PIONEER
FOODS

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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FINANCIAL HIGHLIGHTS

+3% REVENUE	+26% ADJUSTED OPERATING PROFIT*
+25% NET CASH PROFIT FROM OPERATING ACTIVITIES	+25% ADJUSTED HEADLINE EARNINGS PER SHARE*
365c Maintained TOTAL DIVIDEND PER SHARE	

SALIENT FEATURES

Revenue	+3%	**R20 152 million**
Adjusted operating profit (before items of a capital nature)*	+26%	**R1 603 million**
Earnings	+48%	**R1 073 million**
Earnings per share	+47%	**575 cents**
Diluted earnings per share	+49%	**547 cents**
Headline earnings ("HE")	+33%	**R1 017 million**
Headline earnings per share	+33%	**545 cents**
Diluted headline earnings per share	+35%	**518 cents**
Adjusted headline earnings*	+25%	**R1 032 million**
Adjusted headline earnings per share*	+25%	**553 cents**
Net cash profit from operating activities	+25%	**R2 073 million**
Net asset value per share	+5%	**4 497 cents**
Final gross dividend per listed ordinary share	–	**260 cents**
Total gross dividend per listed ordinary share	–	**365 cents**

** HE and operating profit (before items of a capital nature) are adjusted for the impact of the share-based payment charge of the B-BBEE Phase I equity transaction and related hedge and (in 2017 only) for once-off merger and acquisition costs.*

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")

COMMENTARY

Introduction

Pioneer Foods delivered positive volume and revenue growth at supportive price points whilst maintaining cost discipline and efficiency gains to improve margin and earnings delivery over the weak corresponding period.

Trading conditions reflecting weaker levels of consumer spend, became more challenging in the second semester with rising input costs exacerbated by the weakening ZAR and steady oil price increases together with weak demand. This required corrective price adjustment on a phased basis across categories which is expected to continue in the next reporting period.

Financial performance

Revenue increased by 3% to R20.2 billion and volumes increased by 4%, including acquisitions. Major deflation in maize and constrained price recovery impacted on value growth.

The gross profit margin increased from 26.3% to 28.8% whilst adjusted operating profit (before items of a capital nature) increased by 26% to R1 603 million. The operating profit margin expanded from 6.5% to 8.0% due to good profit growth in cereals, maize and the International businesses.

Profit before income tax increased by 50% to R1 476 million after finance costs of R198 million (2017: R197 million). The share of profit from joint ventures and associates decreased from R60 million to Rnil mainly due to challenges (refer to joint ventures section for further detail) encountered at the Heinz Foods SA business, whilst being equity accounted for a portion of the year.

Earnings were positively impacted by items of a capital nature amounting to a net after income tax profit of R55.2 million (2017: R36.7 million net after income tax loss). Earnings per share increased by 47% to 575 cents per share (2017: 390 cents per share).

Headline earnings per share increased by 33% to 545 cents per share (2017: 410 cents per share). Headline earnings per share was negatively impacted by the net effect of the IFRS 2 share-based payment charge relating to the Phase I (2006) B-BBEE transaction and the effect of the related forward purchase contracts, amounting on a net-basis to a loss of R14.4 million after income tax (2017: loss of R42.2 million after income tax). The hedge is valued at 100% of the mark-to-market value, whilst the liability is phased in over the expected period of the transaction as per IFRS 2. An adjustment was also made for specific once-off merger and acquisition costs in 2017. Adjusted headline earnings per share, before the Phase I B-BBEE share-based payment charge and related hedge, therefore increased by 25% to 553 cents per share (2017: 442 cents per share).

Divisional performance

ESSENTIAL FOODS

Although an exceptional maize recovery supported year-on-year profit improvement, the milling and baking segments of Essential Foods came under further pressure in the second semester through intensified competition, consumer down-trading within basic staple categories and increased cost pressure related to a weakening currency. This was specifically evident in maize meal during the final quarter with White Star trading at an all-time high price premium to other brands in the category.

Whilst the wheaten value chain realised significantly weaker profitability compared to the prior year, bakeries benefited from operational efficiency improvement, quality enhancement and volume traction in the second semester. Efforts to extend the availability of Sasko bread are bearing fruit and bode well for sustained performance improvement. Pasta, rice and legumes continued to make a sound and growing contribution.

