying amount</b>		
Consist of:		
Treasury shares held by management share incentive trust	1 355	17 740
Treasury shares held by B-BBEE equity transaction participants	999 288	999 288
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	24 000	24 000
Treasury shares held by subsidiary	163 113	163 113
	1 187 756	1 204 141
<b>Issued and fully paid – unlisted class A ordinary shares of 10 cents each held by employee share scheme trust</b>		
At beginning of year: 4,234,300 (2015: 6,043,940) class A ordinary shares	424	605
Bought back and cancelled: 526,470 (2015: 1,809,640) class A ordinary shares	(53)	(181)
At end of year: 3,707,830 (2015: 4,234,300) class A ordinary shares held by employee share scheme trust	371	424

During the year the Company issued Nil (2015: Nil) class A ordinary shares.

Class A ordinary shares are not listed on the JSE. These shares have full voting rights, similar to those of ordinary shares.

## ANNEXURE 9

## Social and Ethics Committee AGM Report

The Social and Ethics Committee (SEC) was formed in May 2012 in accordance with the Companies Act, Act 71 of 2008, as amended (“the Companies Act”). The SEC, comprises three permanent members being two non-executive directors, Prof ASM Karaan (chairman) and Ms Nonhlanhla Mjoli-Mncube and Mr Piet Burger, Group Executive: Supply Chain. The Group CEO, Mr Phil Roux, Ms Jay-Ann Jacobs, Group Executive: Legal Services and Company Secretary and Mr Nico Moloto, Manager: CSI and ESD are permanent invitees at all committee meetings. Various other disciplines across the Group are also represented at requisite meetings.

The SEC’s role is to monitor sustainable development performance of the Company, specifically relating to:

- stakeholder engagement and reporting;
- health and public safety, which includes occupational health and safety as well as the clinical quality of the Company’s services;
- broad-based black economic empowerment;
- labour relations and working conditions;
- training and skills development of our employees;
- management of the Company’s environmental impacts;
- ethics and compliance; and
- corporate social investment.

The SEC is also required to report through one of its members to the Company’s shareholders on the matters within its mandate at the Company’s annual general meeting. Shareholders will be referred to this report by the SEC, read with the Sustainability section of the Integrated Report, at the Company’s annual general meeting on 10 February 2017. Any specific questions to the SEC may be sent to the Company Secretary at least 48 hours prior to the annual general meeting.

## 1. Environment

Pioneer Foods is committed to operate in compliance with all relevant international best practice, national, provincial and local environmental legislation and regulations as well as to minimise and manage all environmental impacts related to our activities. As a food and beverage producer Pioneer Foods strives to build the resilience of its value chain to environmental impacts including climate change. Regular external audits ensure that Group facilities maintain certification of compliance and align with best practice. Pioneer Foods received no material environmental, health or safety fines during the year.

In this report, the KPIs included in the scope of Ernst & Young’s assurance are indicated with an <sup>LA</sup>.

### 1.1. Environmental reporting

Energy, water and waste were the primary KPIs identified by the Group to monitor the impact of the business on the environment. These KPIs were chosen after an internal and external stakeholder engagement process during the formulation of the Group’s sustainability strategy. The data collected internally on these KPIs is useful in establishing the business’s exposure to various risks (e.g. carbon tax), but also allows for the quantification of business opportunities and more informed decision-making. Data is collected and collated at site level and presented to the Group manufacturing forum on a quarterly basis and to the executive committee on a monthly basis, where progress is measured and assessed.

