



**PIONEER  
FOODS**

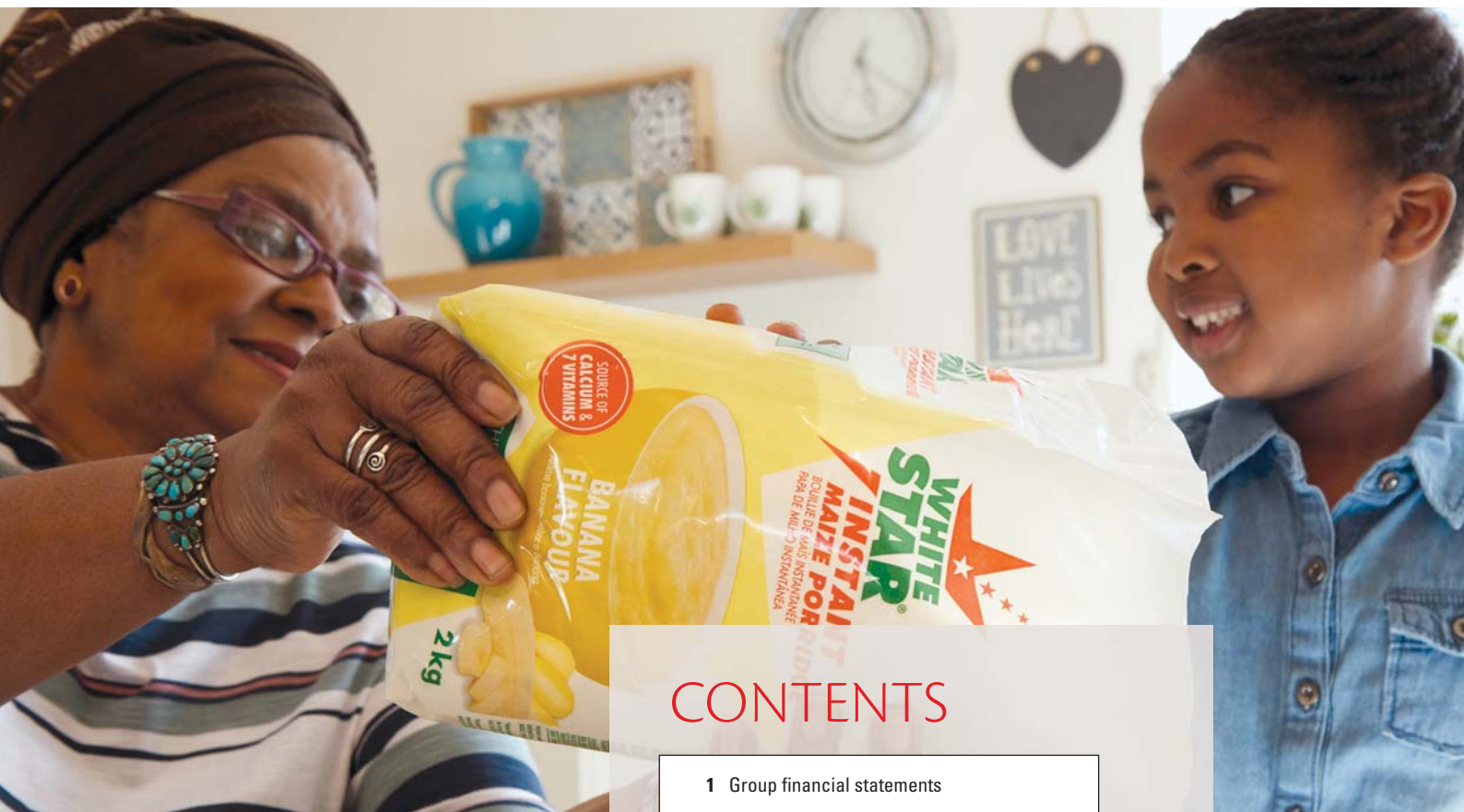
**ANNUAL FINANCIAL  
STATEMENTS  
2018**



PIONEER FOOD GROUP LTD

# GROUP FINANCIAL STATEMENTS

for the year ended 30 September 2018



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## DIRECTORS' RESPONSIBILITY

In accordance with the requirements of the Companies Act, Act 71 of 2008, as amended from time to time, the Board of directors ("the Board") is responsible for the preparation of the annual financial statements as well as the consolidated annual financial statements of Pioneer Food Group Ltd ("Pioneer Foods"). The aforementioned comply with International Financial Reporting Standards and 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 the stated period.

The Board is responsible for the information in the annual financial statements. It is also responsible for the information in the annual integrated report, for both its accuracy and 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 accountable for the Group's governance practices which include, amongst other, internal control processes. Management enables the Board to meet its responsibilities in this regard. Applicable 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 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 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 in their respective capacity as assurance providers, the Board is of the view that the financial reporting controls are sufficient for the purposes required 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 at the publication date of this report, nothing has come to the Board's and/or management's attention that indicates or implies a breakdown in the functioning of the said 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 operating in the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

The annual financial statements which appear on pages 7 to 128 were approved by the Board on 15 November 2018 and are herewith signed on its behalf by:



**ZL Combi**  
Chairman



**TA Carstens**  
Chief Executive Officer

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## NOTICE IN TERMS OF SECTION 29

These annual financial statements have been audited in compliance with section 29 of the Companies Act, Act 71 of 2008, as amended from time to time, and have been prepared under the supervision of F Lombard, CA(SA), Group financial director.

## SECRETARIAL CERTIFICATION

In accordance with section 88 of the Companies Act, Act 71 of 2008 ("the Act"), as amended from time to time, for the year ended 30 September 2018, it is hereby certified that the Group has lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Act and that such returns are true, correct and up to date.



**J Jacobs**  
*Company Secretary*

# REPORT OF THE AUDIT COMMITTEE (“THE REPORT”)

The audit committee (“the committee”) is pleased to present its report in terms of section 94(7)(f) of the Companies Act, Act 71 of 2008, as amended from time to time (“the Companies Act”). This report sets out how the committee discharged its statutory and Board assigned duties in respect of the financial year ended 30 September 2018.

As a statutory body, the committee is accountable to the Board and to the shareholders of Pioneer Food Group Ltd (“the Group”). This committee is the audit committee for all companies in the Group, except for Sasguard Insurance Company Ltd which has its own audit committee.

The committee’s role and responsibilities are governed by a Board approved charter which is reviewed annually in order to ensure that the content remains relevant, complete and compliant with the applicable legislative requirements. The committee’s charter complies with the Companies Act, King IV and the JSE Listings Requirements.

The Board also approves an annual work plan which complements the committee’s structured approach and guides the agenda of each committee meeting to ensure that all key deliverables are attended to.

## Members of the audit committee

The committee has three members, all of which are independent, non-executive directors who were appointed at the Group’s annual general meeting on recommendation of the Board. During the year under review there were no changes to the composition of the audit committee.

Each of the committee members is required to act objectively and independently.

The committee members possess the necessary financial literacy, skills and experience to execute their duties effectively. An abridged curriculum vitae of each of the members is included in the integrated report.

## Meeting attendance

During the year, four meetings took place. The chairman provided feedback to the Board after each meeting in respect of the committee’s activities and Board approval was obtained on specific issues recommended by the committee.

Committee meetings and attendance for the year are summarised as follows:

NAME OF COMMITTEE MEMBER	NUMBER OF MEETINGS ATTENDED	14 NOVEMBER 2017	8 FEBRUARY 2018	16 MAY 2018	24 JULY 2018
NW Thomson (chairman)	4	Present	Present	Present	Present
LE Mthimunye	4	Present	Present	Present	Present
SS Ntsaluba	2	Apologies	Present	Present	Apologies

The external auditors, internal auditors and management representatives attend committee meetings as standing invitees with no voting rights. The company secretary is the secretary of the meeting.

The chairperson has regular one-on-one meetings with the internal and external auditors as well as the chief financial officer. Further closed sessions are held with these parties by the committee as a whole.

## Roles and responsibilities of the audit committee

In fulfilling its responsibilities the committee specifically considered the following matters:

- It reviewed the interim, preliminary and summary results, as well as the year-end financial statements, and recommended these to the Board for approval. During the year under review, the committee satisfied itself that the Group complied, in all material respects, with the requirements of the Companies Act, the International Financial Reporting Standards, the SAICA Financial Reporting Guides and applicable legislation.
- The committee reviewed the external audit reports on the Group’s annual financial statements and afforded specific attention to the following material matters:
  - Derivative financial instruments – forward purchase contracts on own equity;
  - Commodity hedge accounting;
  - Annual assessment of useful lives and residual values of items of property, plant and equipment and intangible assets;
  - Share-based payment charges in terms of IFRS 2; and
  - The purchase price allocation of the Heinz Foods SA and The Good Carb Food Company business combination transactions.
- The committee was satisfied with the disclosure and accounting treatment of all these matters.
- The committee reviewed the representation made by the external auditors and satisfied itself that the external auditor is independent of the Group, as set out in section 94(8) of the Companies Act, and suitable for re-appointment by considering, *inter alia*, the information stated in paragraph 22.15(h) of the JSE Ltd Listings Requirements.
- In considering the recommendation for the appointment of external auditors for the 2019 financial year, the committee noted that the current auditors were re-appointed after a comprehensive competitive bidding process in 2016. The committee is planning to recommend audit firm rotation before the end of 2023. For the 2019 financial year, the committee is recommending the re-appointment of PwC.
- Consideration was given to the rotation requirement of the designated lead external audit partner, Mr Duncan Adriaans. His final audit as partner will be 2020 and succession plans are in place for his replacement.
- The committee determined and approved the audit fees and the terms of engagement of the external auditors.
- The committee satisfied itself that the provision of non-audit services rendered by the external auditor complied with Group policy in this regard. The committee also approved the contractual terms for the provision of all non-audit services rendered by the external auditors.
- The committee also gave consideration to the changes in the management structure of the Group during the external auditors’ tenure, and satisfied itself that there were no undue familiarity risks.
- The committee is structured to deal appropriately with concerns and complaints relating to:
  - the Group’s accounting practices and internal audit;
  - the content and auditing of the Group’s financial statements;
  - the Group’s internal financial controls; and
  - any other related matter.However, no complaints were received.
- The committee had oversight of the financial reporting process, including the integrated report and the annual financial statements and at its meeting held on 13 November 2018, has recommended the integrated report and the annual financial statements for approval by the Board.
- The committee considered the Group’s information pertaining to its non-financial performance as disclosed in the integrated report, to ensure consistency with other known information. The committee was satisfied that the sustainability related information presented is reliable and consistent with the Group’s financial results.
- The committee received and consider the JSE’s report on the pro-active monitoring of financial statements in 2017 for compliance with IFRS. These proposals were implemented where appropriate and practical. The requisite confirmation was sent to the JSE.

## Internal audit

In carrying out its duty to provide an oversight role in respect of the Group's system of internal controls, the committee ensured that the Group's internal audit function remained independent and had the necessary resources, standing and authority to enable it to discharge its duties.

The committee reviewed and approved the internal audit work plan to ensure adequate assurance and coverage of the key risks identified. The planned reviews conducted during the year were aimed at providing the necessary assurance in respect of key internal controls throughout the Group. Based on the results of these reviews, the committee is of the opinion that the internal controls formed a sound basis for the preparation of reliable financial statements.

The committee performed an evaluation of the effectiveness of the internal audit function as well as that of the chief audit executive. The committee is pleased to report that the internal audit function under leadership of the chief audit executive continued to operate efficiently and with the necessary independence and stature within the Group. The committee has approved the extension of the outsourced internal auditors' service agreement to 30 September 2020.

## Combined assurance

Pioneer Foods has adopted a combined assurance approach to ensure adequate assurance coverage, whilst at the same time minimising duplication of effort by focusing on cost effectiveness and efficiency.

In alignment with the Group's risk based approach, the committee continues to ensure the effective liaison between the internal and external auditors while creating a balance between assurances provided.

Two members of the audit committee are also members of the risk committee and this helps to ensure an integrated approach in the development of the combined assurance model.

For the year under review, the committee was satisfied that sufficient assurance was obtained, particularly in relation to those risks ranked as material.

## Expertise and experience of the chief financial officer and the adequacy of the financial function

The abbreviated curriculum vitae of the chief financial officer, Mr F Lombard, appears in the integrated report. The committee satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Ltd Listings Requirements that the Group chief financial officer, as well as the Group finance function, has the appropriate expertise and experience.

## Internal controls

The internal auditors provided the committee with a written assessment of the effectiveness of the Group's system of internal controls and risk management, including internal financial controls. This assessment conducted by internal audit as well as input from management and external audit, formed the basis of the committee's recommendation in this regard to the Board, in order for the Board to report thereon.

The Board's report on the effectiveness of the system of internal controls is included under the directors' responsibility report on page 1. The committee's recommendation assisted the Board in its opinion expressed in this regard.

## Compliance

The committee considered the adequacy and appropriateness of the controls in place to prevent, detect and monitor the occurrence of non-compliance of applicable laws and regulations. The committee is pleased to report that there have been no material incidents relating to non-compliance of stated regulatory requirements during the financial period. The committee is also satisfied that, to the best of its knowledge, the Group has complied with all applicable material legal and statutory requirements during the year under review.

## Going concern

The committee considered and reviewed management's short- to medium-term plans and the Group's associated projections. It has thus satisfied itself of the going concern status of the Group, in alignment with the applicable requirements outlined in the Companies Act. The committee also reviewed the solvency and liquidity test and is satisfied that there are adequate resources to support the proposed dividend and any planned share repurchases.

Consistent with the committee's recommendation herein, the Board's statement regarding the going concern status of the Group is included in the directors' responsibility report on page 1.



**NW Thomson**

*Chairman: Audit Committee*

Tyger Valley  
13 November 2018



# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

## Principal activities and business review

Pioneer Food Group Ltd ("the Company") and its subsidiaries ("the Group") are involved in the manufacturing of food, beverages and related products for human and animal consumption. The various segments are highlighted in the operational review in the integrated report.

## Financial results

The annual financial statements on pages 7 to 128 set out fully the financial position as at 30 September 2018 and the results of operations and the cash flows for the year ended 30 September 2018. Further information is provided in the financial review in the integrated report.

## Share capital

The authorised share capital consists of 400,000,000 (2017: 400,000,000) ordinary shares of 10 cents each and 18,130,000 (2017: 18,130,000) class A ordinary shares of 10 cents each. At year-end 233,177,067 (2017: 233,379,445) ordinary shares and 2,878,680 (2017: 3,174,920) class A ordinary shares are in issue.

The movement in issued share capital is disclosed in note 22 to the annual financial statements. During the year, the Company issued 423,880 (2017: 906,536) listed ordinary shares of 10 cents at an average of R121.54 (2017: R163.49) per share in terms of the management share appreciation rights scheme.

The Company bought back and cancelled 626,258 (2017: Nil) listed ordinary shares during the year at R108.34 (2017: Rnil) per share.

There was no movement (2017: Nil) in the treasury shares held by a subsidiary. This subsidiary held 17,982,056 (2017: 17,982,056) ordinary shares at year-end.

The Pioneer Foods Broad-Based BEE Trust held 10,745,350 (2017: 10,745,350) ordinary shares at year-end.

The Company bought back and cancelled 296,240 (2017: 532,910) class A ordinary shares during the year at a premium of R88.73 (2017: R129.82) per share in addition to the par value of 10 cents per share.

## Borrowings

The syndicated borrowing 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 the 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 as indicated in note 25 of the Group annual financial statements.

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 capital repayments will only commence after August 2019. 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 obtained by the Group. Other changes in borrowings mainly reflect repayments made in terms of agreements. For further detail of the borrowings obtained, refer to note 25 of the annual financial statements. For the carrying amounts of property, plant and equipment, inventories and trade and other receivables encumbered, refer to notes 12, 18 and 20 of the Group annual financial statements.