GROCERIES

Groceries realised a good set of results, driven by volume growth in the important cereals and long-life fruit juice categories. These categories, along with baking and spreads, performed well from an operating profit point of view.

The snacking category recorded negative volume growth and a consequent decline in profitability, primarily from dried fruit and rusks. LiquiFruit, Ceres and Fruitree all gained market share, while Weet-Bix maintained its share. Category declines hampered both Lipton and the dilutables portfolio. Operational efficiency provided further leverage to overall operating profit performance.

The integration of the former Heinz Foods SA portfolio within Groceries is well advanced. Supply and service levels have responded positively in both the frozen and condiment categories.

INTERNATIONAL

The overall divisional performance was pleasing and delivered excellent year-on-year growth in operating profit. Exports into African markets continued to be subject to volatile socio-economic conditions. The business however delivered as anticipated, as new route-to-market strategies were bedded down. Fruit exports benefited from improved local fruit availability, strong global demand as well as high USD prices, primarily driven by the lower crop in the USA.

The UK posted a pleasing result despite continued input cost inflation and increasing competitive pricing in the UK breakfast category. The recent acquisition of the Lizi's brand, continued to support the growth of the branded products within the business. The Nigerian subsidiary performed well and delivered a solid set of results with noted improvement in year-on-year profitability.

JOINT VENTURES

The performance of joint ventures as a whole was materially impacted by the once-off write-offs of certain items on the Heinz Foods SA balance sheet together with a poor operating performance by this entity. Joint ventures excluding Heinz Foods SA delivered a mixed performance. Bowman Ingredients (SA) performed well while Bokomo Botswana (related to the upgrade of the maize and wheat mills in the first half) and Bokomo Namibia (related to the general economic situation in that country) delivered below par performances.

Financial position

Net cash profit from operating activities increased by 25% to R2 073 million (2017: R1 661 million). Prudent working capital management, specifically in accounts receivable and accounts payable, led to a further release of working capital amounting to R281 million (2017: R752 million released). The improved operating performance together with the release of working capital contributed to an increase of 12% in net cash flow from operating activities to R1 991 million (2017: R1 770 million).

Capital expenditure for the year amounted to R626 million (2017: R960 million). Major projects undertaken included the completion of the third line at the Shakaskraal bakery as well as the upgrade of the Durban wheat mill to be completed early in 2019.

On 11 December 2017 the Group acquired 100% of the shares in The Good Carb Food Company Ltd, a UK based granola manufacturer and owner of the well-known Lizi's brand, for a net amount of R264 million.

On 1 June 2018 the Group acquired the remaining 50.1% of the shares in Heinz Foods SA (Pty) Ltd for an amount of R50 million. A further R149 million was paid to the former joint venture partner as consideration for their loan account.

The Group's net interest-bearing debt, excluding third-party debt relating to the Phase II B-BBEE transaction partners, was R442 million (2017: R612 million) at year-end, with a net debt to equity ratio of 5% (2017: 8%).

Prospects

There is a high probability of inflationary pressure driven by continuing rand weakness and increased international oil prices. We thus anticipate muted consumption growth to be a short to medium term reality.

In this environment, management will focus in particular on:

- Operating cost growth mitigation;
- Continued improvement in operational efficiencies;
- Improved representation and growth in alternative routes-to-market;
- Sustaining brand relevance; and
- Prudent capital investment in the existing business.

The wheaten value chain, led by bakeries, is expected to sustain the positive volume traction achieved towards the end of the year under review through refined route-to-market capability, enhanced production efficiencies and improved product quality.

Although demand for maize meal products should remain strong, given ample local raw material supply and relative consumer value, down-trading within the category is expected to continue. The exceptional maize profit contribution reported in the first half of the 2018 financial year is not expected to be repeated in the next financial year.

The Groceries and International divisions should be able to deliver an improved performance with the turnaround at Heinz Foods SA, the anticipated higher vine fruit crop and expectations of a more beneficial ZAR exchange rate for exports.

Joint ventures' performance improved materially in the fourth quarter of the 2018 financial year, partly because of the incorporation of the Heinz Foods SA business into Groceries and the improved performance of Bokomo Botswana after the major upgrade of the facility. This is expected to continue into 2019.