**1. Environment (continued)****1.1. Environmental reporting (continued)**

		2016	2015	2014
<b>Total energy consumption</b>				
Coal	Tons	9 185	9 620	10 665
Petrol	Litres	48 166	27 764	31 454
Diesel – stationary equipment (generators, boilers, etc.)	Litres	425 937	1 556 128	114 552
Diesel – mobile equipment (vehicles and forklifts)	Litres	7 814 224	9 608 512	10 228 306
Paraffin/Lo 10	Litres	8 769 004	7 469 839	6 393 836
LPG – stationary equipment (boilers, ovens, heating etc)	Kilograms	1 811 064	1 703 617	1 554 300
LPG – forklifts	Kilograms	194 159	505 346	569 171
Natural gas (Sasol gas/Egoli gas)	Kilograms	5 562 571	5 476 599	3 067 309
Heavy Fuel Oil (HFO) – stationary equipment (boilers, ovens, heating, etc.)	Litres	7 788 960	7 204 060	10 701 196
Total electricity purchased	MWh	253 505	262 509	258 302
Total steam purchased	Tons	38 430	32 165	10 040
<b>Total water consumption</b>				
Municipal water	Kilolitres	2 150 038	2 252 407	2 127 518
Underground water	Kilolitres	17 834	25 350	26 642
Surface water	Kilolitres	240 818	270 560	954 714

\* Lack of supply at the Shakaskraal Bakery resulted in diesel being utilised as a substitute for paraffin in 2015.

Scope 1 or direct emissions were 111 050 tCO<sub>2</sub>e<sup>LA</sup> (tons of CO<sub>2</sub> equivalent) (2015: 115 303 tCO<sub>2</sub>e). Total scope 2 or indirect emissions, including electricity and steam purchased, were 280 657 tCO<sub>2</sub>e<sup>LA</sup> (2015: 284 731 tCO<sub>2</sub>e), bringing total combined emissions to 391 707 tCO<sub>2</sub>e (2015: 400 034 tCO<sub>2</sub>e).

The Group has made some headway in reducing energy and fuel consumption, particularly in terms of monitoring usage and the implementation of energy-saving measures. When comparing the amount of energy used per ton of product produced, the Group reduced its combined energy usage by 4%.

**1.2. Energy management**

Energy savings are both a business imperative (in terms of achieving improved efficiencies) and an environmental responsibility as a good corporate citizen. As at 30 September 2016, an estimated saving of R34.4 million has been achieved through a partnership with an energy service provider that identified potential energy optimisation opportunities at Pioneer Foods' sites. Below is a summary of some of the projects:

Intervention category	Description
Tariffs	Switching of sites to the most cost-effective energy tariffs.
Steam and boiler optimisation	Replacement of existing boilers with coal boilers and optimisation of existing site boilers. Pioneer Foods buys steam from an independent service provider.
Lighting	Replacement of existing lights with energy-efficient alternatives.
Solar	Installation of solar PV panels at selected sites.
Electricity meters	The installation of electricity meters per site for the measurement of electricity consumption and consumption patterns and Demand Site Management Surveys by Eskom to enable the formulation of improvement plans to correct excessive use or wastage.

**1.3 Energy saving through solar panels**

Pioneer Foods, in conjunction with energy solutions provider Energy Partners, started rolling out a national solar programme during the past year. The programme entails the installation of large commercial solar systems with a combined size of 2.5 MWp at five of Pioneer Foods' manufacturing facilities vis. Ceres Fruit Juices in Wadeville, Bokomo in Clayville, Sasko Bakery in Bloemfontein, Klerksdorp Mill in the North West, SAD Treefruit in Worcester (298 kW)

The entire programme will comprise 90 SMA inverters and 7 800 Tier 1 solar modules covering a roof space of 15 600 m<sup>2</sup>. While saving on electricity expenses, these solar solutions also decrease the Group's carbon footprint, with the total effective carbon offset for these solar plants amounting to about 3 800 tons per year.

**1.4. Water**

Water is a vital resource in Pioneer Foods' production processes. The Group aims to measure and, where possible, reduce the amount of water used per ton of product produced. In 2016, 2.4 million m<sup>3LA</sup> was consumed (2015: 2.5 million m<sup>3</sup>). This is 4% less than in 2015.

A number of projects have been commissioned, which have resulted in improved process efficiencies and lower water consumption. An example is the automation of water addition to the maize conditioning process as well as identification of water leaks in underground water supply systems.

To further mitigate the effects of droughts and climate change on business continuity, several service providers were appointed in 2016 to assist in reducing water consumption and identifying possible recycling or reuse opportunities on-site. In 2016, approximately 86 000 m<sup>3</sup> of water savings were identified from the implementation of these interventions.