## **Dividends**

A final gross dividend of 260 cents (2017: 260 cents) per ordinary share was declared. This is in addition to the interim gross dividend of 105 cents (2017: 105 cents) per ordinary share.

The interim dividend for the year amounted to R236,386,949 (2017: R235,897,532) and the final dividend for the year will be approximately R583,910,046 (2017: R584,503,572). The exact amount will be dependent on the number of shares in issue at the record date. These amounts include the dividends paid or payable to the Pioneer Foods Broad-Based BEE Trust.

The 10,745,350 Pioneer Foods shares held by the Pioneer Broad-Based BEE Trust are entitled to 20% of the gross interim and final dividends per share as indicated above, i.e. 21.0 cents per share (2017: 21.0 cents) and 52.0 cents (2017: 52.0 cents) respectively. This gross interim dividend for the year amounted to R2,256,524 (2017: R2,256,524) and the final dividend for the year will amount to R5,587,582 (2017: R5,587,582).

The dividend is payable on 4 February 2019 to shareholders recorded as such in the share register of the Company on 1 February 2019 (the record date). The last date of trading cum dividend will be 29 January 2019.

## **Directors**

The directors of the holding company, Pioneer Food Group Ltd, are responsible for the activities and reports related to the Group. Full details of the directors appear in the integrated report.

## **Litigation statement**

No litigation matters with potential material consequences existed at the reporting date.

## **Events after the reporting period**

Other than the matters raised in note 46 to the Group annual financial statements, no other events occurred after the reporting date that may have a material effect on the Group's results.

## **Auditors**

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act, Act 71 of 2008, as amended from time to time.

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Information contained in the directors' remuneration report has been audited by the external auditors, PricewaterhouseCoopers Inc.

	BASIC SALARY R'000	TRAVEL ALLOW- ANCES R'000	BONUSES AND INCENTIVES R'000	RETIRE- MENT FUND CONTRI- BUTIONS R'000	DIRECTORS' FEES R'000	RESTRAINT OF TRADE PAYMENT R'000	TOTAL R'000
<b>Remuneration of directors and former executive director</b>							
<b>30 September 2018</b>							
<b>Executive directors</b>							
TA Carstens (1 October 2017)*	4 892	148	1 512	960	–	–	7 512
F Lombard	4 421	183	1 001	315	–	–	5 920
<b>Former executive director</b>							
PM Roux (30 September 2017)**	–	–	–	–	–	6 933	6 933
	<b>9 313</b>	<b>331</b>	<b>2 513</b>	<b>1 275</b>	<b>–</b>	<b>6 933</b>	<b>20 365</b>
<b>Non-executive directors</b>							
ZL Combi	–	–	–	–	1 035	–	1 035
N Celliers	–	–	–	–	523	–	523
Prof ASM Karaan	–	–	–	–	499	–	499
NS Mjoli-Mncube	–	–	–	–	389	–	389
PJ Mouton	–	–	–	–	405	–	405
LE Mthimunye	–	–	–	–	462	–	462
SS Ntsaluba	–	–	–	–	535	–	535
G Pretorius	–	–	–	–	813	–	813
AH Sangqu	–	–	–	–	542	–	542
NW Thomson	–	–	–	–	718	–	718
	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5 921</b>	<b>–</b>	<b>5 921</b>
<b>Total directors</b>	<b>9 313</b>	<b>331</b>	<b>2 513</b>	<b>1 275</b>	<b>5 921</b>	<b>6 933</b>	<b>26 286</b>

**Notes:**

\* Appointed as director.

\*\* Retired as director.

	BASIC SALARY R'000	TRAVEL ALLOW- ANCES R'000	RETIRE- MENT FUND CONTRI- BUTIONS R'000	DIRECTORS' FEES R'000	RESTRAINT OF TRADE PAYMENT R'000	TOTAL R'000
<b>Remuneration of directors and prescribed officer</b>						
<b>30 September 2017</b>						
<b>Executive directors</b>						
PM Roux (30 September 2017)*	5 790	408	719	–	8 177	15 094
F Lombard (1 July 2017)**	1 071	46	76	–	–	1 193
CJ Hess (31 October 2016)***	253	6	18	–	–	277
<b>Prescribed officer</b>						
CR Lamprecht****	1 412	45	158	–	–	1 615
	8 526	505	971	–	8 177	18 179
<b>Non-executive directors</b>						
ZL Combi	–	–	–	869	–	869
N Celliers	–	–	–	396	–	396
Prof ASM Karaan	–	–	–	435	–	435
NS Mjoli-Mncube	–	–	–	319	–	319
PJ Mouton	–	–	–	354	–	354
LE Mthimunye (1 November 2016)**	–	–	–	410	–	410
SS Ntsaluba	–	–	–	497	–	497
G Pretorius	–	–	–	693	–	693
AH Sangqu	–	–	–	424	–	424
NW Thomson	–	–	–	582	–	582
	–	–	–	4 979	–	4 979
<b>Total directors</b>	8 526	505	971	4 979	8 177	23 158

**Notes:**

\* Retired as director.

\*\* Appointed as director.

\*\*\* Resigned as director.

\*\*\*\* Acted as chief financial officer (1 November 2016 to 30 June 2017).

	NUMBER OF SHARES <sup>#</sup>			% OF ISSUED ORDINARY SHARE CAPITAL
	DIRECT	INDIRECT*	TOTAL	
<b>Directors' interest in shares</b>				
The direct and indirect interests of the directors in the issued share capital of the Company are reflected in the table below:				
<b>30 September 2018</b>				
TA Carstens (1 October 2017)**	363 688	–	363 688	0.15
F Lombard	83 947	11 208	95 155	0.04
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
	<b>447 635</b>	<b>471 944</b>	<b>919 579</b>	<b>0.39</b>
<b>30 September 2017</b>				
PM Roux (30 September 2017)***	8 800	–	8 800	–
F Lombard (1 July 2017)**	62 576	11 208	73 784	0.03
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
	71 376	471 944	543 320	0.23

**Notes:**

<sup>#</sup> 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.

\* Include shares issued during a previous year to SPVs, wholly owned by BEE directors, in terms of the Phase II B-BBEE equity transaction.

\*\* Appointed as director.

\*\*\* Retired as director.



	NUMBER OF SARs INITIALLY ALLOCATED	DATE AWARDED	EXERCISABLE UP TO DATE	STRIKE PRICE CENTS
<b>Directors' and prescribed officer's share appreciation rights (SARs)</b>				
<b>30 September 2018</b>				
<b>Executive directors</b>				
TA Carstens (1 October 2017)*	–	2013/02/06	2023/02/05	5 542
	–	2014/02/28	2019/08/31	8 155
	–	2015/09/21	2021/03/21	19 871
	–	2015/02/13	2020/08/13	15 419
	–	2016/02/15	2021/08/15	13 021
	–	2017/02/22	2022/08/22	16 620
	<b>237 394</b>	<b>2018/02/14</b>	<b>2023/08/14</b>	<b>13 496</b>
F Lombard	4 386	2013/02/06	2023/02/05	5 542
	186 900	2014/02/28	2019/08/31	8 155
	150 000	2015/09/21	2021/03/21	19 871
	25 845	2015/02/13	2020/08/13	15 419
	17 226	2016/02/15	2021/08/15	13 021
	60 776	2017/02/22	2022/08/22	16 620
	<b>89 810</b>	<b>2018/02/14</b>	<b>2023/08/14</b>	<b>13 496</b>
<b>Former executive director</b>				
PM Roux (30 September 2017)**	249 509	2013/04/01	2023/02/09	6 452
	469 794	2014/02/28	2019/08/31	8 155
	54 682	2015/02/13	2020/08/13	15 419
	48 552	2016/02/15	2021/08/15	13 021
	117 701	2017/02/22	2022/08/22	16 620
<b>30 September 2017</b>				
<b>Executive directors</b>				
PM Roux (30 September 2017)**	249 509	2013/04/01	2023/02/09	6 452
	469 794	2014/02/28	2019/08/31	8 155
	54 682	2015/02/13	2020/08/13	15 419
	500 000	2015/09/21	2021/03/21	19 871
	48 552	2016/02/15	2021/08/15	13 021
	117 701	2017/02/22	2022/08/22	16 620
CJ Hess (31 October 2016)***	143 558	2014/02/28	2019/08/31	8 155
	28 712	2014/02/28	2024/02/28	8 155
	40 650	2015/02/13	2020/08/13	15 419
	1 090	2015/02/13	2025/02/13	15 419
	18 990	2016/02/15	2021/08/15	13 021
	3 161	2016/02/15	2021/02/15	13 021
F Lombard (1 July 2017)*	–	2013/02/06	2023/02/05	5 542
	–	2014/02/28	2019/08/31	8 155
	–	2015/09/21	2021/03/21	19 871
	–	2015/02/13	2020/08/13	15 419
	–	2016/02/15	2021/08/15	13 021
	–	2017/02/22	2022/08/22	16 620
<b>Prescribed officer</b>				
CR Lamprecht****	–	2011/02/08	2021/02/07	4 874
	–	2012/02/10	2022/02/09	6 034
	–	2013/02/06	2023/02/05	5 542
	–	2014/02/28	2019/08/31	8 155
	20 699	2017/02/22	2022/08/22	16 620

**Notes:**

\* Appointed as director.

\*\* Retired as director.

\*\*\* Resigned as director.

\*\*\*\* Acted as chief financial officer (1 November 2016 to 30 June 2017).

FAIR VALUE PER SAR AT GRANT DATE (FOR CURRENT YEAR GRANTS) CENTS	FAIR VALUE OF TOTAL SARs GRANTED DURING THE YEAR RAND	NUMBER OF SARs REDEEMED CUMULATIVE	NUMBER OF SARs REDEEMED IN CURRENT YEAR	NUMBER OF SARs FORFEITED IN CURRENT YEAR	SHARE PRICE AT DATE OF REDEMPTION CENTS	VALUE INCREASE FROM STRIKE PRICE TO PRICE AT REDEMPTION RAND	CHANGE IN DIRECTOR- SHIP: NUMBER OF SARs	NUMBER OF SARs NOT REDEEMED
-	-	4 701	4 701	-	13 630	380 217	4 701	-
-	-	40 098	40 098	40 098	13 630	2 195 366	160 392	80 196
-	-	-	-	-	-	-	150 000	150 000
-	-	-	-	7 060	-	-	42 362	35 302
-	-	-	-	-	-	-	17 624	17 624
-	-	-	-	-	-	-	52 782	52 782
3 427	8 135 492	-	-	-	-	-	-	237 394
-	-	4 386	4 386	-	13 630	354 740	-	-
-	-	46 725	46 725	46 725	13 630	2 558 194	-	93 450
-	-	-	-	-	-	-	-	150 000
-	-	-	-	4 308	-	-	-	21 537
-	-	-	-	-	-	-	-	17 226
-	-	-	-	-	-	-	-	60 776
3 427	3 077 789	-	-	-	-	-	-	89 810
-	-	199 607	-	-	-	-	(49 902)	-
-	-	156 598	-	-	-	-	(313 196)	-
-	-	-	-	-	-	-	(54 682)	-
-	-	-	-	-	-	-	(48 552)	-
-	-	-	-	-	-	-	(117 701)	-
-	-	199 607	49 902	-	16 602	5 065 053	-	49 902
-	-	156 598	156 598	-	16 260	12 692 268	-	313 196
-	-	-	-	-	-	-	-	54 682
-	-	-	-	500 000	-	-	-	-
-	-	-	-	-	-	-	-	48 552
4 071	4 791 608	-	-	-	-	-	-	117 701
-	-	-	-	-	-	-	(143 558)	-
-	-	-	-	-	-	-	(28 712)	-
-	-	-	-	-	-	-	(40 650)	-
-	-	-	-	-	-	-	(1 090)	-
-	-	-	-	-	-	-	(18 990)	-
-	-	-	-	-	-	-	(3 161)	-
-	-	-	-	-	-	-	4 386	4 386
-	-	-	-	-	-	-	186 900	186 900
-	-	-	-	-	-	-	150 000	150 000
-	-	-	-	-	-	-	25 845	25 845
-	-	-	-	-	-	-	17 226	17 226
-	-	-	-	-	-	-	60 776	60 776
-	-	2 108	2 108	-	16 000	234 536	2 108	-
-	-	1 976	1 976	-	16 000	196 928	1 976	-
-	-	1 150	1 150	-	16 000	120 267	1 150	-
-	-	26 112	26 112	-	16 000	2 048 486	26 112	-
4 071	842 656	-	-	-	-	-	(20 699)	-

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PIONEER FOOD GROUP LTD

## Report on the audit of the consolidated and separate financial statements

### OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Pioneer Food Group Ltd (the Company) and its subsidiaries (together the Group) as at 30 September 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

Pioneer Food Group Ltd's consolidated and separate financial statements set out on pages 19 to 128 comprise:

- the group and company statements of financial position as at 30 September 2018;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the *Annual Financial Statements 2018*, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

### BASIS FOR OPINION

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

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

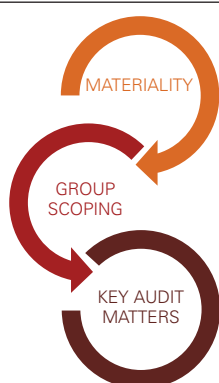
### Independence

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

## Our audit approach

### OVERVIEW

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#### OVERALL GROUP MATERIALITY

- R73.8 million, which represents 5% of Group profit before income tax.

#### GROUP AUDIT SCOPE

- The Group audit scope was tailored based on indicators such as the contribution to consolidated assets and consolidated profit before tax from each component. A combination of audits and analytical review procedures were performed.

#### KEY AUDIT MATTERS

- Accounting for commodity trading positions and foreign currency contracts.
-

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

## MATERIALITY

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

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

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Overall Group materiality	R73.8 million
How we determined it	5% of consolidated profit before income tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

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## HOW WE TAILORED OUR GROUP AUDIT SCOPE

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

The consolidated financial statements is a consolidation of thirteen subsidiaries, which includes the Group's operating businesses and centralised functions, equity-accounted earnings of six joint ventures and one associate. Full scope audits were performed on all the operational subsidiaries of the Group and four joint ventures representing 90% of the carrying amount of the total investment in joint ventures as at reporting date, with analytical review procedures performed on the remaining joint ventures and associates to obtain sufficient appropriate audit evidence to express an opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, and component auditors from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

**Key audit matters**

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

**CONSOLIDATED FINANCIAL STATEMENTS**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>Accounting for commodity trading positions and foreign currency contracts</i></p> <p>As a result of its operations, the Group is exposed to commodity price risk, that arises from the Group’s need to buy specific quantities and qualities of raw materials to meet its milling and manufacturing requirements. Furthermore, the Group is also exposed to foreign exchange risk from commodities procured and denominated in a foreign currency.</p> <p>The Group enters into commodity futures and forward contracts to hedge itself against the price risk of these commodities. The Group also uses forward exchange contracts to hedge against foreign currency risk. The commodity futures and forward contracts as well as forward exchange contracts are recognised and accounted for as derivative financial instruments. To the extent that these derivative financial instruments qualify for hedge accounting under IAS 39 – <i>Financial Instruments: Recognition and Measurement</i>, the effective portion of the movement in fair values of these derivatives are accounted for as either cash flow hedges or fair value hedges (refer to notes 19 and 31). As at 30 September 2018, a loss of R8.9 million before income tax (2017: R8.0 million profit) has been deferred in equity.</p> <p>We considered the accounting for these derivative financial instruments to be a matter of most significance due to the following:</p> <ul style="list-style-type: none"> <li>• the documentation requirements to apply hedge accounting;</li> <li>• the manual process for each hedge transaction to determine the effectiveness of the hedging instrument;</li> <li>• the magnitude and volume of these transactions; and</li> <li>• the volatility of commodity prices and foreign exchange rates.</li> </ul>	<p>Our audit procedures included evaluating and testing the design and effectiveness of the controls over hedge accounting of commodities for inventory. We performed, amongst others, procedures to test whether:</p> <ul style="list-style-type: none"> <li>• Proper segregation of duties exist for trading activities between the derivatives trader and the finance function; and</li> <li>• Trading takes place within the pre-determined mandate.</li> </ul> <p>We evaluated the Group’s hedge policies for futures and forward contracts as well as forward exchange contracts for compliance with the relevant accounting standards.</p> <p>We selected a sample of hedged transactions and recalculated management’s analysis of the effectiveness of these derivative financial instruments and noted no material differences.</p> <p>In respect of the open derivative financial instruments at year-end, we directly confirmed the existence of these derivative financial instruments with the counterparties. We also tested the fair value measurement of the derivatives based on market data and we investigated, where applicable, whether the effectiveness of the hedge accounting strategies is supported by effectiveness testing documentation. No material differences were noted.</p>

**SEPARATE FINANCIAL STATEMENTS**

We have determined that there are no key audit matters in respect of the separate financial statements.



## Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual financial statements 2018 which includes the Directors' Report, the Report of the audit committee and the Secretarial certification as required by the Companies Act of South Africa which we obtained prior to the date of this auditor's report, and the other sections of the Integrated report 2018, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

## Responsibilities of the directors for the consolidated and separate financial statements

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

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

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

### **Report on other legal and regulatory requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Pioneer Food Group Ltd for 22 years. The business of Pioneer Food Group Ltd was previously transacted through Bokomo (Pty) Ltd and Sasko (Pty) Ltd, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 69 years.

A handwritten signature in black ink that reads "PricewaterhouseCoopers Inc." with a horizontal line underneath the text.

**PricewaterhouseCoopers Inc.**

Director: D Adriaans

*Registered Auditor*

Stellenbosch

15 November 2018

# ACCOUNTING POLICY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

## 1. Basis of preparation

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

The consolidated annual financial statements of the Group have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS") and the IFRS Interpretations Committee interpretations issued and effective at the time of preparing these financial statements, the Listings Requirements of the JSE Ltd and the Companies Act of South Africa, Act 71 of 2008, as amended from time to time. These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The consolidated annual financial statements are prepared on the historic cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and liabilities for cash-settled share-based payment schemes.

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

### 1.1 NEW AND AMENDED ACCOUNTING STANDARDS EFFECTIVE IN 2018

The following amendments to standards have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2017.

#### ***Amendment to IAS 7 – Cash Flow Statements (effective 1 January 2017)***

The amendment introduces additional disclosure to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Refer to note 43 of the consolidated annual financial statements for a reconciliation of changes in liabilities arising from financing activities.

#### ***Amendments to IAS 12 – Income Taxes (effective 1 January 2017)***

The amendments mainly clarify the requirements for recognising deferred income tax assets on unrealised losses and the accounting for deferred income tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments do not change the underlying principles for the recognition of deferred income tax assets.

#### ***Annual Improvements 2014 – 2016 (effective 1 January 2017 or 1 January 2018)***

The most notable amendment clarifies that the disclosure requirements of IFRS 12 – Disclosure of Interests in Other Entities are applicable to interest in entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests (retrospectively effective 1 January 2017).

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

The above amendments and improvements did not have a material impact on the financial position and results of the Group.

## 1. Basis of preparation continued

### 1.2 NEW ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

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

#### ***IFRS 9 – Financial Instruments*** ***(effective 1 January 2018)***

This standard replaces IAS 39 and addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets that replaces the current incurred loss model with an expected credit loss model.

An assessment of the expected impact from the adoption of an expected credit loss model indicates an increase in the provision for impairment of trade receivables of between R2.5 million and R4.5 million before income tax. Adoption of the standard is not expected to have a material impact on the classification or measurement of other financial assets and liabilities.

The Group intends to take the exemption allowed by IFRS 9 to continue to apply the hedging principles in terms of IAS 39.

#### ***IFRS 15 – Revenue from Contracts with Customers*** ***(effective 1 January 2018)***

A new standard has been issued for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of goods or services transfers to customers.

Based on an initial assessment, the Group does not expect the adoption of the standard to have a material impact on its results or financial position.

#### ***IFRS 16 – Leases*** ***(effective 1 January 2019)***

IFRS 16 will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use asset and related liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not change significantly.

The standard will affect primarily the accounting of the Group's operating leases. A project was launched to collate and analyse all relevant information timeously. The Group is still in the process of quantifying the impact. Adoption of this standard will have a significant impact on the Group. As at the reporting date the Group has non-cancellable operating lease commitments of R1.104 billion. Refer to note 33.1 of the consolidated annual financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

### 1.3 USE OF ADJUSTED MEASURES

The measure explained in note 1.4 of the accounting policy (items of a capital nature) is presented as management believes it to be relevant to the understanding of the Group's financial performance. This measure is used for internal performance analysis and provides additional useful information on underlying trends to equity holders. This measure is not a defined term under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

### 1.4 ITEMS OF A CAPITAL NATURE

Income or expenditure of a capital nature on the face of the statement of comprehensive income, being all profit or loss items of a capital nature, is excluded in the calculation of headline earnings per share.

The principal items included under this measurement are: profits or losses on disposal and scrapping of property, plant and equipment, intangible assets and assets held-for-sale; impairments or reversal of impairments of property, plant and equipment, intangible assets and available-for-sale financial assets; and any non-trading items such as profits or losses on disposal of operations and subsidiaries.

## 2. Significant accounting policies

### 2.1 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after elimination of sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income is recognised as follows:

#### ***Sale of goods***

Sale of goods is recognised when a Group entity has delivered products to a customer; the customer has accepted the products and the collectability of the related receivables are reasonably assured. No element of financing is deemed present as sales are made within credit terms which are consistent with market practice. The sale of goods is the only income included in 'revenue' in profit or loss.

#### ***Sale of services***

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided. The sale of services is included in 'other income' in profit or loss.

#### ***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest rate method. When loans or receivables are impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Interest income on impaired loans and receivables is recognised using the original effective interest rate. Interest income is included in 'investment income' in profit or loss.

#### ***Dividend income***

Dividend income is recognised when the right to receive payment is established. Dividend income is included in 'investment income' in profit or loss in the consolidated financial statements and in 'revenue' in the stand-alone financial statements of the holding company.

### 2.2 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision-maker, in order to allocate resources and assess performance and for which distinct financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, this being the chief executive officer and the chief financial officer of the Group. The operating segments were identified and grouped together based mainly on the nature of their activities and the products offered by them.



## 2. Significant accounting policies continued

### 2.3 BASIS OF CONSOLIDATION

#### ***Subsidiaries***

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 – Financial Instruments: Recognition and Measurement either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

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

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

#### ***Changes in ownership interests in subsidiaries without change of control***

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

#### ***Disposal of subsidiaries***

When the Group ceases to have control, any retained interest in equity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## 2. Significant accounting policies continued

### 2.3 BASIS OF CONSOLIDATION continued

#### *Treasury shares*

The cost of treasury shares is presented as a deduction from equity.

#### *Associates*

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as part of the share of profit/(loss) of investments accounted for applying the equity method in profit or loss.

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

#### *Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and classified it as joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests, that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the Group.

#### *Consolidation of special purpose entities*

The special purpose entities ("SPEs") established in terms of the B-BBEE equity transaction implemented in March 2012, have been consolidated in the Group results. The substance of the relationship between the Company and these entities has been assessed and the conclusion was made that they are controlled entities, mainly due to the fact that the Group retains residual or ownership risks relating to the SPEs.

## 2. Significant accounting policies continued

### 2.4 FOREIGN CURRENCY TRANSLATION

#### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates ("the functional currency"). The consolidated financial statements are presented in South African rand, which is the Group's presentation and functional currency.

#### *Transactions and balances*

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the transaction dates or valuation dates where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All other foreign exchange gains and losses are presented in profit or loss within 'other gains/losses – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security.

Translation differences resulting from changes in amortised cost are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

#### *Group entities*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of South African rand are translated into South African rand as follows:

- Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the reporting date.
- Income and expenditure included in profit or loss for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenditure are translated at the exchange rates prevailing at the dates of the transactions).
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are allocated to other comprehensive income on consolidation. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2. Significant accounting policies continued

### 2.5 PROPERTY, PLANT AND EQUIPMENT

Land and buildings mainly comprise factories, depots, warehouses, offices and silos. All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

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

The expected useful lives are as follows:

- Buildings 10 – 25 years
- Plant, machinery and equipment 3 – 30 years
- Vehicles 3 – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amounts. These are included within 'items of a capital nature' in profit or loss.

### 2.6 INTANGIBLE ASSETS

#### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill arising from business combinations is included in 'intangible assets' whereas goodwill on acquisition of joint ventures and associates is included in 'investments in joint ventures' or 'investments in associates' respectively and is tested for impairment as part of the overall balance.

The excess of the purchase price over the carrying amount of non-controlling interest, when the Group increases its interest in an existing subsidiary, is recognised in equity. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### **Trademarks and intellectual property**

Trademarks and intellectual property are shown at historical cost. Subsequently, these intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intellectual property has finite useful lives. The useful lives of trademarks are either finite or indefinite.

Intellectual property and trademarks with finite useful lives are amortised over their useful lives and assessed for impairment when there is an indication that the assets may be impaired. Amortisation is calculated using the straight-line method over these intangible assets' estimated useful lives of between 5 to 25 years.

Certain trademarks have been assessed to have indefinite useful lives, as presently there is no foreseeable limit to the period over which the assets can be expected to generate cash flows for the Group. Trademarks with indefinite useful lives are not amortised, but tested annually for impairment, either on an individual basis or as part of a cash-generating unit. The useful lives of these intangible assets are reviewed at the end of each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for these trademarks.

## 2. Significant accounting policies continued

### 2.6 INTANGIBLE ASSETS continued

#### **Computer software**

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

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the criteria of IAS 38 are met.

Directly attributable costs, that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditure that does not meet the criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives of between two and ten years.

### 2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

### 2.8 FINANCIAL ASSETS

#### 2.8.1 Classification

The Group classifies its financial assets in the following categories:

- at fair value through profit or loss
- loans and receivables
- available-for-sale financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held-for-trading unless they are designated as hedges. The Group's financial instruments at fair value through profit or loss comprise 'derivative financial instruments' not earmarked for hedging. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for items with maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'loans to joint ventures', 'loans to associates' and 'cash and cash equivalents' in the statement of financial position.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.



## 2. Significant accounting policies continued

### 2.8 FINANCIAL ASSETS continued

#### 2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss in the period in which they arise.

Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income in the period in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as 'items of a capital nature'. Dividend income from available-for-sale equity instruments is recognised in profit or loss as part of 'investment income' when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. The Group establishes fair value by using valuation techniques if the market for a financial asset is not active and for unlisted securities. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### 2.8.3 Impairment

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### *Loans and receivables*

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing on trade receivables is described in note 2.11 of the accounting policy.

##### *Available-for-sale financial assets*

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss.

#### 2.8.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

## 2. Significant accounting policies continued

### 2.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either cash flow or fair value hedges.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes and detail on movements in the hedging reserve are disclosed in note 19 to the consolidated annual financial statements. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the reporting date and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months from this date. Trading derivatives are classified as current assets or liabilities.

#### **Fair value hedges**

Fair value hedges cover the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk). Foreign currency risk of an unrecognised firm commitment is accounted for as a cash flow hedge.

The Group only applies fair value hedge accounting to hedge commodity price risk, i.e. changes in the fair value of fixed-price commodity purchase commitments, due to changes in the forward price in the market of the related commodity. Financial instruments designated as fair value hedges include commodity futures, option contracts and foreign exchange contracts.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest rate method is used, is amortised in profit or loss over the period of maturity.

#### **Cash flow hedges**

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability; or
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

Cash flow hedging instruments are mainly used to manage operational exposure to interest rate, foreign exchange and commodity price risks. Financial instruments designated as cash flow hedges include commodity futures and foreign exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other gains/losses – net'.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in 'cost of goods sold' in the case of inventory or in 'depreciation' in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income at that time remains in other comprehensive income and is recognised in profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is recognised immediately in profit or loss within 'other gains/losses – net'.

## 2. Significant accounting policies continued

### 2.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES continued

#### *Embedded derivatives*

Embedded derivatives are derivative instruments that are embedded in another contract or host contract. The Group separates an embedded derivative from its host contract and accounts for it separately, when its economic characteristics are not clearly and closely related to those of the host contract. These separated embedded derivatives are classified as trading assets or liabilities and marked to market through profit or loss, provided that the combined contract is not measured at fair value with changes through profit or loss.

#### *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss within 'other gains/losses – net', except for changes in the fair value of the forward purchase contracts on own equity which is presented in profit or loss within 'other operating expenses'.

### 2.10 INVENTORIES

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

- raw material at actual cost on a weighted average cost basis;
- own manufactured products at direct raw material and labour cost plus an appropriate portion of production overheads, on a weighted average cost basis; and
- consumable and trading stock at actual cost on a weighted average cost basis.

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

### 2.11 TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the normal course of business.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments, are considered indicators that the trade receivable is impaired.

The amount of the provision for impairment of trade receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss within 'other operating expenses'. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, they are written off as 'other operating expenses' in profit or loss. Subsequent recoveries of amounts previously written off, are credited against 'other operating expenses' in profit or loss.

### 2.12 BORROWINGS

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

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as 'finance costs'.

### 2.13 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

## 2. Significant accounting policies continued

### 2.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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

### 2.15 CURRENT AND DEFERRED INCOME TAX

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

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.16 SHARE-BASED PAYMENTS

#### *Share-based compensation*

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share appreciation rights is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share appreciation rights that are expected to become exercisable. At each reporting date, the Group revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to other comprehensive income.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when share appreciation rights are exercised.

## 2. Significant accounting policies continued

### 2.16 SHARE-BASED PAYMENTS continued

#### *Broad-based employee share scheme*

The Group operates a broad-based employee share scheme for qualifying employees, other than management qualifying for the share-based compensation plan. The cost of the share scheme is accounted for as a cash-settled share-based payment. In terms of the scheme, employees received class A ordinary shares with full voting rights and limited dividend rights until such time as a notional debt has been repaid.

Once the notional debt has been repaid, class A ordinary shares will have all rights similar to ordinary shares.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Actuarial Binomial Pricing Option Model, taking into account the terms and conditions upon which the instruments were granted. For further detail refer to note 23.1 of the consolidated annual financial statements.

The fair value of the employee services received in exchange for the issue of class A ordinary shares is recognised as an expense over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

### 2.17 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (“B-BBEE”) TRANSACTIONS

B-BBEE transactions where the Group receives or acquires goods or services as consideration for the issue of equity instruments of the Group, are treated as share-based payment transactions.

B-BBEE transactions, where employees are involved, are measured and accounted for on the same basis as share-based compensation (refer to note 2.16 of the accounting policy).

Transactions, in which share-based payments are made to parties other than employees, are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument granted occurs immediately and an expense and a related increase in equity are recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront.

## 3. Other less significant accounting policies

### 3.1 ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE

#### *Finance leases*

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges.

The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the lease payment is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the lease term or the useful life of the assets.

#### *Operating leases*

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty, is recognised as an expense in the period in which termination takes place.