Dividend

A gross final dividend of 260 cents (2017: 260 cents) per share has been approved and declared by the Board for the year ended 30 September 2018 from income reserves. The applicable dates for the final dividend are as follows:

Last date to trade cum dividend	Tuesday, 29 January 2019
Trading ex-dividend commences	Wednesday, 30 January 2019
Record date	Friday, 1 February 2019
Dividend payable	Monday, 4 February 2019

Share certificates may not be dematerialised or materialised between Wednesday, 30 January 2019 and Friday, 1 February 2019, both days inclusive.

The total dividend for the year under review is 365 cents per share, the same as in 2017.

The total amount of the dividend for the year is approximately R820 million (2017: R820 million) and is based on a dividend cover of 1.4 times (2017: 1.1 times). This is calculated as adjusted headline earnings for the year divided by the total dividend for the year, exclusive of the dividend on treasury shares held by a Group subsidiary.

A gross final dividend of 78 cents (2017: 78 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 2019.

By order of the Board

ZL Combi
Chairman

TA Carstens
Chief Executive Office

Tyger Valley
15 November 2018

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

GROUP STATEMENT OF COMPREHENSIVE INCOME

	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2017 R'm
Revenue	**20 151.9**	19 575.0
Cost of goods sold	**(14 356.4)**	(14 419.0)
Gross profit	**5 795.5**	5 156.0
Other income and gains/(losses) – net	**197.4**	142.3
Other expenses	**(4 420.5)**	(4 142.1)
Excluding the following:	**(4 390.4)**	(4 021.6)
Once-off merger and acquisition costs	**–**	(17.6)
Phase I B-BBEE transaction share-based payment and related hedge charge	**(30.1)**	(102.9)
Items of a capital nature	**73.2**	(57.0)
Operating profit	**1 645.6**	1 099.2
Investment income	**28.0**	22.3
Finance costs	**(197.5)**	(196.8)
Share of profit of investments accounted for applying the equity method	**–**	60.3
Profit before income tax	**1 476.1**	985.0
Income tax expense	**(399.0)**	(258.8)
Profit for the year	**1 077.1**	726.2
Other comprehensive income/(loss) for the year		
Items that will not subsequently be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	**2.2**	1.6
Items that may subsequently be reclassified to profit or loss:	**21.9**	143.3
Fair value adjustments to cash flow hedging reserve	**(12.2)**	115.7
For the year	**3.6**	(60.2)
Current income tax effect	**(5.7)**	17.5
Deferred income tax effect	**4.6**	(0.7)
Reclassified to profit or loss	**(20.5)**	220.9
Current income tax effect	**5.1**	(63.9)
Deferred income tax effect	**0.7**	2.1
Fair value adjustments on available-for-sale financial assets	**0.6**	4.0
For the year	**18.8**	8.2
Deferred income tax effect	**6.4**	0.6
Reclassified to profit or loss	**(24.6)**	(4.8)
Share of other comprehensive income of investments accounted for applying the equity method	**7.4**	15.9
Movement on foreign currency translation reserve	**26.1**	7.7
Total comprehensive income for the year	**1 101.2**	871.1
Profit for the year attributable to:		
Owners of the parent	**1 072.6**	726.1
Non-controlling interest	**4.5**	0.1
	1 077.1	726.2
Total comprehensive income for the year attributable to:		
Owners of the parent	**1 090.9**	869.7
Non-controlling interest	**10.3**	1.4
	1 101.2	871.1

