



**PIONEER
FOODS**

REALISING POTENTIAL



UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2017

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

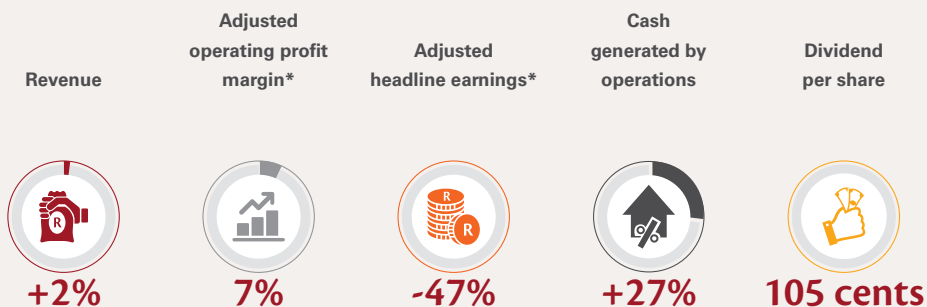
("Pioneer Foods" or "the Group" or "the Company")



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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 Group" or "the Company")



SALIENT FEATURES

Revenue	R10 183 million	+2%
Adjusted operating profit (before items of a capital nature)*	R700 million	-43%
Adjusted headline earnings*	R470 million	-47%
Adjusted headline earnings per share*	253 cents	-47%
Earnings	R460 million	-56%
Earnings per share	248 cents	-56%
Headline earnings	R454 million	-56%
Headline earnings per share	244 cents	-56%
Cash generated by operations	R875 million	+27%
Net asset value per share	4 275 cents	+4%
Interim gross dividend per listed ordinary share (2016: 105 cents)	105 cents	-

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

* HE and operating profit (before items of a capital nature) are adjusted for the impact of:

share-based payment (charge)/income on the B-BBEE Phase 1 transaction on profit or loss (and the impact of the related hedge) due to the volatility of these items; and once off merger and acquisition costs.

COMMENTARY

Introduction

A confluence of various inhibitors contributed to a material decline in profitability for the first half of the financial year ended 31 March 2017. The most significant detractor was maize due to the unfavourable procurement position taken in 2016 in order to protect supply for South Africa's leading maize brand. This decision was predicated on careful consideration of the available information at the time. The International Division was severely impacted by a raisin crop shortfall, African exports and a stronger rand.

Group turnover increased by 2%, with the South African business increasing turnover by 4% and International declining by 11%.

Financial performance

Cost of goods sold increased by 10% due to significant raw material cost push, resulting in gross profit decreasing by 16% to R2.6 billion and the gross profit margin compressed from 31% to 26%.

Operating profit, before items of a capital nature, adjusted for the 2017 IFRS 2 share-based payment ("SBP") charge and the related hedge gain on the Phase I B-BBEE ("BEE") transaction, the 2016 SBP BEE transaction gain and once-off merger and acquisition ("M&A") costs ("adjusted"), decreased by 43% to R700 million and the adjusted operating profit margin declined from 12% to 7%. This, notwithstanding a sustained focus on cost management and the extraction of efficiencies.

The BEE SBP charge and the marked-to-market on the hedge relating to the BEE transaction amounted to a net charge of R3.1 million (the Pioneer Foods share price increased from R173.87 at 30 September 2016 to R176.61 at 31 March 2017) compared to a gain of R142.7 million (share price decreased from R195.76 to R139.04 with no hedge in place) in the prior period. The M&A costs amounted to R9.3 million in 2017.

Profit before income tax decreased by 53% to R648 million, after finance costs of R88 million (2016: R75 million). The share of profit of joint ventures and associates amounted to R30 million (2016: R42 million). The regression in the share of profit from joint ventures and associates can largely be ascribed to the performance of Bokomo Botswana that was also negatively impacted by the same maize procurement strategy as the Group. Bowman Ingredients (SA) and Future Life Health Products continued their excellent performances.

Adjusted earnings per share ("EPS") and headline earnings per share ("HEPS") decreased by 48% and 47% to 256.5 and 253.4 cents per share respectively. In 2016, EPS was also adjusted for the impairment of the Quantum Foods Holdings shares held by the Phase II B-BBEE SPVs.