**1.5. Waste**

Waste is an output of Pioneer Foods' business model. Waste management provides secondary value-creation opportunities. Waste reduction, recycling and reuse options are continuously explored within the business, particularly in the area of yield improvements and product waste. Standard contracts are in place with suppliers who recycle waste, and the Group continuously strives to make use of recycled material where possible.

**2. Transformation****2.1 B-BBEE scorecard**

The Group retained a Level 4 on the agriculture sector ("AgriBEE") scorecard. The 2016 results were supported by various initiatives across the different elements of the AgriBEE scorecard to progress our transformation journey. There has been positive progress in senior management due to internal promotion and external recruitment of black talent. We will continue to improve our transformation journey and improve on other elements in the following financial reporting period.

**2.2 CSI**

The Group is involved in various projects in food security, education and community-based projects. These projects focus on vulnerable groups such as children, youth and women who are primarily located in township and rural communities. The School Breakfast Programme continues to be a successful project where 21,450 learners in primary schools were fed daily with various Pioneer Foods breakfast cereals during 2016. In total, R9.3 million was spent for the 2016 financial year.

**2.3 Pioneer Foods Education and Community Trust (PFECT)**

During 2016, PFECT has funded a total of 36 bursaries to deserving tertiary and high school learners. These students are studying in the fields of accountancy, engineering and marketing. PFECT continues to be the anchor funder for the Mbekweni Youth Centre with their operational requirements. The programmes at Mbekweni Youth centre include improvement of academic performance, career guidance and counselling, health, sports and wellness and personal development (Life Skills). Overall PFECT has distributed R7.1 million to its beneficiaries during 2016.

PFECT continues to fund various community and education related programmes.





### 3. Stakeholder relations

The Group recognises that effective stakeholder engagement is the basis for good corporate governance and is committed to the stakeholder-inclusive approach recommended by King III. The Group's approach is guided by a stakeholder relations policy, which recognises that social, economic and environmental interests are integral to the success of the business.

The Group has strategically consolidated stakeholder engagement activities.

### 4. Human rights

Pioneer Foods respects the human rights of employees, suppliers and everyone else it interacts with. Human rights requirements are included in the code of ethics and all suppliers are expected to ensure they are not implicit in any form of human rights abuse and that they support, respect and protect internationally proclaimed human rights.

The Group's procurement policy contains a section that covers this important aspect and the expected behaviour of suppliers. The Group endeavours to monitor supplier operations for ethical practices. There were no incidents of human rights violations, child labour, or forced or compulsory labour that were brought to the Group's attention during the year.

### 5. Ethics management

The Group subscribes to the highest ethical standards of business practices. Its corporate values and the Company's code of ethics ("the code") are aligned to the Group's new business model and the dti's Guidelines for Good Business Practice.

It is a primary requirement that all employees and directors display integrity, honesty, mutual respect and openness when conducting business for and on behalf of Pioneer Foods. This includes affording employees the right and obligation to challenge those who are not adhering to these values, while conducting themselves in a manner which is beyond reproach.

The code guides the Group's policy with respect to the declaration of potential conflicts of interest, bribery, fraud, fair competition, corruption, theft, conspiracy, diversity and transformation, ethical purchasing practices, harassment and intimidation, human rights, whistle-blowing, fairness in the workplace, safeguarding the health and safety of employees, acceptance of gifts from third parties, fair dealing, insider trading, as well as the protection and proper use of Group assets and resources. The outcomes of various independent and internal risk assessments have shaped the business's approach to and implementation of initiatives to address these challenges and/or shortcomings. Training and creating awareness were some of the key focus areas. Representatives from the human resources community across the business were identified as divisional ethics champions, assisting management to ensure that ethics management, as a business practice, is embedded and advocated. The Group's ethics programme is being monitored by both the social and ethics committee and the audit committee from an internal control perspective. Employees found guilty of ethical breaches are disciplined in accordance with the Group's disciplinary code. However, should the breach be criminal, the Group pursues prosecution of the employee concerned.