HEADLINE EARNINGS RECONCILIATION

	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2017 R'm
Reconciliation between profit attributable to owners of the parent and headline earnings		
Profit attributable to owners of the parent	**1 072.6**	726.1
Remeasurements	**(61.2)**	52.7
Net profit on disposal of property, plant and equipment and intangible assets	**(35.2)**	(5.8)
Net profit on disposal of available-for-sale financial assets	**(24.6)**	(4.8)
Fair value adjustment of step-up from joint venture to subsidiary	**(13.4)**	18.7
Net loss on disposal of equity-accounted investments	**–**	17.7
Impairment of intangible assets	**–**	21.0
Impairment of goodwill	**–**	10.2
Before tax	**(73.2)**	57.0
Tax effect on remeasurements	**12.0**	(4.3)
Remeasurements included in equity-accounted results	**6.0**	(16.0)
Remeasurements	**7.3**	(15.8)
Tax effect on remeasurements	**(1.3)**	(0.2)
Headline earnings	**1 017.4**	762.8
Phase I B-BBEE transaction share-based payment and related hedge charge	**14.4**	42.2
Once-off merger and acquisition costs	**–**	17.6
Adjusted headline earnings (Note 1)	**1 031.8**	822.6
Number of issued ordinary shares (million)	**233.2**	233.4
Number of issued treasury shares:		
– held by subsidiary (million)	**18.0**	18.0
– 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)	**2.9**	3.2
Weighted average number of ordinary shares (million)	**186.7**	186.0
Weighted average number of ordinary shares – diluted (million)	**196.3**	198.4
Earnings per ordinary share (cents):		
– basic	**574.6**	390.3
– diluted	**546.5**	366.0
– headline	**545.0**	410.1
– diluted headline	**518.4**	384.5
– adjusted headline (Note 1)	**552.8**	442.2
– diluted adjusted headline (Note 1)	**525.7**	414.6
Gross dividend per ordinary share (cents)	**365.0**	365.0
Gross dividend per class A ordinary share (cents)	**109.5**	109.5
Net asset value per ordinary share (cents)	**4 496.6**	4 302.8
Debt to equity ratio (%)	**10.7**	13.4

Note 1:

Headline earnings ("HE") is calculated based on Circular 4/2018 issued by the South African Institute of Chartered Accountants. Adjusted HE is defined as HE adjusted for the impact of:

- share-based payment charge on the Phase I B-BBEE transaction on profit or loss (and the impact of the related hedge); and
- for 2017 only, once-off merger and acquisition costs.

GROUP STATEMENT OF FINANCIAL POSITION

	AUDITED 30 SEPTEMBER 2018 R'm	AUDITED 30 SEPTEMBER 2017 R'm
Assets		
Property, plant and equipment	**5 653.9**	5 357.0
Goodwill	**434.0**	331.3
Other intangible assets	**766.0**	483.6
Investments in and loans to associates and joint ventures	**791.3**	906.7
Derivative financial instruments	**128.7**	203.1
Available-for-sale financial assets	**77.9**	138.1
Trade and other receivables	**45.8**	15.4
Deferred income tax	**55.8**	12.5
Non-current assets	**7 953.4**	7 447.7
Current assets	**6 587.7**	5 504.6
Inventories	**3 176.6**	3 033.1
Derivative financial instruments	**28.0**	51.0
Trade and other receivables	**2 244.1**	1 981.8
Current income tax	**10.2**	7.9
Cash and cash equivalents	**1 128.8**	430.8
Assets of disposal group classified as held for sale	**–**	20.0
Total assets	**14 541.1**	12 972.3
Equity and liabilities		
Capital and reserves attributable to owners of the parent	**8 379.7**	8 027.2
Share capital	**23.3**	23.3
Share premium	**2 538.0**	2 554.3
Treasury shares	**(1 186.4)**	(1 186.4)
Other reserves	**188.9**	213.1
Retained earnings	**6 815.9**	6 422.9
Non-controlling interest	**35.3**	25.0
Total equity	**8 415.0**	8 052.2
Non-current liabilities	**2 396.2**	1 645.3
Borrowings		
B-BBEE equity transaction third-party finance	**–**	433.1
Syndicated and other	**1 405.1**	265.6
Provisions for other liabilities and charges	**112.2**	112.4
Share-based payment liability	**112.8**	159.8
Deferred income tax	**766.1**	674.4
Current liabilities	**3 729.9**	3 274.8
Trade and other payables	**3 018.5**	2 388.9
Current income tax	**15.2**	24.7
Derivative financial instruments	**32.8**	2.6
Borrowings		
B-BBEE equity transaction third-party finance	**451.5**	33.7
Syndicated and other	**165.5**	777.5
Loan from joint venture	**21.0**	14.5
Dividends payable	**1.6**	0.6
Share-based payment liability	**23.8**	32.3
Total equity and liabilities	**14 541.1**	12 972.3