Divisional Performance

Segmental review

Six months ended 31 March 2017

	Segmental revenue		Segmental operating profit*	
	2017 R'm	% Change	2017 R'm	% Change
Essential Foods	6 457	7	331	(49)
Groceries	2 432	(3)	301	(12)
International	1 294	(11)	69	(73)
Corporate	-	-	(1)	79
Total	10 183	2	700	(43)

* Before items of a capital nature, the BEE SBP and in 2017, M&A costs.

Essential Foods

The performance of Essential Foods was overwhelmingly impacted by maize. The margin drag on maize will cease from June as lower cost raw material comes into effect. Stringent cost management was enforced to partially mitigate the aforementioned. The bakery business continued to deliver volume growth and operating leverage. Pleasingly, the Aero-ton bakery upgrade and expansion was commissioned in April. Pasta, flour and legumes contributed positively, whilst rice regressed amidst aggressive competition.

Groceries

The Groceries performance was disappointing, beverages in particular. Cost push inflation into the summer season coupled to a cooler summer inland, impacted volumes and margins significantly.

Breakfast cereals, also affected by cost push inflation and competition, managed to increase profitability.

The balance of the categories showed a significant improvement in profitability.

International

Profit contraction was the most severe in this division consequent to lower export beverage volumes and margins as a result of currency devaluation in key markets, placing pressure on the Ceres value proposition in market.

Raisins historically contributed materially to profitability of International. Profitability in the first half was eroded due to a smaller crop and a relative stronger currency.

The UK business was affected by higher irrecoverable input costs due to Brexit. That said, Streamfoods has been efficiently integrated and the overall top line performance of the business was pleasing.

Nigeria, whilst small, contributed positively increasing market share and profitability.

Financial position and cash flows

Strong cash generation continues to underpin the Group's operations with cash generated from operations up by 27% to R875 million (2016: R690 million). Investment in working capital was pleasingly restricted to R167 million notwithstanding significant seasonal investment in the 2017 dried fruit crop.

Capital expenditure amounted to R369 million (2016: R349 million) with the expansion of the Aero-ton bakery and the additional Weet-Bix line being the major projects.

In October 2016 the Group settled the obligation of R493.3 million for the forward purchase contracts on own equity. This transaction was entered into in 2016 to hedge the Group against the upside risk of the Group's share price in terms of the BEE scheme. This obligation was disclosed as an accrual at 30 September 2016.

The Group acquired a 49.89% interest in Weetabix East Africa for R190 million on 3 March 2017. The Group's investment in this entity is included as an interest in an associate from this date.

The Group's net interest-bearing debt, excluding the R463 million third-party debt relating to the Phase II B-BBEE transaction partners, amounted to R1 425 million at 31 March 2017, with a debt to equity ratio of 18% (30 September 2016: 6%), compared to net debt of R501 million at 30 September 2016.

Outlook

We anticipate an improvement in performance in the second half of the financial year notwithstanding a constrained trading environment in South Africa. Various factors should assist in improving profitability, namely:

- Increased raisin supply, however at a lower level of profitability to the prior year
- Lower maize input costs from June
- Lower beverage input costs
- Aero-ton bakery and Weet-Bix capacity

Pioneer Foods will continue to be vigilant for acquisitions as a growth vector to bolster the core business.

Dividend

A gross interim dividend for the six months ended 31 March 2017 of 105 cents (2016: 105 cents) per share has been approved and declared by the Board from income reserves. The applicable dates are as follows:

Last date to trade cum dividend	Tuesday, 27 June 2017
Trading ex dividend commences	Wednesday, 28 June 2017
Record date	Friday, 30 June 2017
Dividend payable	Monday, 3 July 2017

Share certificates may not be dematerialised or materialised between Wednesday, 28 June 2017 and Friday, 30 June 2017, both days inclusive.

A gross interim dividend of 31.5 cents (2016: 31.5 cents) per class A ordinary share, being 30% of the gross interim dividend payable to ordinary shareholders in terms of the rules of the relevant employee scheme, will be paid during July 2017.

The above statements have not been reviewed or reported on by the auditors of Pioneer Foods.