As per the obligatory requirements outlined in section 159(7) of the Companies Act, Pioneer Foods has a whistle-blowing policy, which is reviewed annually. Together with the Company's Tip-offs Anonymous Hotline that is managed by an external service provider, the whistle-blowing policy was established not only for the purposes of bona fide disclosures made by employees, but also for a broader stakeholder base including suppliers and customers.

**PROXY FORM**



**PIONEER FOOD GROUP LTD**  
 Incorporated in the Republic of South Africa  
 (Registration No 1996/017676/06)  
 ("Pioneer Foods" or "the Company")

**Annexure to the Notice of the Annual General Meeting**

I/We, the undersigned (print) \_\_\_\_\_ (name of shareholder)

of \_\_\_\_\_ (address), being a shareholder of the Company,

do hereby appoint \_\_\_\_\_ (name of proxy)

of \_\_\_\_\_ (address) or, failing him/her,

\_\_\_\_\_ (name of proxy)

of \_\_\_\_\_ (address) or, failing him/her,

the chairperson of the Annual General Meeting as my/our proxy to represent me/us, to talk and to vote on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 10 February 2017, at Lanzerac Hotel & Spa, Lanzerac Road, Stellenbosch, 7600 at 09:00 or at any adjournment thereof:

		In favour of	Against	Abstain from voting
1	Ordinary Resolution Number 1: To confirm the re-appointment of PricewaterhouseCoopers Inc. as auditor for the ensuing year on the recommendation of the Audit Committee.			
2	Ordinary Resolution Number 2: General authority to issue shares for cash			
3	Ordinary Resolution Number 3: To re-elect director: Abdus Salam Mohammad Karaan			
4	Ordinary Resolution Number 4: To re-elect director: Gerrit Pretorius			
5	Ordinary Resolution Number 5: To re-elect director: Andile Hesperus Sangqu			
6	Ordinary Resolution Number 6: To re-elect director: Norman Celliers			
7	Ordinary Resolution Number 7: Confirmation of appointment: Lindiwe Evarista Mthimunye-Bakoro			
8	Ordinary Resolution Number 8: Re-appointment of member of the Audit Committee: Norman William Thomson			
9	Ordinary Resolution Number 9: Re-appointment of member of the Audit Committee: Sango Siviwe Ntsaluba			
10	Ordinary Resolution Number 10: Appointment of member of the Audit Committee: Lindiwe Evarista Mthimunye-Bakoro			
11	Ordinary Resolution Number 11: Non-binding endorsement of Pioneer Foods' remuneration policy			
12	Special Resolution Number 1: Approval of non-executive directors' remuneration			
13	Special Resolution Number 2: General authority to grant financial assistance to related and inter-related companies			
14	Special Resolution Number 3: Financial assistance for the acquisition of securities in the Company and in related and inter-related companies			
15	Special Resolution Number 4: General authority to repurchase shares			
16	Special Resolution Number 5: Amendment to the Company's MOI			

Please indicate instructions to proxy by way of a cross in the relevant space provided.

Signed at \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Signature \_\_\_\_\_

**Notes**

1. A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered shareholder of the Company.
2. Every shareholder present in person or by proxy and entitled to vote at the Annual General Meeting of the Company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds. In the event of a poll, every shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all the shares issued by the Company.
3. Shareholders who have dematerialised their shares with a CSDP or broker, other than own-name registrations, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the meeting or the shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

**Instructions on signing and lodging the form of proxy**

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided overleaf, with or without deleting "the chairperson of the Annual General Meeting", but any such deletion must be initialled by the shareholder. Should this space/s be left blank, the proxy will be exercised by the chairperson of the Annual General Meeting. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes which that shareholder wishes to exercise, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.
4. To be valid, the completed forms of proxy must be lodged with the transfer secretaries of the Company, Computershare Investor Services (Pty) Ltd at Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than Wednesday, 8 February 2017, at 9:00 (South African time).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairperson of the Annual General Meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The appointment of a proxy in terms of this form of proxy is revocable in terms of the provisions of section 58(4)(c) read with section 58(5) of the Companies Act, and accordingly a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company.
8. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
9. The chairperson of the Annual General Meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a shareholder wishes to vote.





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