GROUP STATEMENT OF CHANGES IN EQUITY

	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2017 R'm
Share capital, share premium and treasury shares	**1 374.9**	1 391.2
Opening balance	**1 391.2**	1 241.7
Movement in treasury shares	**–**	1.4
Ordinary shares issued – share appreciation rights	**51.5**	148.2
Ordinary shares bought back and cancelled	**(67.8)**	–
Employee share scheme – repurchase of shares	**–**	(0.1)
Other reserves	**188.9**	213.1
Opening balance	**213.1**	253.3
Equity compensation reserve transactions	**26.6**	23.4
Ordinary shares issued – share appreciation rights	**(51.5)**	(148.1)
Deferred income tax on share-based payments	**(15.4)**	(57.6)
Share of other comprehensive income of investments accounted for applying the equity method	**7.4**	16.0
Other comprehensive income for the year	**8.7**	126.1
Retained earnings	**6 815.9**	6 422.9
Opening balance	**6 422.9**	6 372.3
Profit for the year	**1 072.6**	726.1
Other comprehensive income for the year	**2.2**	1.6
Dividends paid	**(681.4)**	(678.5)
Management share incentive scheme – disposal of shares	**–**	1.7
Transaction cost on shares bought back – transfer tax on share transactions	**(0.4)**	(0.3)
Non-controlling interest	**35.3**	25.0
Opening balance	**25.0**	–
Profit for the year	**4.5**	0.1
Share of other comprehensive income	**5.8**	1.2
Non-controlling interest acquired – business combination	**–**	23.7
Total equity	**8 415.0**	8 052.2

GROUP STATEMENT OF CASH FLOWS

	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2017 R'm
Net cash profit from operating activities	**2 072.5**	1 661.4
Cash effect from hedging activities	**2.1**	165.8
Working capital changes	**281.1**	751.7
Net cash generated from operations	**2 355.7**	2 578.9
Settlement of share-based payment liability	**(26.3)**	(69.2)
Cash effect of forward purchase contracts related to share-based payments	**25.5**	41.8
Settlement of accrual for forward purchase contracts on own equity	**–**	(493.3)
Income tax paid	**(364.4)**	(288.1)
Net cash flow from operating activities	**1 990.5**	1 770.1
Net cash flow from investment activities	**(866.6)**	(957.5)
Property, plant and equipment and intangible assets		
– additions	**(297.9)**	(612.4)
– replacements	**(328.4)**	(347.5)
– proceeds on disposal	**106.6**	71.4
Business combinations	**(511.4)**	(8.7)
Proceeds on disposal of and changes in available-for-sale financial assets and loans	**79.3**	18.8
Proceeds on disposal of joint venture	**–**	5.8
Investment in joint venture	**(15.0)**	–
Investment in associate	**–**	(191.5)
Interest received	**16.1**	18.7
Dividends received	**11.4**	3.2
Dividends received from joint ventures	**52.1**	84.7
Dividends received from associate	**20.6**	–
Net cash flow from financing activities	**(395.8)**	(932.7)
Proceeds from borrowings – new syndicated and other borrowings	**1 207.0**	–
Repayment of syndicated bullet loans	**(600.0)**	–
Repayments of other borrowings	**(61.7)**	(52.7)
Ordinary shares bought back	**(67.8)**	–
Other share scheme transactions	**(3.7)**	(0.9)
Interest paid	**(189.2)**	(200.6)
Dividends paid	**(680.4)**	(678.5)
Effect of exchange rate changes on cash and cash equivalents	**3.0**	0.9
Net cash, cash equivalents and bank overdrafts at beginning of year	**302.4**	421.6
Net cash, cash equivalents and bank overdrafts at end of year	**1 033.5**	302.4
Disclosed as:		
Cash and cash equivalents	**1 128.8**	430.8
Bank overdrafts and call loans (included in current borrowings)	**(95.3)**	(128.4)
	1 033.5	302.4