By order of the Board



ZL Combi
Chairman



PM Roux
Chief Executive Officer

Tyger Valley
17 May 2017

PIONEER FOOD GROUP LTD

Condensed consolidated interim financial statements for the six months ended 31 March 2017

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 March 2017 R'm	Unaudited Six months ended 31 March 2016 R'm	Audited Year ended 30 September 2016 R'm
Revenue	10 183.0	10 009.7	20 599.7
Cost of goods sold	(7 561.7)	(6 905.3)	(14 516.7)
Gross profit	2 621.3	3 104.4	6 083.0
Other income and gains/(losses) – net	48.8	111.2	169.8
Other expenses	(1 982.3)	(1 837.3)	(3 934.8)
Excluding the following:	(1 969.9)	(1 980.0)	(3 979.6)
Once off merger and acquisition costs	(9.3)	–	–
Phase I B-BBEE transaction share-based payment and related hedge (charge)/income	(3.1)	142.7	44.8
Items of a capital nature	5.6	12.3	21.3
Operating profit	693.4	1 390.6	2 339.3
Investment income	12.7	27.3	46.8
Finance costs	(88.0)	(74.8)	(167.3)
Share of profit of investments accounted for using the equity method	30.0	41.6	100.4
Profit before income tax	648.1	1 384.7	2 319.2
Income tax expense	(188.5)	(347.9)	(629.0)
Profit for the period	459.6	1 036.8	1 690.2
Other comprehensive income/(loss) for the period			
Items that will not subsequently be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations	–	–	0.9
Items that may subsequently be reclassified to profit or loss:	83.4	55.0	(203.4)
Fair value adjustments to cash flow hedging reserve	105.7	37.3	(118.3)
For the period	(69.7)	282.1	134.7
Current income tax effect	18.8	(78.1)	(36.7)
Deferred income tax effect	0.7	(0.8)	(1.0)
Reclassified to profit or loss	216.5	(230.4)	(299.0)
Current income tax effect	(60.6)	66.4	85.6
Deferred income tax effect	–	(1.9)	(1.9)
Fair value adjustments on available-for-sale financial assets	3.5	4.9	(1.2)
For the period	5.2	8.9	7.0
Deferred income tax effect	0.9	(0.3)	0.1
Reclassified to profit or loss	(2.6)	(3.7)	(8.3)
Share of other comprehensive income of investments accounted for using the equity method	(2.1)	6.7	(28.7)
Movement on foreign currency translation reserve	(23.7)	6.1	(55.2)
Total comprehensive income for the period	543.0	1 091.8	1 487.7
Profit for the period attributable to:			
Owners of the parent	459.6	1 036.8	1 690.2
Total comprehensive income for the period attributable to:			
Owners of the parent	543.0	1 091.8	1 487.7

HEADLINE EARNINGS RECONCILIATION

	Unaudited Six months ended 31 March 2017 R'm	Unaudited Six months ended 31 March 2016 R'm	Audited Year ended 30 September 2016 R'm
Reconciliation between profit/(loss) attributable to owners of the parent and headline earnings			
<i>Profit attributable to owners of the parent</i>	459.6	1 036.8	1 690.2
<i>Remeasurement of items of a capital nature</i>	(5.8)	(6.7)	(13.4)
Net profit on disposal of property, plant and equipment and intangible assets	(3.0)	(2.5)	(12.1)
Net profit on disposal of available-for-sale financial assets	(2.6)	(3.7)	(8.3)
Net profit on disposal of subsidiary	–	(24.2)	(24.2)
Impairment of available-for-sale financial assets	–	18.1	23.3
Before tax	(5.6)	(12.3)	(21.3)
Tax effect on remeasurement of items of a capital nature	(0.2)	5.6	7.9
<i>Remeasurement of items of a capital nature included in equity-accounted results</i>	–	(0.1)	(1.1)
Effect on remeasurement of items of a capital nature	–	(0.1)	(1.3)
Tax effect on remeasurement of items of a capital nature	–	–	0.2
Headline earnings	453.8	1 030.0	1 675.7
Phase I B-BBEE transaction share-based payment and related hedge charge/(income)	7.4	(142.7)	(38.7)
Once off merger and acquisition costs	9.3	–	–
Adjusted headline earnings (Note 1)	470.5	887.3	1 637.0
Number of issued ordinary shares (million)	233.0	232.3	232.5
Number of issued treasury shares:			
– held by subsidiary (million)	18.0	18.0	18.0
– held by share incentive trust (million)	–	0.1	–
– held by B-BBEE equity transaction participants (million)	18.1	18.1	18.1
– held by BEE trust (million)	10.7	10.7	10.7
Number of issued class A ordinary shares (million)	3.4	3.9	3.7
Weighted average number of ordinary shares (million)	185.6	185.1	185.3
Weighted average number of ordinary shares – diluted (million)	199.7	199.4	199.6
Earnings per ordinary share (cents):			
– basic	247.6	560.1	912.1
– diluted	230.2	520.1	846.9
– headline	244.4	556.4	904.3
– diluted headline	227.2	516.6	839.6
– adjusted headline (Note 1)	253.4	479.3	883.4
– diluted adjusted headline (Note 1)	235.6	445.1	820.2
Gross dividend per ordinary share (cents)	105.0	105.0	365.0
Gross dividend per class A ordinary share (cents)	31.5	31.5	109.5
Net asset value per ordinary share (cents)	4 275.2	4 096.1	4 238.7
Debt to equity ratio (%)	23.7	12.5	12.5