### 3.2 ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSOR

#### *Operating leases*

Operating lease assets are included in property, plant and equipment in the statement of financial position. These assets are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the period of the lease.

### 3. Other less significant accounting policies continued

#### 3.3 EMPLOYEE BENEFITS

##### *Retirement scheme arrangements*

The policy of the Group is to provide retirement benefits for all its employees in the form of a defined contribution plan. A defined contribution plan is a retirement scheme under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the retirement benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement schemes on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### *Post-retirement medical benefits*

The Group provides post-retirement medical benefits to some employees, some employed prior to 31 December 1994 and others prior to 31 March 1997, by way of a percentual contribution to their monthly costs. Such benefits are not available to employees employed after these dates. Provision is made for the total accrued past service cost.

Independent actuaries annually determine the accumulated post-retirement medical aid obligation and the annual cost of these benefits. The liability is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in profit or loss.

##### *Other long-term employee benefits*

The Group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards annually. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

##### *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits falling due more than 12 months after the year-end reporting date are discounted to present value using the effective interest rate method.

##### *Bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders or segmental profits after certain adjustments, as well as meeting pre-determined targets relating to sales volumes, and value of revenue, employee engagement survey results and BEE designated employment. The bonus is dependent on the achievement of pre-determined targets in relation to returns on specified net assets, i.e. a bonus pool is calculated based on economic profit. The Group recognises a provision when contractually obliged or where past practice has created a constructive obligation.

##### *Leave pay*

Annual leave entitlement is provided for over the period that the leave accrues. In terms of the Group's policy, employees are entitled to accumulate vested leave benefits not taken to a cap of 36 days. Any leave days vesting in excess of the cap are forfeited in the vesting month.

Statutory and non-statutory leave may not be converted to cash except at termination of employment.



### **3. Other less significant accounting policies** continued

#### **3.4 GOVERNMENT GRANTS**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

#### **3.5 DIVIDEND DISTRIBUTION**

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements when it is approved by the Board of directors and when it is no longer at discretion of the Company.

#### **3.6 BORROWING COSTS**

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds. These include interest expenses calculated using the effective interest rate method, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings' interest cost.

Borrowing costs are expensed as incurred, except for borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in which case it is capitalised as part of the cost of that asset. The Group defines a qualifying asset as an asset that takes more than a year to prepare for its intended use or sale.

#### **3.7 SHARE CAPITAL**

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

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

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R'000	2017 R'000
Revenue	45	20 151 853	19 575 045
Cost of goods sold		(14 356 322)	(14 419 077)
Gross profit		5 795 531	5 155 968
Other income	3	218 247	153 595
Other gains/(losses) – net	3	(20 859)	(11 301)
Sales and distribution costs	4	(2 779 199)	(2 450 921)
Marketing costs	4	(315 470)	(329 573)
Administrative expenses	4	(786 956)	(728 896)
Other operating expenses	4	(538 971)	(632 679)
Items of a capital nature	5	73 228	(56 957)
Operating profit		1 645 551	1 099 236
Investment income	6	27 987	22 214
Finance costs	7	(197 467)	(196 805)
Share of (loss)/profit of joint ventures	14	(13 770)	53 901
Share of profit of associated companies	16	13 811	6 407
Profit before income tax		1 476 112	984 953
Income tax expense	8	(398 998)	(258 802)
<b>Profit for the year</b>		<b>1 077 114</b>	<b>726 151</b>
<b>Other comprehensive income/(loss) for the year</b>			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-retirement medical benefit obligations		2 174	1 566
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		(12 178)	115 746
For the year		3 623	(60 165)
Current income tax effect		(5 658)	17 518
Deferred income tax effect		4 643	(672)
Reclassified to profit or loss		(20 537)	220 924
Current income tax effect		5 079	(63 949)
Deferred income tax effect		672	2 090
Fair value adjustments on available-for-sale financial assets		568	4 037
For the year		18 744	8 203
Deferred income tax effect		6 400	634
Reclassified to profit or loss		(24 576)	(4 800)
Share of other comprehensive income of investments accounted for applying the equity method		7 437	15 946
Movement on foreign currency translation reserve			
Currency translation differences		26 077	7 636
<b>Total comprehensive income for the year</b>		<b>1 101 192</b>	<b>871 082</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent		1 072 600	726 003
Non-controlling interest		4 514	148
		1 077 114	726 151
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent		1 090 857	869 693
Non-controlling interest		10 335	1 389
		1 101 192	871 082
<b>Earnings per ordinary share (cents)</b>	9	<b>574.6</b>	390.3
<b>Diluted earnings per ordinary share (cents)</b>	9	<b>546.5</b>	366.0

## STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Notes	2018 R'000	2017 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
		<b>7 953 382</b>	7 447 775
Property, plant and equipment	12	<b>5 653 909</b>	5 356 965
Intangible assets	13	<b>1 200 001</b>	814 941
Investments in joint ventures	14	<b>580 586</b>	665 006
Loans to joint ventures	15	<b>14 448</b>	35 737
Investments in associates	16	<b>196 241</b>	198 410
Loans to associate	16	<b>–</b>	7 593
Derivative financial instruments	19	<b>128 687</b>	203 059
Available-for-sale financial assets	17	<b>77 912</b>	138 092
Trade and other receivables	20	<b>45 751</b>	15 433
Deferred income tax	26	<b>55 847</b>	12 539
<b>Current assets</b>			
		<b>6 587 690</b>	5 504 651
Inventories	18	<b>3 176 590</b>	3 033 085
Derivative financial instruments	19	<b>28 024</b>	50 995
Trade and other receivables	20	<b>2 244 104</b>	1 981 843
Current income tax		<b>10 202</b>	7 939
Cash and cash equivalents	21	<b>1 128 770</b>	430 789
Assets of disposal group classified as held for sale	53	<b>–</b>	20 019
<b>Total assets</b>		<b>14 541 072</b>	12 972 445
<b>Equity and liabilities</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
		<b>8 379 678</b>	8 027 254
Share capital	22	<b>23 319</b>	23 340
Share premium		<b>2 537 963</b>	2 554 299
Treasury shares	22	<b>(1 186 401)</b>	(1 186 401)
Other reserves	24	<b>188 884</b>	213 104
Retained earnings		<b>6 815 913</b>	6 422 912
<b>Non-controlling interest</b>	28	<b>35 346</b>	25 011
<b>Total equity</b>		<b>8 415 024</b>	8 052 265
<b>Non-current liabilities</b>			
		<b>2 396 148</b>	1 645 388
Borrowings			
B-BBEE equity transaction third-party finance	25	<b>–</b>	433 141
Syndicated and other	25	<b>1 405 080</b>	265 583
Deferred income tax	26	<b>766 105</b>	674 388
Share-based payment liability	29	<b>112 768</b>	159 845
Provisions for other liabilities and charges	27	<b>112 195</b>	112 431
<b>Current liabilities</b>			
		<b>3 729 900</b>	3 274 792
Trade and other payables	30	<b>3 018 509</b>	2 388 864
Current income tax		<b>15 157</b>	24 733
Borrowings			
B-BBEE equity transaction third-party finance	25	<b>451 494</b>	33 679
Syndicated and other	25	<b>165 517</b>	777 520
Loan from joint venture	15	<b>21 040</b>	14 540
Derivative financial instruments	19	<b>32 864</b>	2 562
Dividends payable		<b>1 551</b>	598
Share-based payment liability	29	<b>23 768</b>	32 296
<b>Total liabilities</b>		<b>6 126 048</b>	4 920 180
<b>Total equity and liabilities</b>		<b>14 541 072</b>	12 972 445

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	SHARE CAPITAL ORDINARY SHARES R'000	SHARE PREMIUM R'000	TREASURY SHARES R'000	TRANSLATION RESERVE R'000
<b>Balance as at 1 October 2017</b>	<b>23 340</b>	<b>2 554 299</b>	<b>(1 186 401)</b>	<b>77 751</b>
Profit for the year	-	-	-	-
Other comprehensive income/(loss) for the year	-	-	-	28 041
Employee share scheme – repurchase of class A ordinary shares from leavers	-	(30)	-	-
Dividends paid – final and interim net of treasury shares	-	-	-	-
Transaction cost on shares bought back	-	-	-	-
Recognition of share-based payments – share appreciation rights	-	-	-	-
Deferred income tax on share-based payments	-	-	-	-
Ordinary shares issued – share appreciation rights	42	51 477	-	-
Shares bought back and cancelled	(63)	(67 783)	-	-
<b>Balance as at 30 September 2018</b>	<b>23 319</b>	<b>2 537 963</b>	<b>(1 186 401)</b>	<b>105 792</b>

FAIR VALUE RESERVE R'000	HEDGING RESERVE R'000	EQUITY COMPENSATION RESERVE R'000	OTHER RESERVES: TOTAL R'000	RETAINED EARNINGS R'000	NON- CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
29 099	5 744	100 510	213 104	6 422 912	25 011	8 052 265
-	-	-	-	1 072 600	4 514	1 077 114
568	(12 526)	-	16 083	2 174	5 821	24 078
-	-	-	-	-	-	(30)
-	-	-	-	(681 376)	-	(681 376)
-	-	-	-	(397)	-	(397)
-	-	26 635	26 635	-	-	26 635
-	-	(15 419)	(15 419)	-	-	(15 419)
-	-	(51 519)	(51 519)	-	-	-
-	-	-	-	-	-	(67 846)
29 667	(6 782)	60 207	188 884	6 815 913	35 346	8 415 024

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	SHARE CAPITAL ORDINARY SHARES R'000	SHARE PREMIUM R'000	TREASURY SHARES R'000	TRANSLATION RESERVE R'000
<b>Balance as at 1 October 2016</b>	23 249	2 406 235	(1 187 756)	67 679
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	10 072
Employee share scheme – repurchase of class A ordinary shares from leavers	–	(53)	–	–
Disposal of shares of management share incentive scheme	–	–	–	–
Dividends paid – final and interim net of treasury shares	–	–	–	–
Employee share scheme – transfer tax on share transactions	–	–	–	–
Non-controlling interest acquired	–	–	–	–
Recognition of share-based payments – share appreciation rights	–	–	–	–
Deferred income tax on share-based payments	–	–	–	–
Ordinary shares issued – share appreciation rights	91	148 117	–	–
Movement of ordinary shares on share incentive trusts	–	–	1 355	–
<b>Balance as at 30 September 2017</b>	23 340	2 554 299	(1 186 401)	77 751

FAIR VALUE RESERVE R'000	HEDGING RESERVE R'000	EQUITY COMPENSATION RESERVE R'000	OTHER RESERVES: TOTAL R'000	RETAINED EARNINGS R'000	NON- CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
25 062	(122 271)	282 805	253 275	6 372 313	–	7 867 316
–	–	–	–	726 003	148	726 151
4 037	128 015	–	142 124	1 566	1 241	144 931
–	–	–	–	–	–	(53)
–	–	–	–	1 838	–	1 838
–	–	–	–	(678 464)	–	(678 464)
–	–	–	–	(344)	–	(344)
–	–	–	–	–	23 622	23 622
–	–	23 474	23 474	–	–	23 474
–	–	(57 561)	(57 561)	–	–	(57 561)
–	–	(148 208)	(148 208)	–	–	–
–	–	–	–	–	–	1 355
29 099	5 744	100 510	213 104	6 422 912	25 011	8 052 265



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R'000	2017 R'000
<b>Net cash flow from operating activities</b>			
Net cash profit from operating activities	37	2 072 528	1 661 373
Working capital changes	38	281 099	751 692
Cash effect from hedging activities		2 067	165 826
Net cash generated from operations		2 355 694	2 578 891
Settlement of share-based payment liability		(26 317)	(69 235)
Cash effect of forward purchase contracts related to share-based payments		25 547	41 761
Settlement of accrual for forward purchase contracts on own equity		–	(493 265)
Income tax paid	40	(364 351)	(288 058)
		1 990 573	1 770 094
<b>Net cash flow from investment activities</b>			
Additions to property, plant and equipment	12	(252 672)	(573 410)
Replacements of property, plant and equipment	12	(328 368)	(347 523)
Additions to intangible assets	13	(45 183)	(38 953)
Proceeds on disposal of property, plant, equipment and intangible assets	41	106 633	71 448
Proceeds on disposal of available-for-sale financial assets	42	86 468	17 114
Proceeds on disposal of joint venture		–	5 768
Business combinations	44	(511 355)	(8 664)
Loans repaid by joint ventures and associates		35 382	19 734
Investment in associate	16	–	(191 514)
Investment in available-for-sale financial assets		(7 544)	(18 708)
Investments in joint venture		(15 000)	–
Loans granted to other parties		(35 243)	548
Interest received		16 127	18 741
Dividends received		11 447	3 246
Dividends received from joint ventures	14	52 061	84 710
Dividends received from associate	16	20 644	–
		(395 916)	(932 740)
<b>Net cash flow from financing activities</b>			
Proceeds from borrowings – new syndicated and other borrowings		1 206 972	–
Repayments of other borrowings		(61 722)	(52 704)
Repayment of syndicated bullet loans		(600 000)	–
Ordinary shares bought back		(67 846)	–
Treasury shares – share incentive trusts		–	3 193
Transaction cost on shares bought back		(397)	(344)
Interest paid		(189 199)	(200 645)
Dividends paid to Group ordinary shareholders	39	(680 423)	(678 481)
Dividends paid to class A ordinary shareholders	29	(3 301)	(3 759)
Effect of exchange rate changes on cash and cash equivalents		3 009	923
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		731 063	(119 186)
Net cash, cash equivalents and bank overdrafts at beginning of year		302 449	421 635
<b>Net cash, cash equivalents and bank overdrafts at end of year</b>	21	<b>1 033 512</b>	<b>302 449</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

## 1. Accounting policies

The principal accounting policies incorporated in the preparation of these financial statements are set out on pages 19 to 33.

## 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### KEY ASSUMPTIONS AND CRITICAL JUDGEMENTS

#### **Goodwill**

The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy for goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 13 for key assumptions used.

#### **Provisions for post-retirement medical benefits and long-service awards**

These provisions are determined by annual actuarial calculations. Refer to note 27 for estimates used in these calculations.

#### **Property, plant and equipment**

These items are depreciated over their useful lives, taking into account the residual value at the end of the item's useful life. Residual values and useful lives are based on industry knowledge and past experience with similar assets.

#### **Intangible assets with finite useful lives**

These items are amortised over their useful lives that are based on industry knowledge and past experience with similar assets.

#### **Intangible assets with indefinite useful lives**

The Group has classified a number of its trademarks as trademarks with indefinite useful lives, as indicated in note 13. In arriving at the conclusion that a trademark has an indefinite life, management considers that the Group is a brands-based business with a diversified and expanding portfolio of premium household brands across all market segments of the Living Standards Measurement categories. The Group expects to acquire, hold and support these trademarks for an indefinite period. The Group supports its trademarks through consumer marketing spend and through significant investment in promotional support.

Indefinite life trademarks are assessed as such, as management believes there is no foreseeable limit over which the Group will continue to generate revenues from their continued use. Supporting this assumption is the fact that the brands held are established, well known, and can reasonably be expected to generate revenues beyond the Group's strategic planning horizon. In addition, the Group can continue to renew legal rights attached to such trademarks, without significant costs, and intends to do so beyond the foreseeable future.

#### **Share-based payments**

The fair value of employee services received in exchange for the grant of share appreciation rights or class A ordinary shares is determined by reference to the fair value of the share appreciation rights granted and the shares issued. Refer to note 23 for assumptions used in these calculations.

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

During 2016, 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 cash-settled broad-based employee share scheme. Refer to notes 19 and 23.1.

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 was paid 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.