GROUP SEGMENT REPORT

	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2017 R'm
Segment revenue		
Essential Foods	**11 859.3**	12 469.8
Groceries	**5 119.6**	4 402.7
International	**3 173.0**	2 702.5
Total	**20 151.9**	19 575.0
Segment results		
Essential Foods	**915.3**	800.2
Groceries	**419.3**	357.0
International	**285.0**	121.5
Other	**(17.1)**	(2.0)
	1 602.5	1 276.7
Once-off merger and acquisition costs	**–**	(17.6)
Phase I B-BBEE transaction share-based payment and related hedge charge	**(30.1)**	(102.9)
Operating profit before items of a capital nature	**1 572.4**	1 156.2
Reconciliation of operating profit (before items of a capital nature) to profit before income tax		
Operating profit before items of a capital nature	**1 572.4**	1 156.2
Adjusted for:		
Remeasurement of items of a capital nature	**73.2**	(57.0)
Interest income	**16.6**	19.1
Dividends received	**11.4**	3.2
Finance costs	**(197.5)**	(196.8)
Share of profit of investments accounted for applying the equity method	**–**	60.3
Profit before income tax	**1 476.1**	985.0

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. Basis of preparation

The summary consolidated financial statements of the Group for the year ended 30 September 2018 have been prepared in accordance with the requirements of the JSE Ltd ("JSE") for preliminary reports, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to summary financial statements. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, 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 were the same as those that applied to the consolidated financial statements for the year ended 30 September 2017.

	AUDITED YEAR ENDED 30 SEPTEMBER 2018	AUDITED YEAR ENDED 30 SEPTEMBER 2017
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 year	**233 379 445**	232 472 909
Shares issued in terms of employee share appreciation rights scheme	**423 880**	906 536
Shares bought back and cancelled	**(626 258)**	–
At end of year	**233 177 067**	233 379 445
423,880 (30 September 2017: 906,536) listed ordinary shares of 10 cents each were issued at an average of R121.54 (30 September 2017: R163.49) per share in terms of the share appreciation rights scheme.		
626,258 (30 September 2017: Nil) listed ordinary shares of 10 cents each were repurchased at an average of R108.34 (30 September 2017: Rnil) per share.		
Purchase consideration paid for ordinary shares bought back (R'000)	**67 846**	–
Number of treasury shares held by the share incentive trust		
At beginning of year	**–**	47 620
Movement in shares	**–**	(47 620)
At end of year	**–**	–
Proceeds on the sale of treasury shares by the share incentive trust (R'000)	**–**	3 193
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 and end of year	**10 745 350**	10 745 350
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	**3 174 920**	3 707 830
Shares bought back and cancelled	**(296 240)**	(532 910)
At end of year	**2 878 680**	3 174 920
Purchase consideration paid for unlisted class A ordinary shares bought back (R'000)	**26 316**	69 235

4. Borrowings

The Group's syndicated financing facilities matured in September 2018 and new syndicated facility agreements were entered into. These agreements allow for bullet term facilities with three and five year terms of R500 million each, as well as a three year revolving credit facility of R250 million and a three year term bullet facility of GBP10 million. General working capital facilities amounting to a base of R1 billion, and a seasonal increase for a part of a year of a further R600 million, were obtained. Five year structured trade and headroom facilities (both for R500 million) were also entered into.

These borrowings were obtained to refinance existing borrowings (including the matured R600 million bullet loan), to fund working capital and to fund expansions at Group legal entities.

The syndicated facilities are secured by pledges over inventory and trade receivables of Pioneer Foods (Pty) Ltd, Pioneer Foods Groceries (Pty) Ltd and Ceres Fruit Juices (Pty) Ltd. Bank accounts of these entities were also ceded in favour of the security SPV. Bonds and notarial bonds are also registered over specific immovable properties and specific movable assets of these entities.

Foods Concepts Pioneer Ltd entered into a new six year funding arrangement amounting to NGN570 million with the Bank of Industry Ltd in Nigeria. Monthly repayments will only commence after the first year. The funding acquired will be used to finance the construction of a new bakery plant in Lagos. This loan is secured by a bank guarantee from First City Monument Bank PLC. The bakery equipment to be acquired will be encumbered up to an amount of NGN570 million.

No other material new borrowings were concluded during the period under review. Other 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 for the financial year ended 30 September 2018 (2018: gross interim dividend of 105.0 cents and 2017: gross final dividend of 260.0 cents) per ordinary share. This will amount to approximately R578,322,464 (2018: interim of R234,130,426 and 2017: final of R578,915,990) depending on the exact number of ordinary shares in issue 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. 52.0 cents (2018: gross interim of 21.0 cents and 2017: gross final dividend of 52.0 cents) per share, amounting to R5,587,582 (2018: interim of R2,256,524 and 2017: final of R5,587,582).