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:

* share-based payment (charge)/income 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; and
* once off merger and acquisition costs.

GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 31 March 2017 R'm	Unaudited 31 March 2016 R'm	Audited 30 September 2016 R'm
Assets			
Property, plant and equipment	4 940.8	4 476.3	4 763.4
Goodwill	295.1	225.0	302.8
Other intangible assets	479.3	472.2	479.6
Biological assets	–	16.0	16.0
Investments in and loans to associates and joint ventures	1 016.1	799.1	861.2
Derivative financial instruments	426.2	–	439.7
Available-for-sale financial assets	134.3	133.2	128.3
Trade and other receivables	14.8	19.7	16.8
Deferred income tax	3.2	–	3.9
Non-current assets	7 309.8	6 141.5	7 011.7
Current assets	6 064.0	6 489.9	6 518.8
Inventories	3 245.7	3 249.9	3 212.5
Derivative financial instruments	61.1	13.9	57.6
Trade and other receivables	2 290.9	2 371.2	2 245.9
Current income tax	43.8	0.3	2.0
Cash and cash equivalents	422.5	854.6	1 000.8
Total assets	13 373.8	12 631.4	13 530.5
Equity and liabilities			
Capital and reserves attributable to owners of the parent	7 957.1	7 594.1	7 867.3
Share capital	23.3	23.2	23.2
Share premium	2 495.3	2 372.4	2 406.3
Treasury shares	(1 186.4)	(1 188.0)	(1 187.8)
Other reserves	274.0	473.6	253.3
Retained earnings	6 350.9	5 912.9	6 372.3
Total equity	7 957.1	7 594.1	7 867.3
Non-current liabilities	2 336.0	2 234.2	2 344.8
Borrowings			
B-BBEE equity transaction third-party finance	418.9	449.7	449.6
Other	869.5	870.0	883.7
Provisions for other liabilities and charges	112.5	112.3	111.2
Share-based payment liability	295.9	239.5	317.9
Deferred income tax	639.2	562.7	582.4
Current liabilities	3 080.7	2 803.1	3 318.4
Trade and other payables	1 973.4	2 189.9	2 037.6
Current income tax	9.6	42.0	30.3
Derivative financial instruments	5.7	32.4	16.1
Borrowings	1 021.8	486.6	653.5
Loan from joint venture	10.0	2.0	26.0
Accrual for forward purchase contracts on own equity	–	–	493.3
Dividends payable	0.6	0.5	0.6
Share-based payment liability	59.6	49.7	61.0
Total equity and liabilities	13 373.8	12 631.4	13 530.5

GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 March 2017 R'm	Unaudited Six months ended 31 March 2016 R'm	Audited Year ended 30 September 2016 R'm
Share capital, share premium and treasury shares	1 332.2	1 207.6	1 241.7
Opening balance	1 241.7	1 249.7	1 249.7
Movement in treasury shares	1.4	16.1	16.4
Ordinary shares issued – share appreciation rights	89.1	23.9	57.8
Ordinary shares bought back from management share incentive trust and cancelled	–	(82.1)	(82.1)
Employee share scheme – repurchase of shares	–	–	(0.1)
Other reserves	274.0	473.6	253.3
Opening balance	253.3	460.5	460.5
Equity compensation reserve transactions	22.5	22.1	49.5
Ordinary shares issued – share appreciation rights	(89.1)	(23.9)	(57.8)
Deferred income tax on share-based payments	3.9	(40.1)	4.5
Share of other comprehensive income of investments accounted for using the equity method	(2.1)	6.7	(28.7)
Other comprehensive income for the period	85.5	48.3	(174.7)
Retained earnings	6 350.9	5 912.9	6 372.3
Opening balance	6 372.3	5 248.5	5 248.5
Profit for the period	459.6	1 036.8	1 690.2
Other comprehensive income for the period	–	–	0.9
Dividends paid	(482.7)	(439.3)	(634.0)
Management share incentive scheme – disposal of shares	1.9	67.3	67.2
Employee share scheme – transfer tax on share transactions	(0.2)	(0.4)	(0.5)
Non-controlling interest	–	–	–
Opening balance	–	12.3	12.3
Disposal of subsidiary	–	(12.3)	(12.3)
Total equity	7 957.1	7 594.1	7 867.3

GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 March 2017 R'm	Unaudited Six months ended 31 March 2016 R'm	Audited Year ended 30 September 2016 R'm
Net cash profit from operating activities	891.8	1 427.8	2 667.9
Cash effect from hedging activities	149.4	42.0	(174.6)
Working capital changes	(166.6)	(779.6)	(774.5)
Net cash generated from operations	874.6	690.2	1 718.8
Settlement of share-based payment liability	(39.0)	–	(69.2)
Cash effect of forward purchase contracts related to share-based payments	27.4	–	25.2
Settlement of accrual for forward purchase contracts on own equity	(493.3)	–	–
Income tax paid	(229.5)	(285.1)	(451.1)
Net cash flow from operating activities	140.2	405.1	1 223.7
Net cash flow from investment activities	(464.0)	(393.7)	(982.9)
Property, plant and equipment and intangible assets			
– additions	(272.0)	(217.3)	(469.2)
– replacements	(97.1)	(131.7)	(339.9)
– proceeds on disposal	34.5	45.1	69.3
Business combinations	–	–	(146.9)
Proceeds on disposal of and changes in available-for-sale financial assets and loans	14.8	(15.0)	(29.0)
Proceeds on disposal of subsidiary	–	74.2	62.3
Investment in joint ventures	–	(200.5)	(200.5)
Investment in associates	(189.9)	–	–
Interest received	10.5	24.8	42.7
Dividends received	2.2	2.5	4.1
Dividends received from joint ventures	33.0	24.2	24.2
Net cash flow from financing activities	(617.7)	(552.3)	(1 204.9)
Repayment of syndicated bullet loans	–	–	(400.0)
(Repayments)/proceeds from other borrowings	(38.5)	5.4	2.1
Other share scheme transactions	0.3	(42.3)	(3.0)
Interest paid	(96.8)	(76.1)	(170.1)
Dividends paid	(482.7)	(439.3)	(633.9)
Net cash and cash equivalents on disposal of subsidiary	–	(11.9)	–
Effect of exchange rate changes on cash and cash equivalents	8.3	–	(7.1)
Net decrease in cash, cash equivalents and bank overdrafts	(933.2)	(552.8)	(971.2)
Net cash, cash equivalents and bank overdrafts at beginning of period	421.6	1 392.8	1 392.8
Net cash, cash equivalents and bank overdrafts at end of period	(511.6)	840.0	421.6
Disclosed as:			
Cash and cash equivalents	422.5	854.6	1 000.8
Bank overdrafts and call loans (included in current borrowings)	(934.1)	(14.6)	(579.2)
	(511.6)	840.0	421.6