	2018 R'000	2017 R'000
<b>3. Other income and other gains/(losses) – net</b>		
<b>3.1 OTHER INCOME</b>		
Administration fees received	2 381	2 288
Government grant amortisation	4 191	4 554
Rental income	96 315	103 774
Sundry income and commissions	37 448	32 538
Insurance claims received	77 912	10 441
	<b>218 247</b>	<b>153 595</b>
<b>3.2. OTHER GAINS/(LOSSES) – NET</b>		
<i>Net gains</i>		
Foreign exchange differences	61 744	13 600
Financial assets at fair value through profit or loss		
Fair value adjustments on foreign exchange contracts	3 995	13 603
Fair value adjustments on embedded derivatives	–	581
Cash flow hedging ineffective gains		
Fair value adjustments on foreign exchange contracts	2 263	11 689
Fair value adjustments on futures	3 009	3 458
Agricultural produce fair value adjustment	–	1 423
<b>Total net gains</b>	<b>71 011</b>	<b>44 354</b>
<i>Net losses</i>		
Foreign exchange differences	(12 838)	(20 241)
Financial assets at fair value through profit or loss		
Fair value adjustments on foreign exchange contracts	(51 784)	(22 539)
Fair value adjustments on embedded derivatives	(1 991)	(783)
Cash flow hedging ineffective losses		
Fair value adjustments on foreign exchange contracts	(25 257)	(3 307)
Fair value adjustments on futures	–	(8 785)
<b>Total net losses</b>	<b>(91 870)</b>	<b>(55 655)</b>
<b>Other gains/(losses) – net</b>	<b>(20 859)</b>	<b>(11 301)</b>

	2018 R'000	2017 R'000
<b>4. Sales and distribution costs, marketing costs, administrative expenses and other operating expenses</b>		
The following expenditure by nature is included in the line items as indicated above as well as within cost of goods sold.		
Employee costs	<b>2 689 856</b>	2 547 223
Wages and salaries	<b>2 315 668</b>	2 115 890
Termination benefits	<b>14 593</b>	27 143
Other personnel costs	<b>132 958</b>	124 349
Pension costs	<b>169 910</b>	153 421
Share-based payments	<b>56 727</b>	126 420
Technical services from non-employees	<b>54 602</b>	56 030
Auditors' remuneration	<b>13 109</b>	12 867
Audit – current year	<b>11 997</b>	11 176
Audit – under/(over) provision previous year	<b>101</b>	(45)
Tax-related services	<b>871</b>	538
Other consultation services	<b>140</b>	1 198
Machine rental	<b>65 863</b>	56 149
Rental of vehicles	<b>10 579</b>	10 847
Rental of premises	<b>106 999</b>	89 283
Depreciation and amortisation (refer to notes 12 and 13)	<b>437 726</b>	386 723
Own assets	<b>399 198</b>	354 749
Leased assets	<b>2 649</b>	2 332
Intangible assets	<b>35 879</b>	29 642
Inventory written off	<b>183 657</b>	192 448
Change in provision for impairment of trade receivables – (gain)/loss	<b>(8 968)</b>	1 155
Change in allowance for outstanding credit notes – gain	<b>(692)</b>	(6 153)
Research and development costs	<b>44 369</b>	38 097
Administration fees paid	<b>1 020</b>	943
Post-retirement medical benefits (refer to note 27)	<b>92</b>	115
Long-service awards (refer to note 27)	<b>7 311</b>	6 942
Actuarial loss	<b>180</b>	336
Service costs	<b>7 131</b>	6 606
Share-based payments	<b>56 727</b>	126 420
Broad-based share incentive scheme	<b>(26 017)</b>	(113 863)
Fair value adjustment on forward purchase contracts on own equity	<b>56 109</b>	216 809
Management share appreciation rights	<b>26 635</b>	23 474
Transaction costs – business combinations	<b>7 095</b>	148

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>5. Items of a capital nature</b>		
Net profit on disposal of property, plant and equipment and intangible assets	<b>28 567</b>	6 378
Gross	<b>35 214</b>	5 798
Tax effect	<b>(6 647)</b>	580
Net profit on disposal of available-for-sale financial assets	<b>19 209</b>	3 907
Gross	<b>24 576</b>	4 800
Tax effect	<b>(5 367)</b>	(893)
Fair value adjustment of step-up from joint venture to subsidiary	<b>13 438</b>	(18 705)
Gross	<b>13 438</b>	(18 705)
Tax effect	-	-
Impairment of intangible assets (refer to note 13)	-	(15 087)
Gross	-	(20 954)
Tax effect	-	5 867
Impairment of goodwill (refer to note 13)	-	(10 150)
Gross	-	(10 150)
Tax effect	-	-
Net loss on disposal of equity-accounted investments	-	(19 038)
Gross	-	(17 746)
Tax effect	-	(1 292)
Items of a capital nature before those of joint ventures	<b>61 214</b>	(52 695)
Gross	<b>73 228</b>	(56 957)
Tax effect	<b>(12 014)</b>	4 262
Items of a capital nature of joint ventures	<b>(6 049)</b>	15 950
Gross	<b>(7 309)</b>	15 790
Tax effect	<b>1 260</b>	160
<b>Total</b>	<b>55 165</b>	(36 745)
Gross	<b>65 919</b>	(41 167)
Tax effect	<b>(10 754)</b>	4 422

	2018 R'000	2017 R'000
<b>6. Investment income</b>		
Interest income on financial assets: loans and receivables	16 540	18 968
Joint ventures and associates	1 693	3 082
Accretions of discount	413	227
Call accounts and other	14 434	15 659
Dividend income on available-for-sale financial assets	11 447	3 246
Listed shares	11 433	3 246
Unlisted shares	14	–
	<b>27 987</b>	22 214
<b>7. Finance costs</b>		
Interest cost on financial liabilities measured at amortised cost		
Joint ventures and associates	2 013	1 880
Borrowings	76 051	79 030
Accretions of discount	5 338	719
Provisions: unwinding of discount	9 237	9 698
Call loans and bank overdrafts	68 349	75 468
Redeemable preference shares B-BBEE equity transaction	42 786	44 267
Borrowing costs capitalised	(6 307)	(14 257)
	<b>197 467</b>	196 805

	2018 R'000	2017 R'000
<b>8. Income tax expense</b>		
Current income tax	<b>358 749</b>	230 054
Current year	<b>359 722</b>	230 347
Over provision previous years	<b>(973)</b>	(293)
Deferred income tax		
Current year	<b>40 249</b>	28 733
Withholding tax on dividends		
Current year	–	15
	<b>398 998</b>	258 802

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory rate of 28% (2017: 28%) as follows:

	2018 %	2017 %
Standard rate for companies	<b>28.0</b>	28.0
Increase/(decrease) in rate:		
Exempt income (dividend income and government grants)	<b>(0.3)</b>	(0.2)
Over provision previous years	<b>(0.1)</b>	–
Non-deductible expenditure		
– Finance cost on redeemable preference shares B-BBEE equity transaction	<b>0.8</b>	1.3
– Impairment of goodwill	–	0.3
– Once-off merger and acquisition costs	–	0.5
– Fair value adjustment of step-up from joint venture to subsidiary	–	0.5
– Disposal of equity-accounted investments	–	0.7
– Other	<b>0.9</b>	1.0
Impact of share-based payment gain on broad-based share incentive scheme	<b>(0.5)</b>	(3.2)
Other non-taxable income		
– Fair value adjustment of step-up from joint venture to subsidiary	<b>(0.3)</b>	–
– Other	–	(0.3)
Effect of capital gains tax	<b>(0.2)</b>	(0.5)
Investment allowance on industrial policy projects	<b>(1.3)</b>	–
Other differences	–	(0.1)
Share of profit from associates and joint ventures	–	(1.7)
Effective rate	<b>27.0</b>	26.3

	2018 R'000	2017 R'000
Gross calculated tax losses of certain subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies	<b>305 365</b>	17 747
Less: Utilised in reduction of deferred income tax	<b>(305 365)</b>	(17 747)
Net calculated tax losses carried forward	–	–
Tax relief at current tax rates	–	–

Utilisation of tax losses is dependent on sufficient taxable income being earned in the future by the subsidiaries concerned.



	2018 R'000	2017 R'000
<b>9. Earnings per ordinary share</b>		
<b><i>Basic</i></b>		
The calculation of basic earnings per ordinary share is based on earnings attributable to owners of the parent:	<b>1 072 600</b>	726 003
Divided by the weighted average ordinary shares in issue during the year of 186,668,153 (2017: 186,009,206).		
<b><i>Diluted</i></b>		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. Share options and appreciation rights issued in terms of share incentive schemes have a dilutive effect on earnings per ordinary share. A calculation is made to determine the number of shares that could have been acquired at fair value (determined at the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options as well as share appreciation rights.		
The calculation of diluted earnings per ordinary share is based on earnings attributable to owners of the parent:	<b>1 072 600</b>	726 003

Divided by the diluted weighted average ordinary shares in issue during the year of 196,274,705 (2017: 198,379,143).

Headline earnings ("HE") is calculated based on Circular 4/2018 issued by the South African Institute of Chartered Accountants.

	2018 Number	2017 Number
<b><i>Reconciliation of weighted average ordinary shares in issue during the year</i></b>		
Weighted average ordinary shares	<b>186 668 153</b>	186 009 206
Adjusted for share appreciation rights	–	847 692
Adjusted for B-BBEE equity transaction deemed options	<b>9 606 552</b>	11 522 245
Weighted average ordinary shares for diluted earnings	<b>196 274 705</b>	198 379 143

	2018 R'000	2017 R'000
<b>9. Earnings per ordinary share</b> continued		
<i>Reconciliation between earnings and headline earnings</i>		
<i>Earnings attributable to owners of the parent</i>	<b>1 072 600</b>	726 003
<i>Remeasurements (refer to note 5)</i>		
Gross	<b>(65 919)</b>	41 167
Tax effect	<b>10 754</b>	(4 422)
Net of tax effect	<b>(55 165)</b>	36 745
<b>Headline earnings</b>	<b>1 017 435</b>	762 748
Headline earnings per ordinary share (cents)	<b>545.0</b>	410.1
Diluted earnings per ordinary share (cents)	<b>546.5</b>	366.0
Diluted headline earnings per ordinary share (cents)	<b>518.4</b>	384.5
<b>10. Dividend per ordinary share</b>		
Interim		
21.0 cents (2017: 21.0 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	<b>2 257</b>	2 257
105.0 cents (2017: 105.0 cents) per ordinary share of other shareholders	<b>234 130</b>	233 641
Final		
52.0 cents (2017: 52.0 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	<b>5 588</b>	5 588
260.0 cents (2017: 260.0 cents) per ordinary share of other shareholders	<b>578 322</b>	578 916
	<b>820 297</b>	820 402

Dividends payable are not accounted for until they have been declared by the Board of directors. The statement of changes in equity does not reflect the final dividend payable. The final dividend for the year will be accounted for as an appropriation of retained earnings in the following year.

The total rand value of the final dividend is an approximate amount. The exact amount is dependent on the number of shares in issue at the record date. The final dividend of the prior year was restated to the actual amount paid.

The 10,745,350 Pioneer Foods ordinary shares held by the Pioneer Foods Broad-Based BEE Trust are only entitled to 20% of the dividend.

	2018 R'000	2017 R'000
<b>11. Directors' remuneration</b>		
Non-executive directors		
Fees	5 921	4 979
Executive directors	13 432	16 564
Salaries	9 644	7 574
Retirement benefits	1 275	813
Bonuses and incentives	2 513	–
Restraint of trade payment	–	8 177
Prescribed officer	–	1 615
Salaries	–	1 457
Retirement benefits	–	158
Former executive director		
Restraint of trade payment	6 933	–
Annual remuneration	26 286	23 158
Paid by subsidiaries	(20 365)	(18 179)
Paid by the Company	5 921	4 979

Refer to the directors' remuneration report on page 9 for further detail.

	2018 Number '000	2017 Number '000
<b>Executive directors' and prescribed officer's share incentive scheme</b>		
At beginning of year	1 029	1 409
Change in directorship and in prescribed officer	(156)	220
Forfeited	(98)	(500)
Redeemed	(96)	(238)
New offer at R166.20 per share	–	138
New offer at R134.96 per share	327	–
Share appreciation rights at end of year	1 006	1 029
At R55.42 per share, exercisable up to 5 February 2023	–	4
At R64.52 per share, exercisable up to 9 February 2023	–	50
At R81.55 per share, exercisable up to 31 August 2019	174	500
At R154.19 per share, exercisable up to 13 August 2020	57	81
At R198.71 per share, exercisable up to 21 March 2021	300	150
At R130.21 per share, exercisable up to 15 August 2021	35	66
At R166.20 per share, exercisable up to 22 August 2022	113	178
At R134.96 per share, exercisable up to 14 August 2023	327	–
Share appreciation rights at end of year	1 006	1 029

Refer to the directors' remuneration report on page 12 for further detail.

	2018 R'000	2017 R'000
<b>12. Property, plant and equipment</b>		
<b>12.1 PROPERTY, PLANT AND EQUIPMENT – SUMMARY</b>		
Land and buildings	1 747 541	1 695 889
Plant, machinery and equipment	3 401 643	3 195 127
Vehicles	504 725	465 949
Net carrying value	<b>5 653 909</b>	5 356 965
Property, plant and equipment include items leased by the Group to third parties under operating leases with the following carrying amounts:		
<b>Cost</b>		
As at beginning of year	93 207	129 881
Additions	7 341	1 428
Transfers	(25 946)	(36 811)
Disposals	(786)	(1 291)
	<b>73 816</b>	93 207
<b>Accumulated depreciation</b>		
As at beginning of year	55 229	83 066
Charge for the year	2 637	3 720
Additions and transfers	(13 201)	(30 510)
Disposals	(388)	(1 047)
	<b>44 277</b>	55 229
<b>Net carrying value</b>	<b>29 539</b>	37 978

Refer to note 12.2 for further detail.

Property, plant and equipment in the course of construction amounts to R253,093,721 (2017: R351,660,954).

A register with full detail of property, plant and equipment is available at the Company's registered office.

Refer to note 25 for detail of property, plant and equipment encumbered as security for borrowings from financial institutions.

Leased assets with a carrying value of R56,980,950 (2017: R59,630,083) serve as security for capitalised lease agreements.

No major change in the nature of property, plant and equipment or change in the policy regarding the use thereof took place during the financial year.

During the current financial year borrowing costs of R6,307,575 (2017: R14,256,659) were capitalised against qualifying items of property, plant and equipment. The capitalisation rate used varied between 7.3% and 8.3% (2017: 8.3% and 8.5%).

Plant, machinery and equipment with a cost price of Rnil (2017: R20,529,656) have been capitalised where the Group is a lessee under a finance lease. The lease terms range between 12 to 25 years.

**Change in estimates**

During the current financial year, the Group reassessed the useful lives and residual values of items of property, plant and equipment in line with the accounting policy and IAS 16 – Property, Plant and Equipment.

The useful lives are estimated by management based on historic analysis, benchmarking and other available information. The residual values are based on the assessment of useful lives and other available information.

Based on the latest available and reliable information there was a change in the estimated useful lives and residual values of certain items of property, plant and equipment. The effect of these changes on the depreciation expense in the current year is an increase of R173,852 (2017: an increase of R1,087,226).