The Board approved a gross final dividend of 78.0 cents for the financial year ended 30 September 2018 (2018: gross interim dividend of 31.5 cents and 2017: 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 R2,245,370 (2018: interim of R927,577 and 2017: final of R2,373,462) depending on the exact number of class A ordinary shares in issue 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 208.0 cents per ordinary share and 62.4 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 233,177,067 and 2,859,360 respectively, as at the date of this declaration.

5. Events after the reporting date continued

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 summary consolidated financial statements by the Board.

6. Contingent liabilities – Guarantees

The Group had guarantees in issue of R30.9 million (30 September 2017: R28.8 million) as at 30 September 2018, primarily for loans by third parties to contracted suppliers.

As part of the funding 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

	AUDITED 30 SEPTEMBER 2018 R'm	AUDITED 30 SEPTEMBER 2017 R'm
Contractually committed		
– For next financial year	**156.7**	218.9
Approved by the Board, but not contractually committed yet	**1 068.3**	943.7
– For next financial year	**614.4**	626.6
– For year following next financial year	**453.9**	317.1
Share of items of joint ventures and associate	**56.7**	43.4
	1 281.7	1 206.0

8. Business combinations

8.1 THE GOOD CARB FOOD COMPANY LTD

During the year under review the Group acquired a 100% interest in The Good Carb Food Company Ltd (UK).

	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
The Good Carb Food Company Ltd (UK) – 100% (effective 11 December 2017)	
Purchase consideration – settled in cash	**283.3**

Reason for acquisition of interest

The Group acquired 100% of the equity of this fast-growing breakfast cereal entity in the UK, which is in line with its international expansion strategy. This is a complementary bolt-on acquisition enlarging the Group's footprint in the UK's breakfast cereal market, providing access to a strong branded proposition in this space.

Reason for goodwill recognised on acquisition

The premium paid to acquire control resulted in the recognition of goodwill amounting to R99.5 million. This reflects the Group's belief in the future growth prospects of this business, as well as those of the health and wellness category in the UK.

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

	AUDITED ACQUISITION DATE FAIR VALUE R'm
Property, plant and equipment	**0.1**
Intangible assets – trademarks	**189.4**
Intangible assets – customer lists	**17.5**
Goodwill	**99.5**
Inventories	**8.5**
Trade and other receivables	**11.9**
Cash and cash equivalents	**19.6**
Trade and other payables	**(23.9)**
Deferred income tax	**(39.3)**
Purchase consideration – settled in cash	**283.3**
Cash and cash equivalents acquired	**(19.6)**
	263.7
The contribution of this business since acquisition	
Revenue	**116.9**
Operating profit before finance cost and income tax	**23.4**
The *pro forma* contribution of this business assuming the acquisition was at the beginning of the year	
Revenue	**147.6**
Operating profit before finance cost and income tax	**29.6**

8. Business combinations continued

8.2 HEINZ FOODS SA (PTY) LTD

During the year under review the Group acquired the remaining 50.1% equity in Heinz Foods SA (Pty) Ltd. The name of the company was subsequently changed to Pioneer Foods Wellingtons (Pty) Ltd.

	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
Pioneer Foods Wellingtons (Pty) Ltd – 50.1% (effective 1 June 2018)	
Purchase consideration – settled in cash	**50.0**

Reason for acquisition of interest

The Group acquired the remaining equity in an existing joint venture. This change is an excellent opportunity for the Group to leverage its existing scale and platform in South Africa to grow the business in line with its expansion strategy.