GROUP SEGMENT REPORT

	Unaudited Six months ended 31 March 2017 R'm	Unaudited Six months ended 31 March 2016 R'm	Audited Year ended 30 September 2016 R'm
Segment revenue			
Essential Foods	6 456.7	6 053.7	12 854.8
Groceries	2 431.9	2 508.2	4 695.1
International	1 294.4	1 447.8	3 049.8
Total	10 183.0	10 009.7	20 599.7
Segment results			
Essential Foods	330.9	644.5	1 249.5
Groceries	301.2	342.7	541.6
International	68.8	251.8	484.2
Other	(0.7)	(3.4)	(2.1)
	700.2	1 235.6	2 273.2
Once off merger and acquisition costs	(9.3)	-	-
Phase I B-BBEE transaction share-based payment and related hedge (charge)/income	(3.1)	142.7	44.8
Operating profit before items of a capital nature	687.8	1 378.3	2 318.0
Reconciliation of operating profit (before items of a capital nature) to profit before income tax			
Operating profit before items of a capital nature	687.8	1 378.3	2 318.0
Adjusted for:			
Remeasurement of items of a capital nature	5.6	12.3	21.3
Interest income	10.5	24.8	42.7
Dividends received	2.2	2.5	4.1
Finance costs	(88.0)	(74.8)	(167.3)
Share of profit of investments accounted for using the equity method	30.0	41.6	100.4
Profit before income tax	648.1	1 384.7	2 319.2

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2017

1. Basis of preparation

The condensed consolidated interim financial statements of the Group for the six months ended 31 March 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Listings Requirements of the JSE Ltd and the Companies Act of South Africa, Act 71 of 2008, as amended. The condensed consolidated interim financial statements comply with the requirements of *IAS 34 – Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. These condensed consolidated interim financial statements have not been audited.

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

2. Accounting policies

These condensed consolidated interim financial statements incorporate accounting policies that are in terms of IFRS and are consistent with those applied in the Group's annual financial statements for the year ended 30 September 2016 and with those of previous financial years.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2016.



	Unaudited Six months ended 31 March 2017	Unaudited Six months ended 31 March 2016	Audited Year ended 30 September 2016
3. Share capital			
During the period under review, the following share transactions occurred:			
Number of listed issued and fully paid ordinary shares			
At beginning of period	232 472 909	232 739 331	232 739 331
Shares issued in terms of employee share appreciation rights scheme	518 110	146 075	345 578
Shares repurchased from management share incentive trust and cancelled	–	(612 000)	(612 000)
At end of period	232 991 019	232 273 406	232 472 909
518,110 (30 September 2016: 345,578 and 31 March 2016: 146,075) listed ordinary shares of 10 cents each were issued at an average of R172.11 (30 September 2016: R167.24 and 31 March 2016: R163.54) per share in terms of the share appreciation rights scheme.			
612,000 shares were repurchased in 2016 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 period	47 620	729 612	729 612
Movement in shares	(47 620)	(61 790)	(69 992)
Repurchased by the Company and cancelled	–	(612 000)	(612 000)
At end of period	–	55 822	47 620
Proceeds on the sale of treasury shares by the share incentive trust (R'000)	3 193	1 373	1 630
Proceeds on the repurchase of treasury shares from the share incentive trust by the Company (R'000)	–	82 075	82 075
Number of treasury shares held by B-BBEE transaction participants			
At beginning and end of period	18 091 661	18 091 661	18 091 661
Number of treasury shares held by Pioneer Foods Broad-Based BEE Trust			
At beginning and end of period	10 745 350	10 745 350	10 745 350
Number of treasury shares held by a subsidiary			
At beginning and end of period	17 982 056	17 982 056	17 982 056
Number of unlisted class A ordinary shares			
At beginning of period	3 707 830	4 234 300	4 234 300
Shares bought back and cancelled	(293 020)	(289 800)	(526 470)
At end of period	3 414 810	3 944 500	3 707 830
Purchase consideration paid for unlisted class A ordinary shares bought back (R'000)	38 983	40 414	69 244

4. Borrowings

No material new borrowings were concluded during the period 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 interim dividend of 105.0 cents (2016: gross interim dividend of 105.0 cents and 2016: gross final dividend of 260.0 cents) per ordinary share. This will amount to approximately R233,357,952 (2016: interim of R232,727,851 and 2016: final of R576,558,788) depending on the exact number of ordinary shares issued at the record date. In addition, the 10,745,350 Pioneer Foods shares issued to the Pioneer Foods Broad-Based BEE Trust, will receive 20% of the dividend payable, i.e. 21.0 cents (2016: gross interim of 21.0 cents and 2016: gross final dividend of 52.0 cents) per share, amounting to R2,256,524 (2016: interim of R2,256,524 and 2016: final of R5,587,582).