	OWN ASSETS			LEASED ASSETS
	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Plant, machinery and equipment R'000
<b>12. Property, plant and equipment</b> continued				
<b>12.2 PROPERTY, PLANT AND EQUIPMENT – DETAIL</b>				
<b>30 September 2018</b>				
<b>Cost</b>				
At 1 October 2017	2 150 203	5 502 789	689 049	65 409
Additions	118 257	361 792	100 991	–
Transfers	222	1 450	(153)	–
Business combinations	28 304	145 576	375	–
Borrowing costs capitalised	1 532	4 775	–	–
Foreign exchange adjustment	550	9 404	134	–
Disposals	(76 977)	(50 470)	(28 453)	–
Transferred from disposal group classified as held for sale	–	7 100	145	–
At 30 September 2018	2 222 091	5 982 416	762 088	65 409
<b>Accumulated depreciation</b>				
At 1 October 2017	454 314	2 367 292	223 100	5 779
Charge for the year	50 048	301 745	47 405	2 649
Transfers	60	871	(66)	–
Foreign exchange adjustment	(162)	4 473	76	–
Depreciation on disposals	(29 710)	(41 510)	(13 261)	–
Transferred from disposal group classified as held for sale	–	4 883	109	–
At 30 September 2018	474 550	2 637 754	257 363	8 428
<b>Net carrying value at 30 September 2018</b>	<b>1 747 541</b>	<b>3 344 662</b>	<b>504 725</b>	<b>56 981</b>
<b>Total – 2018</b>	<b>5 596 928</b>			<b>56 981</b>
<b>Total property, plant and equipment – 2018</b>	<b>5 653 909</b>			

OWN ASSETS			LEASED ASSETS
Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Plant, machinery and equipment R'000

**12. Property, plant and equipment** continued

**12.2 PROPERTY, PLANT AND EQUIPMENT – DETAIL** continued

**30 September 2017**

**Cost**

At 1 October 2016	1 961 515	4 905 907	658 717	44 880
Additions	152 595	690 249	78 089	20 529
Transfers	25 421	(26 189)	425	–
Business combination	17 860	20 226	2 420	–
Borrowing costs capitalised	2 756	11 501	–	–
Foreign exchange adjustment	2 880	5 523	278	–
Disposals	(12 824)	(97 328)	(50 735)	–
Transferred to disposal group classified as held for sale	–	(7 100)	(145)	–
At 30 September 2017	2 150 203	5 502 789	689 049	65 409

**Accumulated depreciation**

At 1 October 2016	408 664	2 190 284	205 244	3 447
Charge for the year	45 058	265 028	44 663	2 332
Transfers	1 987	(3 467)	374	–
Foreign exchange adjustment	1 682	2 933	87	–
Depreciation on disposals	(3 077)	(82 603)	(27 159)	–
Transferred to disposal group classified as held for sale	–	(4 883)	(109)	–
At 30 September 2017	454 314	2 367 292	223 100	5 779

**Net carrying value at 30 September 2017**

	1 695 889	3 135 497	465 949	59 630
<b>Total – 2017</b>	5 297 335			59 630
<b>Total property, plant and equipment – 2017</b>	5 356 965			

	2018 R'000	2017 R'000
<b>13. Intangible assets</b>		
<b>13.1 INTANGIBLE ASSETS – SUMMARY</b>		
Trademarks	<b>602 807</b>	349 292
Goodwill	<b>433 962</b>	331 283
Intellectual property	<b>32 534</b>	17 271
Computer software	<b>130 698</b>	117 095
Net carrying value	<b>1 200 001</b>	814 941
Refer to note 13.2 for further detail.		
The carrying values of the trademarks below are included in the following CGUs (in bold):		
<b>Ceres Fruit Juices</b>		
Ceres	<b>121 654</b>	121 654
<b>Fruit Concentrate Mixtures</b>		
Wild Island	<b>17 144</b>	17 144
W Daly and W Daly & Sons – 11 years (2017: 12 years)	<b>4 584</b>	4 983
<b>Spreads</b>		
Marmite	<b>33 288</b>	33 288
Bovril	<b>33 886</b>	33 886
Pecks	<b>7 202</b>	7 202
Redro	<b>5 328</b>	5 328
<b>Baking Aids</b>		
Moir's	<b>55 741</b>	55 741
Smash	<b>21 506</b>	21 506
Tower	<b>2 116</b>	2 116
<b>Maizena</b>		
Maizena	<b>18 820</b>	18 820
<b>ProNutro</b>		
ProNutro	<b>3 450</b>	3 450
<b>Nature's Source</b>		
Nature's Source	<b>2 650</b>	2 650
<b>Food Concepts Pioneer</b>		
Butterfields – 19 years (2017: 20 years)	<b>18 955</b>	19 966
Yum Yum – 19 years (2017: 20 years)	<b>8 492</b>	8 945
<b>The Good Carb Food Company</b>		
Lizi's	<b>191 604</b>	–
<b>Ambient Foods</b>		
Wellington's	<b>30 118</b>	–
<b>Frozen Foods</b>		
Today's	<b>10 571</b>	–
Mamas	<b>6 346</b>	–
Big Jack	<b>2 871</b>	–
Man's Meal	<b>2 118</b>	–
<b>Other – nil to 8 years (2017: nil to 9 years)</b>	<b>4 363</b>	5 143
<b>Less: Classified as assets held for sale</b>		
Pecks	–	(7 202)
Redro	–	(5 328)
	<b>602 807</b>	349 292

All of the above-mentioned trademarks have indefinite remaining useful lives unless specifically indicated otherwise.



	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>13. Intangible assets</b> continued		
<b>13.1 INTANGIBLE ASSETS – SUMMARY</b> continued		
<i>Impairment test for goodwill and intangible assets</i>		
Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.		
The CGUs, to which a significant amount of goodwill have been allocated, are indicated separately below under each operating segment (in bold):		
<b>Essential Foods</b>	<b>3 280</b>	3 280
<b>Groceries</b>	<b>178 353</b>	178 353
SAD	<b>69 293</b>	69 293
Spreads	<b>40 755</b>	40 755
Maizena	<b>6 033</b>	6 033
Other	<b>5 877</b>	5 877
Fruit Concentrate Mixtures	<b>31 540</b>	31 540
Ceres Fruit Juices	<b>24 855</b>	24 855
<b>International</b>	<b>252 329</b>	149 650
Pioneer Foods (UK)	<b>28 676</b>	28 163
Streamfoods (UK)	<b>84 990</b>	83 475
Food Concepts Pioneer (Nigeria)	<b>38 012</b>	38 012
The Good Carb Food Company (UK)	<b>100 651</b>	–
	<b>433 962</b>	331 283

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management, covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The CGUs have been allocated to the operating segments as set out in note 45.

### 13. Intangible assets continued

#### 13.1 INTANGIBLE ASSETS – SUMMARY continued

##### *Testing of CGUs for impairment*

The Group tests a large number of CGUs for impairment due to a significant number of indefinite life trademarks as well as a significant number of CGUs to which goodwill have been allocated. These CGUs for which impairment tests were performed, operate in various industries, geographical areas, tax jurisdictions and countries (such as the United Kingdom and African countries) with varying degrees of entry barriers and risk profiles of industries. For this reason growth and discount rates used may vary.

##### **Key assumptions used for value-in-use calculations:**

###### **CGUs of Pioneer Foods (UK) legal entities**

Growth rate of 2.7% (2017: 2.0%)

Discount rates of 10.1% to 14.0% (2017: 9.5% to 14.9%)

###### **Food Concepts Pioneer (Nigeria)**

Growth rate of 5.3% (2017: 11.0%)

Discount rate of 23.5% (2017: 36.4%)

###### **Other CGUs**

Growth rate of 5.3% (2017: 5.0%)

Discount rates from 19.6% to 40.5% (2017: 24.0% to 31.1%)

These assumptions have been used for the analysis of each CGU within the business segment. Management determined the budgeted gross margins based on past performance and its expectations for market development. The growth rates used represent the long-term growth rate based on a medium-term outlook on forecasted inflation rates. The discount rates represent a pre-tax rate based on the weighted average cost of capital.

##### ***Impairment losses following the reclassification of the fish paste spreads business as assets held for sale in 2017***

Goodwill amounting to R10,150,000 and the Redro and Pecks trademarks, amounting to R8,910,512 and R12,043,040 respectively, of the fish paste spreads business were impaired in 2017. The assets of this business were presented as "assets of a disposal group classified as held for sale" at 30 September 2017 in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, following the Board's decision to dispose of this business. The fair values of the assets of this business were remeasured at fair value less costs to sell and consequently impairment losses were recognised.

The fair value less costs to sell was determined based on the income valuation approach. In terms of the income valuation approach, the discounted cash flow method is used to determine the present value of projected future cash flows for a cash-generating unit ("CGU") using a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates. The assumptions regarding growth are based on the CGUs' internal forecasts for revenue, operating margins and cash flows for a period of five years and by application of a perpetual long-term growth rate thereafter. Past experience, economic trends as well as market and industry trends were taken into consideration.

##### **The key assumptions used in performing the impairment tests were as follows:**

Pre-tax discount rate of 18.0%

Perpetual growth rate of 5.0%

Income tax rate of 28.0%

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.

	TRADEMARKS R'000	GOODWILL R'000	INTELLECTUAL PROPERTY R'000	COMPUTER SOFTWARE R'000
<b>13. Intangible assets</b> continued				
<b>13.2 INTANGIBLE ASSETS – DETAIL</b>				
<b>30 September 2018</b>				
<b>Cost</b>				
At 1 October 2017	427 675	399 492	33 359	349 721
Additions	–	–	–	45 183
Transfers	–	–	–	(1 519)
Business combinations	241 477	99 522	17 462	–
Foreign exchange adjustment	2 162	3 157	198	72
Disposals	–	–	–	(1 258)
Transferred from disposal group classified as held for sale	35 000	–	–	–
At 30 September 2018	706 314	502 171	51 019	392 199
<b>Accumulated amortisation</b>				
At 1 October 2017	78 383	68 209	16 088	232 626
Charge for the year	2 643	–	2 317	30 919
Transfers	–	–	–	(865)
Foreign exchange adjustment	11	–	80	79
Amortisation on disposals	–	–	–	(1 258)
Transferred from disposal group classified as held for sale	22 470	–	–	–
At 30 September 2018	103 507	68 209	18 485	261 501
<b>Net carrying value at 30 September 2018</b>	<b>602 807</b>	<b>433 962</b>	<b>32 534</b>	<b>130 698</b>
<b>Total intangible assets – 2018</b>	<b>1 200 001</b>			
<b>30 September 2017</b>				
<b>Cost</b>				
At 1 October 2016	433 394	360 905	33 359	310 508
Additions	–	–	–	38 953
Transfers	–	–	–	343
Business combination	29 278	38 012	–	–
Foreign exchange adjustment	3	575	–	235
Disposals	–	–	–	(318)
Transferred to disposal group classified as held for sale	(35 000)	–	–	–
At 30 September 2017	427 675	399 492	33 359	349 721
<b>Accumulated amortisation</b>				
At 1 October 2016	78 351	58 059	15 120	204 252
Charge for the year	1 544	–	968	27 130
Impairments	20 954	10 150	–	–
Transfers	–	–	–	1 106
Foreign exchange adjustment	4	–	–	165
Amortisation on disposals	–	–	–	(27)
Transferred to disposal group classified as held for sale	(22 470)	–	–	–
At 30 September 2017	78 383	68 209	16 088	232 626
<b>Net carrying value at 30 September 2017</b>	<b>349 292</b>	<b>331 283</b>	<b>17 271</b>	<b>117 095</b>
<b>Total intangible assets – 2017</b>	<b>814 941</b>			

	2018 R'000	2017 R'000
<b>14. Investments in joint ventures</b>		
At beginning of year	665 006	769 810
Investment in joint venture	15 000	–
Disposal of investments	(36 362)	(76 525)
Share of (loss)/profit after income tax	(13 770)	53 901
Share of other comprehensive income	2 773	2 530
Dividends received	(52 061)	(84 710)
At end of year	<b>580 586</b>	665 006

Refer to note 15 for further detail.

	<b>BOKOMO BOTSWANA (PTY) LTD 2018 R'000</b>	BOKOMO BOTSWANA (PTY) LTD 2017 R'000	<b>BOKOMO NAMIBIA (PTY) LTD 2018 R'000</b>	BOKOMO NAMIBIA (PTY) LTD 2017 R'000
<b>15. Investments in and loans to/(from) joint ventures</b>				
<b>15.1 INVESTMENTS IN JOINT VENTURES – EQUITY ACCOUNTING</b>				
<b>Summarised statement of financial position</b>				
<i>As at 30 September</i>				
Non-current assets	<b>160 109</b>	93 652	<b>89 111</b>	100 078
Current assets	<b>257 670</b>	287 583	<b>148 939</b>	153 236
Non-current liabilities	<b>(12 148)</b>	(10 861)	<b>(37 030)</b>	(43 433)
Current liabilities	<b>(55 175)</b>	(48 145)	<b>(42 763)</b>	(44 606)
Net assets	<b>350 456</b>	322 229	<b>158 257</b>	165 275
<b>Reconciliation of carrying amount</b>				
Opening carrying amount at 1 October	<b>322 229</b>	346 296	<b>165 275</b>	149 603
Investment in joint venture	–	–	–	–
Share of other comprehensive income	<b>5 547</b>	17 663	–	–
Dividend received	<b>(9 122)</b>	(104 420)	–	–
Profit/(loss) after income tax for the year	<b>31 802</b>	62 690	<b>(7 018)</b>	15 672
Subtotal	<b>350 456</b>	322 229	<b>158 257</b>	165 275
Disposal of investment	–	–	–	–
Closing net assets at 30 September	<b>350 456</b>	322 229	<b>158 257</b>	165 275
Group's share (%)	<b>50.0%</b>	50.0%	<b>50.0%</b>	50.0%
Group's share at 30 September	<b>175 216</b>	161 115	<b>79 129</b>	82 638
Property, plant and equipment	<b>(1)</b>	(2)	–	–
Goodwill	–	–	–	–
Trademarks	–	–	–	–
Customer relationships	–	–	–	–
Unrealised profit in closing stock	<b>(7 405)</b>	(3 598)	<b>(4 093)</b>	(3 543)
Deferred income tax on unrealised profit in closing stock	<b>2 073</b>	1 007	<b>1 146</b>	992
Deferred income tax on intangible assets	–	–	–	–
Deferred income tax on customer relationships	–	–	–	–
Cost to issue shares recognised against share premium	–	–	<b>44</b>	44
Disposal of investments	–	–	–	–
Carrying amount at 30 September	<b>169 883</b>	158 522	<b>76 226</b>	80 131