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

	AUDITED ACQUISITION DATE FAIR VALUE R'm
Property, plant and equipment	**174.2**
Intangible assets – trademarks	**52.0**
Inventories	**91.5**
Trade and other receivables	**220.9**
Cash and cash equivalents	**(16.0)**
Trade and other payables	**(284.4)**
Deferred income tax	**36.5**
Current income tax	**6.8**
Borrowings	**(148.9)**
Loan joint venture	**(32.8)**
Total identifiable net assets	**99.8**
Fair value adjustment of step-up from joint venture to subsidiary	**(13.4)**
De-recognition of investment in joint venture	**(36.4)**
Purchase consideration – settled in cash	**50.0**
Cash and cash equivalents acquired	**16.0**
Borrowings acquired	**148.9**
Loan joint venture acquired	**32.8**
	247.7
The contribution of this business since acquisition	
Revenue	**196.6**
Operating loss before finance cost and income tax	**(11.7)**
The *pro forma* contribution of this business assuming the acquisition was at the beginning of the year	
Revenue	**589.7**
Operating loss before finance cost and income tax	**(23.4)**

9. Non-current assets held for sale

The assets related to the fish paste spreads business were presented as "assets of a disposal group classified as held for sale" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* at 30 September 2017, following the Board's decision to dispose of this business.

During the current financial year the Board revoked its decision to dispose of the assets related to the fish paste spreads business and its intention is to recover the carrying amounts of the related assets through continuing use. The Group believes that value remains to be unlocked and is committed to implementing operating efficiencies. Consequently, the assets related to this business have not been presented as "assets of a disposal group classified as held for sale" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* at 30 September 2018.

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.

	AUDITED FAIR VALUE MEASUREMENTS AT 30 SEPTEMBER 2018 USING:		
	Quoted prices in active markets for identical assets and liabilities (Level 1) R'm	Significant other observable input (Level 2) R'm	Significant unobservable input (Level 3) R'm
Assets measured at fair value			
Available-for-sale financial assets			
– Listed securities	**76.9**	**–**	**–**
– Unlisted securities	**–**	**1.0**	**–**
Derivative financial instruments			
– Foreign exchange contracts	**–**	**7.0**	**–**
– Forward purchase contracts on own equity	**–**	**149.7**	**–**
Liabilities measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	**–**	**31.4**	**–**
– Embedded derivatives	**–**	**1.4**	**–**

10. Fair value measurement continued

	AUDITED FAIR VALUE MEASUREMENTS AT 30 SEPTEMBER 2017 USING:		
	Quoted prices in active markets for identical assets and liabilities (Level 1) R'm	Significant other observable input (Level 2) R'm	Significant unobservable input (Level 3) R'm
Assets measured at fair value			
Available-for-sale financial assets			
– Listed securities	136.7	–	–
– Unlisted securities	–	1.4	–
Derivative financial instruments			
– Foreign exchange contracts	–	22.1	–
– Forward purchase contracts on own equity	–	231.3	–
– Embedded derivatives	–	0.6	–
Assets of disposal group classified as held for sale	–	–	12.5
Liabilities measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	–	2.6	–

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.

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.

10. Fair value measurement continued

FINANCIAL ASSETS AND LIABILITIES continued

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.

ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The assets related to the fish paste spreads business were presented as "assets of a disposal group classified as held for sale" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* for the year ended 30 September 2017.

During the current financial year the Board revoked its decision to dispose of the assets related to the fish paste spreads business and its intention is to recover the carrying amounts of the related assets through continuing use. The Group believes that value remains to be unlocked and is committed to implementing operating efficiencies. Consequently, the assets related to this business have not been presented as "assets of a disposal group classified as held for sale" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* at 30 September 2018.

11. Preparation of financial statements

These summary consolidated financial statements have been prepared under the supervision of F Lombard, CA(SA), CFO.

12. Audit

The external auditors, PricewaterhouseCoopers Inc., have audited the Group's financial statements for the year ended 30 September 2018, from which these summary consolidated financial statements have been extracted, 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.

13. Pro forma financial information

Any pro forma financial information contained in this announcement have been prepared for illustrative purposes only, in order to provide shareholders with comparable results. Because of its nature, it may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The pro forma financial information are provided in accordance with the JSE Listings Requirements and the Guide on Pro Forma Financial Information issued by SAICA and are the responsibility of the directors.

Directors
ZL Combi (Chairman), TA Carstens (CEO)*, N Celliers, Prof ASM Karaan, F Lombard*, NS Mjoli-Mncube, PJ Mouton, LE Mthimunye, SS Ntsaluba, G Pretorius, AH Sangqu, NW Thomson (* Executive)

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

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