The Board approved a gross interim dividend of 31.5 cents (2016: gross interim dividend of 31.5 cents and 2016: gross final dividend of 78.0 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 R1,075,665 (2016: interim of R1,185,210 and 2016: final of R2,737,644) 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 20%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as result of the double taxation agreement between South Africa and the country of domicile of such owner.

The net dividend amounts to 84.0 cents per ordinary share and 25.2 cents per class A ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 105.0 cents per ordinary share and 31.5 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 233,006,362 and 3,376,170 respectively as at the date of this declaration.

5.2 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 unaudited condensed consolidated interim financial statements by the Board.

6. Contingent liabilities – guarantees

The Group had guarantees in issue of R23.0 million as at 31 March 2017 (30 September 2016: R32.7 million and 31 March 2016: R35.5 million), 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.

7. Future capital commitments

	Unaudited 31 March 2017 R'm	Unaudited 31 March 2016 R'm	Audited 30 September 2016 R'm
Contractually committed	370.3	816.2	307.6
Approved by the Board, but not contractually committed yet	1 127.7	208.9	1 085.5
Share of items of joint ventures and associates	52.7	77.7	74.1
	1 550.7	1 102.8	1 467.2

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 31 March 2016 and 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, impairment losses of R18.1 million and R23.3 million were recognised for the periods ending 31 March 2016 and 30 September 2016 respectively. These losses were included in the line item "Items of a capital nature" in the statement of comprehensive income for the six months ended 31 March 2016 and the full-year ended 30 September 2016.

No further impairment was required at 31 March 2017 as the market value of the Quantum Foods Holdings Ltd shares exceeded the market value thereof as at 30 September 2016.

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

<i>Nature</i>	Unaudited	Unaudited	Audited
	Six months ended 31 March 2017	Six months ended 31 March 2016	Year ended 30 September 2016
	R'm	R'm	R'm
Available-for-sale financial assets	-	18.1	23.3
Income tax effect	-	-	-
After income tax effect	-	18.1	23.3

9. Acquisition of a 49.89% equity interest in Weetabix East Africa Ltd

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. All regulatory approvals were obtained and the transaction became effective on 3 March 2017.

The total purchase consideration amounted to R189.9 million.

10. 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.

	Unaudited fair value measurements at 31 March 2017 using:		
	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable input (Level 2)	Significant unobservable input (Level 3)
	R'm	R'm	R'm
Assets measured at fair value			
Available-for-sale financial assets			
- Listed securities	133.3	-	-
- Unlisted securities	-	1.0	-
Derivative financial instruments			
- Foreign exchange contracts	-	9.6	-
- Forward contracts on own equity	-	477.7	-
Liabilities measured at fair value			
Derivative financial instruments			
- Foreign exchange contracts	-	5.7	-

10. Fair value measurement (continued)

	Unaudited fair value measurements at 31 March 2016 using:		
	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable input (Level 2)	Significant unobservable input (Level 3)
	R'm	R'm	R'm
Assets measured at fair value			
Available-for-sale financial assets			
– Listed securities	133.2	–	–
Derivative financial instruments			
– Foreign exchange contracts	–	13.9	–
Biological assets			
– Vineyards	–	–	16.0
Liabilities measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	–	32.4	–

	Audited fair value measurements at 30 September 2016 using:		
	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable input (Level 2)	Significant unobservable input (Level 3)
	R'm	R'm	R'm
Assets measured at fair value			
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
Liabilities measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	–	16.1	–

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.

10. 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 the reporting date.

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 for 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 was 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.

11. Preparation of financial statements

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

12. Audit

These results have not been audited or reviewed by the external auditors.



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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, NW Thomson (* Executive)
Ms CJ Hess resigned as Chief Financial Officer with effect of 31 October 2016.

There were no other changes to the Pioneer Foods Board during the period under review.

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