<b>PIONEER FOODS WELLINGTONS (PTY) LTD 2018 R'000</b>	<b>PIONEER FOODS WELLINGTONS (PTY) LTD 2017 R'000</b>	<b>FOOD CONCEPTS PIONEER LTD 2018 R'000</b>	<b>FOOD CONCEPTS PIONEER LTD 2017 R'000</b>	<b>FUTURE LIFE HEALTH PRODUCTS (PTY) LTD 2018 R'000</b>	<b>FUTURE LIFE HEALTH PRODUCTS (PTY) LTD 2017 R'000</b>	<b>OTHER 2018 R'000</b>	<b>OTHER 2017 R'000</b>	<b>TOTAL 2018 R'000</b>	<b>TOTAL 2017 R'000</b>
-	258 489	-	-	<b>38 461</b>	28 334	<b>229 467</b>	220 831	<b>517 148</b>	701 384
-	371 426	-	-	<b>125 933</b>	142 506	<b>117 629</b>	106 944	<b>650 171</b>	1 061 695
-	(132 966)	-	-	-	-	<b>(64 927)</b>	(59 981)	<b>(114 105)</b>	(247 241)
-	(215 677)	-	-	<b>(43 171)</b>	(43 618)	<b>(71 412)</b>	(91 538)	<b>(212 521)</b>	(443 584)
-	281 272	-	-	<b>121 223</b>	127 222	<b>210 757</b>	176 256	<b>840 693</b>	1 072 254
<b>281 272</b>	336 198	-	54 330	<b>127 222</b>	91 942	<b>176 256</b>	211 383	<b>1 072 254</b>	1 189 752
-	-	-	-	-	-	<b>30 000</b>	-	<b>30 000</b>	-
-	-	-	(12 134)	-	-	-	(454)	<b>5 547</b>	5 075
-	-	-	-	<b>(40 000)</b>	-	<b>(55 000)</b>	(65 000)	<b>(104 122)</b>	(169 420)
<b>(139 349)</b>	(54 926)	-	6 917	<b>34 001</b>	35 280	<b>59 501</b>	42 126	<b>(21 063)</b>	107 759
<b>141 923</b>	281 272	-	49 113	<b>121 223</b>	127 222	<b>210 757</b>	188 055	<b>982 616</b>	1 133 166
<b>(141 923)</b>	-	-	(49 113)	-	-	-	(11 799)	<b>(141 923)</b>	(60 912)
-	281 272	-	-	<b>121 223</b>	127 222	<b>210 757</b>	176 256	<b>840 693</b>	1 072 254
<b>49.9%</b>	49.9%	-	50.1%	<b>50.0%</b>	50.0%	<b>50.0%</b>	49.0% - 50.0%	<b>49.9% - 50.0%</b>	49.0% - 50.1%
<b>70 816</b>	140 354	-	24 605	<b>60 612</b>	63 611	<b>105 380</b>	93 897	<b>491 153</b>	566 220
<b>(1 451)</b>	(1 451)	-	-	-	-	-	-	<b>(1 452)</b>	(1 453)
<b>(26 455)</b>	(26 455)	-	32 201	<b>74 521</b>	74 521	-	-	<b>48 066</b>	80 267
<b>(9 579)</b>	(9 993)	-	19 911	<b>118 450</b>	118 450	<b>3 834</b>	3 834	<b>112 705</b>	132 202
-	-	-	-	<b>6 511</b>	7 420	-	-	<b>6 511</b>	7 420
<b>18</b>	-	-	-	-	-	<b>(20)</b>	(1)	<b>(11 500)</b>	(7 142)
<b>(3)</b>	2	-	-	-	-	<b>6</b>	-	<b>3 222</b>	2 001
<b>3 016</b>	3 016	-	(5 973)	<b>(33 033)</b>	(33 033)	-	-	<b>(30 017)</b>	(35 990)
-	-	-	-	<b>(1 823)</b>	(2 077)	-	-	<b>(1 823)</b>	(2 077)
-	-	-	-	-	-	<b>39</b>	39	<b>83</b>	83
<b>(36 362)</b>	-	-	(70 744)	-	-	-	(5 781)	<b>(36 362)</b>	(76 525)
-	105 473	-	-	<b>225 238</b>	228 892	<b>109 239</b>	91 988	<b>580 586</b>	665 006

	<b>BOKOMO BOTSWANA (PTY) LTD 2018 R'000</b>	BOKOMO BOTSWANA (PTY) LTD 2017 R'000	<b>BOKOMO NAMIBIA (PTY) LTD 2018 R'000</b>	BOKOMO NAMIBIA (PTY) LTD 2017 R'000
<b>15. Investments in and loans to/(from) joint ventures</b> continued				
<b>15.1 INVESTMENTS IN JOINT VENTURES – EQUITY ACCOUNTING</b> continued				
<b>Summarised statement of comprehensive income</b>				
<i>For the year ended 30 September</i>				
Revenue	<b>929 007</b>	1 091 612	<b>543 446</b>	557 752
EBITDA	<b>47 638</b>	81 132	<b>3 046</b>	33 735
Depreciation, amortisation and impairment	<b>(6 333)</b>	(9 149)	<b>(9 329)</b>	(8 712)
Interest income	<b>1 050</b>	922	<b>262</b>	641
Finance costs	<b>(975)</b>	(1 692)	<b>(3 272)</b>	(3 734)
Income tax expense	<b>(9 578)</b>	(8 523)	<b>2 275</b>	(6 258)
Profit/(loss) after income tax	<b>31 802</b>	62 690	<b>(7 018)</b>	15 672
Group's share (%)	<b>50.0%</b>	50.0%	<b>50.0%</b>	50.0%
Share of net profit/(loss)	<b>15 901</b>	31 345	<b>(3 509)</b>	7 836
Eliminate intergroup unrealised profit on property, plant and equipment after income tax	–	–	–	–
Unrealised profit in closing stock after income tax	<b>(2 741)</b>	879	<b>(396)</b>	(306)
Depreciation on trademarks after income tax	–	–	–	–
Depreciation on intellectual property after income tax	–	–	–	–
<b>Share of profit/(loss) after income tax</b>	<b>13 160</b>	32 224	<b>(3 905)</b>	7 530
<b>Share of other comprehensive income</b>	<b>2 773</b>	8 831	–	–
<b>Cash and cash equivalents</b>	<b>12 677</b>	79 807	<b>18 386</b>	(7 609)

**Notes:**

1. Became a subsidiary on 1 June 2018 after control was obtained. Formerly known as Heinz Foods SA (Pty) Ltd.
2. Became a subsidiary on 1 July 2017 after an increase in shareholding.
3. Amigear Ventures (Pty) Ltd was disposed of on 1 April 2017.

	<b>2018 R'000</b>	2017 R'000
<b>15.2 LOANS TO/(FROM) JOINT VENTURES</b>		
<b>Non-current</b>		
<i>Interest-bearing loans</i>		
Alpen Food Company South Africa (Pty) Ltd	<b>14 448</b>	13 063
<i>Interest-free loans</i>		
Heinz Foods SA (Pty) Ltd	–	22 674
	<b>14 448</b>	35 737
<b>Current</b>		
<i>Interest-bearing loans</i>		
Bowman Ingredients (SA) (Pty) Ltd	<b>(21 040)</b>	(14 540)
	<b>(21 040)</b>	(14 540)
	<b>(6 592)</b>	21 197

Loans are secured and interest-bearing, except where indicated otherwise, with no fixed terms of repayment. The interest rate at year-end applicable to interest-bearing loans was 10.0% (2017: 4.3% to 10.3%).

Financial assets that are neither past due nor impaired are considered to be fully performing. The total carrying value of loans to joint ventures was fully performing at year-end. The credit quality of these fully performing loans is considered to be good based on historical default rates.



<b>PIONEER FOODS WELLINGTONS (PTY) LTD 2018 R'000</b>	<b>PIONEER FOODS WELLINGTONS (PTY) LTD 2017 R'000</b>	<b>FOOD CONCEPTS PIONEER LTD 2018 R'000</b>	<b>FOOD CONCEPTS PIONEER LTD 2017 R'000</b>	<b>FUTURE LIFE HEALTH PRODUCTS (PTY) LTD 2018 R'000</b>	<b>FUTURE LIFE HEALTH PRODUCTS (PTY) LTD 2017 R'000</b>	<b>OTHER 2018 R'000</b>	<b>OTHER 2017 R'000</b>	<b>TOTAL 2018 R'000</b>	<b>TOTAL 2017 R'000</b>
<b>360 440</b>	751 391	–	139 762	<b>284 344</b>	296 866	<b>386 454</b>	358 523	<b>2 503 691</b>	3 195 906
<b>(178 330)</b>	(53 174)	–	8 871	<b>45 544</b>	51 031	<b>98 287</b>	75 259	<b>16 185</b>	196 854
<b>(12 994)</b>	(22 013)	–	(3 071)	<b>(3 184)</b>	(4 519)	<b>(13 220)</b>	(11 469)	<b>(45 060)</b>	(58 933)
<b>319</b>	840	–	82	<b>5 147</b>	2 604	<b>3 779</b>	2 096	<b>10 557</b>	7 185
<b>(1 615)</b>	(1 975)	–	(741)	<b>(1)</b>	(5)	<b>(4 973)</b>	(7 490)	<b>(10 836)</b>	(15 637)
<b>53 271</b>	21 396	–	1 776	<b>(13 505)</b>	(13 831)	<b>(24 372)</b>	(16 270)	<b>8 091</b>	(21 710)
<b>(139 349)</b>	(54 926)	–	6 917	<b>34 001</b>	35 280	<b>59 501</b>	42 126	<b>(21 063)</b>	107 759
<b>49.9%</b>	49.9%	–	50.1%	<b>50.0%</b>	50.0%	<b>50.0%</b>	49.0% – 50.0%	<b>49.9% –</b>	49.0% – 50.1%
<b>(69 535)</b>	(27 408)	–	3 465	<b>17 000</b>	17 640	<b>29 751</b>	21 055	<b>(10 392)</b>	53 933
<b>414</b>	621	–	–	–	–	–	–	<b>414</b>	621
<b>13</b>	5	–	–	–	–	<b>(14)</b>	14	<b>(3 138)</b>	592
–	–	–	(591)	–	–	–	–	–	(591)
–	–	–	–	<b>(654)</b>	(654)	–	–	<b>(654)</b>	(654)
<b>(69 108)</b>	(26 782)	–	2 874	<b>16 346</b>	16 986	<b>29 737</b>	21 069	<b>(13 770)</b>	53 901
–	–	–	(6 079)	–	–	–	(222)	<b>2 773</b>	2 530
–	(38 609)	–	–	<b>43 826</b>	57 130	<b>5 247</b>	(8 967)	<b>80 136</b>	81 752
<b>Note 1</b>			<b>Note 2</b>				<b>Note 3</b>		

	2018 R'000	2017 R'000
<b>16. Investments in and loans to associates</b>		
<b>16.1 INVESTMENTS IN ASSOCIATES</b>		
At beginning of year	198 410	16 877
Investment in associate	–	191 514
Disposal of investment	–	(17 959)
Share of profit after income tax	13 811	6 407
Share of other comprehensive income	4 664	1 571
Dividend received	(20 644)	–
At end of year	196 241	198 410

Investments in associates consist of:

	COTTESLOE CONSULTANTS (PTY) LTD 2018 R'000	COTTESLOE CONSULTANTS (PTY) LTD 2017 R'000
<b>Summarised statement of financial position</b>		
<i>As at 30 September</i>		
Non-current assets	–	–
Current assets	–	–
Non-current liabilities	–	–
Current liabilities	–	–
Net assets	–	–
<b>Reconciliation of carrying amount</b>		
At beginning of year	–	54 483
Investment in associate	–	–
Share of other comprehensive income	–	–
Dividend received	–	–
Profit for the year	–	4 327
Subtotal	–	58 810
Disposal of investment	–	(58 810)
Closing net assets at 30 September	–	–
Group's share (%)	–	25%
Group's share at 30 September	–	14 703
Goodwill	–	3 256
Trademarks	–	–
Unrealised profit in closing stock	–	–
Deferred income tax on unrealised profit in closing stock	–	–
Customer relationships	–	–
Deferred income tax on intangible assets	–	–
Deferred income tax on customer relationships	–	–
Disposal of investment	–	(17 959)
Carrying amount at 30 September	–	–

<b>WEETABIX EAST AFRICA LTD 2018 R'000</b>	<b>WEETABIX EAST AFRICA LTD 2017 R'000</b>	<b>TOTAL 2018 R'000</b>	<b>TOTAL 2017 R'000</b>
40 371	43 667	40 371	43 667
100 471	106 621	100 471	106 621
(4 163)	(18 588)	(4 163)	(18 588)
(33 849)	(25 764)	(33 849)	(25 764)
<b>102 830</b>	105 936	<b>102 830</b>	105 936
105 936	–	105 936	54 483
–	91 634	–	91 634
9 348	3 150	9 348	3 150
(41 378)	–	(41 378)	–
28 924	11 152	28 924	15 479
<b>102 830</b>	105 936	<b>102 830</b>	164 746
–	–	–	(58 810)
<b>102 830</b>	105 936	<b>102 830</b>	105 936
<b>49.89%</b>	49.89%	<b>49.89%</b>	25% – 49.89%
51 302	52 852	51 302	67 555
109 166	109 166	109 166	112 422
46 489	46 489	46 489	46 489
(292)	–	(292)	–
82	–	82	–
4 916	5 500	4 916	5 500
(13 947)	(13 947)	(13 947)	(13 947)
(1 475)	(1 650)	(1 475)	(1 650)
–	–	–	(17 959)
<b>196 241</b>	198 410	<b>196 241</b>	198 410

	<b>COTTESLOE CONSULTANTS (PTY) LTD 2018 R'000</b>	COTTESLOE CONSULTANTS (PTY) LTD 2017 R'000
<b>16. Investments in and loans to associates</b> continued		
<b>16.1 INVESTMENTS IN ASSOCIATES</b> continued		
<b>Summarised statement of comprehensive income</b>		
<i>For the year ended 30 September</i>		
Revenue	-	35 157
Net profit after income tax	-	4 327
Group's share (%)	-	25%
Share of associate net profit after income tax	-	1 082
Depreciation on customer relationships after income tax	-	-
Unrealised profit in closing stock after income tax	-	-
<b>Share of profit after income tax</b>	-	1 082
<b>Share of other comprehensive income</b>		
Translation reserve	-	-
<b>16.2 LOANS TO ASSOCIATES</b>		
<b>Non-current</b>		
<i>Interest-bearing loans</i>		
Weetabix East Africa Ltd	-	-

<b>WEETABIX EAST AFRICA LTD 2018 R'000</b>	WEETABIX EAST AFRICA LTD 2017 R'000	<b>TOTAL 2018 R'000</b>	TOTAL 2017 R'000
<b>180 319</b>	83 811	<b>180 319</b>	118 968
<b>28 924</b>	11 152	<b>28 924</b>	15 479
<b>49.89%</b>	49.89%	<b>49.89%</b>	25% – 49.89%
<b>14 430</b>	5 564	<b>14 430</b>	6 646
<b>(409)</b>	(239)	<b>(409)</b>	(239)
<b>(210)</b>	–	<b>(210)</b>	–
<b>13 811</b>	5 325	<b>13 811</b>	6 407
<b>4 664</b>	1 571	<b>4 664</b>	1 571
<b>–</b>	7 593	<b>–</b>	7 593

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>17. Available-for-sale financial assets</b>		
Shares in other companies		
<i>Listed</i>		
At cost	<b>47 218</b>	101 208
Beginning of year	<b>101 208</b>	94 707
Disposals	<b>(61 534)</b>	(12 207)
Other movements	<b>7 544</b>	18 708
Fair value balance at end of year	<b>29 672</b>	35 504
Fair value balance at beginning of year	<b>35 504</b>	32 101
Fair value adjustment for year	<b>18 744</b>	8 203
Fair value adjustment reclassified to profit or loss	<b>(24 576)</b>	(4 800)
	<b>76 890</b>	136 712
<i>Unlisted</i>		
At cost		
Beginning of year	<b>1 380</b>	1 487
Disposals	<b>(358)</b>	(107)
	<b>1 022</b>	1 380
Available-for-sale financial assets at fair value	<b>77 912</b>	138 092

A detailed register is available at the Company's registered office.

Available-for-sale financial assets are denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa. The fair values of listed shares are based on their current bid prices in an active market. The fair values of unlisted shares are based on quoted prices in an "over-the-counter" market for these shares.

Fair value adjustments reclassified to profit or loss arise from the disposal of shares.

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>18. Inventories</b>		
Raw materials	<b>1 331 294</b>	1 347 379
Manufactured products	<b>1 412 476</b>	1 318 648
Packaging and consumables	<b>432 820</b>	367 058
	<b>3 176 590</b>	3 033 085

Inventory carried at net realisable value amounts to R2,413,491 (2017: R11,031,183).

Inventories, with carrying values of R2,911,109,614 (2017: R2,956,426,550), of certain Group companies are pledged as security for general and revolving banking facilities of some of the Group's subsidiaries. Refer to note 25 for further detail.

	2018 R'000	2017 R'000
<b>19. Derivative financial instruments</b>		
<b>19.1 DERIVATIVE FINANCIAL INSTRUMENTS – SUMMARY</b>		
Embedded derivatives	(1 410)	581
Foreign exchange contracts – not earmarked for hedging	(18 677)	12 777
Foreign exchange contracts – cash flow hedges	(5 748)	6 795
Forward purchase contracts on own equity – not earmarked for hedging	149 682	231 339
	<b>123 847</b>	251 492
For the purposes of the statement of financial position derivative financial instruments are presented as follows:		
Non-current assets	128 687	203 059
Current assets	28 024	50 995
Current liabilities	(32 864)	(2 562)
	<b>123 847</b>	251 492

During the year ended 30 September 2016, 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 cash-settled broad-based employee share scheme (for further detail refer to note 23.1).

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

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 prior to 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.

Trading derivatives are classified as current assets or liabilities. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining time to maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining time to maturity of the hedged item is equal to or less than 12 months. The carrying values of derivative financial instruments represent their fair values at the reporting date.

Refer to note 19.2 for further detail.

	2018 FOREIGN AMOUNT '000	2018 RAND AMOUNT R'000	2018 FAIR VALUE R'000
<b>19. Derivative financial instruments</b>			
continued			
<b>19.2 DERIVATIVE FINANCIAL INSTRUMENTS – DETAIL</b>			
<b>19.2.1 Derivative instruments earmarked for hedging (cash flow hedges)</b>			
<b>19.2.1.1 Commodity instruments</b>			
Futures (refer to note 1 below)			7 684
<b>19.2.1.2 Currency forward contracts</b>			
<i>Purchases of foreign exchange contracts</i>			7 022
US dollar	61 505	871 661	7 194
British pound	–	–	–
Euro	172	2 865	(172)
<i>Sales of foreign exchange contracts</i>			
US dollar	10 753	154 870	(12 770)
Base cost adjustment to stock on unrealised FEC gains			(10 834)
<b>Hedging reserve (before income tax)</b>			<b>(8 898)</b>
<b>19.2.2 Other derivative instruments</b>			
<b>19.2.2.1 Currency forward contracts</b>			
<i>Purchases of foreign exchange contracts</i>			3 976
US dollar	8 592	122 620	5 901
British pound	41	768	(33)
Swiss franc	32	474	14
Euro	6 570	110 780	(1 906)
<i>Sales of foreign exchange contracts</i>			(4 003)
US dollar	12 797	182 533	(4 232)
British pound	–	–	–
Singapore dollar	213	2 222	102
Euro	630	10 455	127
Less: Ineffective part of FECs			(18 650)
<b>19.2.2.2 Embedded derivative financial instruments</b>			
Options – supplier purchase contracts			(1 410)
<b>19.2.3 Forward purchase contracts on own equity</b>			<b>149 682</b>

**Note 1:** Disclosed within cash and cash equivalents.



2017 FOREIGN AMOUNT '000	2017 RAND AMOUNT R'000	2017 FAIR VALUE R'000
--------------------------------	------------------------------	-----------------------------

5 617

7 960

34 480	467 611	7 670
158	2 897	177
984	16 191	113

10 184 140 167 (1 165)

(4 397)

8 015

1 960

3 635	49 485	989
851	15 513	187
272	3 819	(3)
2 514	40 851	787

1 543

5 404 73 382 1 803

546 9 887 (260)

- - -

- - -

9 274

581

231 339

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>20. Trade and other receivables</b>		
Trade receivables	<b>2 090 749</b>	1 852 778
Allowance for outstanding credit notes	<b>(35 277)</b>	(33 719)
Provision for impairment	<b>(14 591)</b>	(10 640)
Net trade receivables	<b>2 040 881</b>	1 808 419
Employees	<b>274</b>	275
Prepayments	<b>61 782</b>	39 269
Receivables from related parties (refer to note 36)	<b>59 559</b>	48 858
Value-added tax	<b>65 156</b>	66 021
Loans	<b>37 167</b>	15 433
Other	<b>25 036</b>	19 001
	<b>2 289 855</b>	1 997 276
For the purposes of the statement of financial position trade and other receivables are presented as follows:		
Non-current assets	<b>45 751</b>	15 433
Current assets	<b>2 244 104</b>	1 981 843
	<b>2 289 855</b>	1 997 276
The carrying value of trade and other receivables approximates the fair value thereof at the reporting date.		
An allowance for outstanding credit notes is accounted for based on past experience.		
At year-end trade receivables with a carrying value of R1,702,075,331 (2017: R1,613,803,377) of certain Group companies were pledged as security for general and revolving banking facilities of some of the Group's subsidiaries. Refer to note 25 for further detail.		
Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amounts of fully performing financial assets included in trade and other receivables at year-end are:		
National customers	<b>796 669</b>	735 783
Other customers	<b>1 115 578</b>	1 038 951
	<b>1 912 247</b>	1 774 734

	2018 R'000	2017 R'000
<b>20. Trade and other receivables continued</b>		
The credit quality of fully performing financial assets included in trade and other receivables is supported by the high proportion of the carrying value that can be ascribed to national customers, especially in the formal retail sector. The credit quality of the customer base is considered to be good based on historical default rates.		
Financial assets included in trade and other receivables that are outside their normal payment terms are considered to be past due. The following represents an analysis of the past due number of days of financial assets that are past due, but not impaired:		
National customers		
Up to 30 days	20 005	3 472
31 to 60 days	34 239	9 096
61 to 90 days	5 249	1 501
91 to 120 days	2 459	131
More than 120 days	2 862	288
	<b>64 814</b>	14 488
Other customers		
Up to 30 days	128 265	59 720
31 to 60 days	41 515	21 584
61 to 90 days	11 136	4 636
91 to 120 days	3 165	2 230
More than 120 days	1 775	14 594
	<b>185 856</b>	102 764
<b>Total</b>	<b>250 670</b>	117 252
Individually impaired receivables where indicators of impairment are present, comprise a number of non-material customers. The following trade receivables were impaired at year-end:		
National customers	-	-
Other customers	14 591	10 640
<b>Total</b>	<b>14 591</b>	10 640

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>20. Trade and other receivables continued</b>		
Interest charged on impaired trade receivables amounts to Rnil (2017: Rnil).		
Movements on the Group's provision for impairment of trade receivables are as follows:		
At 1 October	<b>10 640</b>	6 802
Provision for impairment of receivables raised	<b>12 094</b>	10 220
Provision for impairment utilised during the year	<b>(1 029)</b>	(5 336)
Business combination	–	2 489
Unused amounts reversed	<b>(7 122)</b>	(3 729)
Foreign exchange translation adjustment	<b>8</b>	194
At 30 September	<b>14 591</b>	10 640
The Group holds a number of categories of collateral as security for trade receivable balances. These collateral categories include mortgage bonds and notarial bonds, credit insurance, cession of trade receivables, various guarantees and letters of credit.		
Fair value of collateral held against trade receivables at year-end (limited to the individual trade receivable balance):		
National customers	–	–
Other customers	<b>671 189</b>	627 183
	<b>671 189</b>	627 183
The carrying amount of the Group's trade receivables is denominated in the following currencies:		
<b><i>Covered by means of foreign exchange contracts</i></b>	<b>193 372</b>	73 171
Euro	<b>10 369</b>	–
US dollar	<b>180 831</b>	73 171
Other currencies	<b>2 172</b>	–
<b><i>Uncovered</i></b>	<b>1 897 377</b>	1 779 607
Euro	<b>9 574</b>	17 248
British pound	<b>263 051</b>	208 324
US dollar	<b>40 009</b>	96 939
SA rand	<b>1 573 057</b>	1 442 516
Other currencies	<b>11 686</b>	14 580
Total	<b>2 090 749</b>	1 852 778
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	<b>263 051</b>	208 324
Other receivables are largely denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.		

	2018 R'000	2017 R'000
<b>21. Cash and cash equivalents</b>		
Cash at bank and on hand	589 123	157 019
Short-term bank deposits	539 647	273 770
	<b>1 128 770</b>	430 789
The effective interest rate at reporting date on short-term bank deposits was between 6.0% and 7.5% (2017: 6.8% and 7.7%).		
For the purposes of the statement of cash flows, the year-end cash, cash equivalents and bank overdrafts comprise the following:		
Cash and short-term deposits	1 128 770	430 789
Short-term borrowings		
Bank overdrafts	(95 258)	(128 340)
	<b>1 033 512</b>	302 449
The Group's cash equivalents and short-term deposits are placed with creditable financial institutions with appropriate credit ratings.		
The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:		
Euro	1 385	6 036
British pound	35 636	34 544
US dollar	1 323	578
SA rand	1 034 273	373 992
Other currencies	56 153	15 639
Total	<b>1 128 770</b>	430 789
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	<b>35 636</b>	34 544

The majority of the Group's cash and cash equivalents is denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.

The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.

At year-end bank accounts with a carrying value of R868,171,875 (2017: R241,070,860) were ceded as security for general and revolving banking facilities of some of the Group's subsidiaries.

**Restricted balances:**

Cash and cash equivalents include restricted balances of R45.6 million (2017: R28.2 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the subsidiary company when the related derivative positions are closed. The subsidiary company has the discretion to close these derivative positions at any time.

	2018 R'000	2017 R'000
<b>22. Share capital</b>		
<b><i>Authorised – ordinary shares of 10 cents each</i></b>		
400,000,000 (2017: 400,000,000) ordinary shares	40 000	40 000
<b><i>Authorised – class A ordinary shares of 10 cents each</i></b>		
18,130,000 (2017: 18,130,000) class A ordinary shares	1 813	1 813
<b><i>Total issued and fully paid – ordinary shares of 10 cents each</i></b>		
At beginning of year: 233,379,445 (2017: 232,472,909) ordinary shares	23 340	23 249
Issued to management in terms of share appreciation rights scheme: 423,880 (2017: 906,536) ordinary shares	42	91
Shares bought back and cancelled: 626,258 (2017: Nil) ordinary shares	(63)	–
At end of year: 233,177,067 (2017: 233,379,445) ordinary shares	23 319	23 340
<b><i>Shares issued in terms of share appreciation rights scheme</i></b>		
During the year, the Company issued 423,880 (2017: 906,536) ordinary shares of 10 cents each at an average of R121.54 (2017: R163.49) per share in terms of the share appreciation rights scheme.		
<b><i>Shares issued in terms of the B-BBEE equity transaction</i></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 also acquired a further 145,362 listed ordinary shares in 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 from time to time.		
<b><i>Shares bought back and cancelled</i></b>		
During the year, the Company bought back and cancelled 626,258 (2017: Nil) listed ordinary shares at R108.34 (2017: Rnil) per share.		
<b><i>Treasury shares of 10 cents each – nominal value</i></b>		
<b><i>Treasury shares held by management share incentive trust</i></b>		
At beginning of year: Nil (2017: 47,620) ordinary shares	–	5
Net treasury shares sold to participants: Nil (2017: 47,620) ordinary shares	–	(5)
At end of year: Nil (2017: Nil) ordinary shares	–	–

	2018 R'000	2017 R'000
<b>22. Share capital</b> continued		
<b><i>Treasury shares held by B-BBEE equity transaction participants</i></b>		
At beginning and at end of year: 18,091,661 (2017: 18,091,661) ordinary shares	<b>1 809</b>	1 809
<b><i>Treasury shares held by Pioneer Foods Broad-Based BEE Trust</i></b>		
At beginning and at end of year: 10,745,350 (2017: 10,745,350) ordinary shares	<b>1 075</b>	1 075
<b><i>Treasury shares held by subsidiary</i></b>		
At beginning and at end of year: 17,982,056 (2017: 17,982,056) ordinary shares	<b>1 798</b>	1 798
<b><i>Total treasury shares – nominal value</i></b>		
At beginning of year	<b>4 682</b>	4 687
Ordinary shares sold by management share incentive trust (at strike price)	–	(5)
At end of year	<b>4 682</b>	4 682
<b><i>Net listed ordinary share capital – nominal value</i></b>		
Total issued and fully paid ordinary shares	<b>23 319</b>	23 340
Treasury shares held by B-BBEE equity transaction participants	<b>(1 809)</b>	(1 809)
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	<b>(1 075)</b>	(1 075)
Treasury shares held by subsidiary	<b>(1 798)</b>	(1 798)
	<b>18 637</b>	18 658
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><i>Treasury shares – carrying amount</i></b>		
Consist of:		
Treasury shares held by B-BBEE equity transaction participants	<b>999 288</b>	999 288
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	<b>24 000</b>	24 000
Treasury shares held by subsidiary	<b>163 113</b>	163 113
	<b>1 186 401</b>	1 186 401
<b><i>Issued and fully paid – unlisted class A ordinary shares of 10 cents each held by employee share scheme trust</i></b>		
At beginning of year: 3,174,920 (2017: 3,707,830) class A ordinary shares	<b>318</b>	371
Bought back and cancelled: 296,240 (2017: 532,910) class A ordinary shares	<b>(30)</b>	(53)
At end of year: 2,878,680 (2017: 3,174,920) class A ordinary shares	<b>288</b>	318

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

	2018 Number	2017 Number
<b>23. Share-based payments</b>		
<b>23.1 BROAD-BASED EMPLOYEE SHARE SCHEME (CASH-SETTLED)</b>		
<p>During 2006, the Group introduced a broad-based employee share scheme for all employees employed at that time, other than management qualifying for the share-based compensation scheme. In terms of the scheme, employees received class A ordinary shares with full voting rights and dividend rights equal to 30% of that of ordinary shares. Once the notional threshold debt has been repaid, class A ordinary shares will convert into ordinary shares.</p> <p>In case of termination of employment prior to the final date the resultant actions depend on whether the employee is considered to be a 'good leaver' or an 'other leaver'.</p> <p>An employee is considered to be a 'good leaver' if employment is terminated because of:</p> <ul style="list-style-type: none"> <li>• Death</li> <li>• Permanent disability</li> <li>• Retirement</li> <li>• Retrenchment</li> <li>• Sale of business</li> <li>• Termination for a reason that in the discretion of the Board has the effect of qualifying the employee as a 'good leaver'</li> <li>• Any other reason after the lapse of a period of five years</li> </ul> <p>An employee is considered to be an 'other leaver' in the event that termination takes place within a period of five years for any reason other than that constituting a 'good leaver', or an employee fails to adhere to the provisions of the scheme. The period of five years ended at 31 January 2011, therefore subsequent to this date every leaver is regarded as a 'good leaver'.</p> <p>The class A ordinary shares of 'good leavers' will be purchased by the Company at a price equal to the market value of an ordinary share, less the notional threshold debt. The purchase price will, at the option of the Company, either be settled in cash, or be utilised on behalf of the 'good leaver' to subscribe for ordinary shares at the market value of ordinary shares.</p> <p>The class A ordinary shares of 'other leavers', purchased up to 31 January 2011, were purchased by the Company at R0.01.</p>		
<b>Reconciliation of number of class A ordinary shares</b>		
Balance at beginning of year	<b>3 174 920</b>	3 707 830
Good leavers – purchased by the Company	<b>(296 240)</b>	(532 910)
Balance at end of year	<b>2 878 680</b>	3 174 920



	2018	2017
<b>23. Share-based payments</b> continued		
<b>23.1 BROAD-BASED EMPLOYEE SHARE SCHEME (CASH-SETTLED)</b> <b>continued</b>		
The estimated fair value of a class A ordinary share on 30 September 2018 was R59.90 (2017: R79.47). The fair value per class A ordinary share was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based Payment. The gain accounted for during the current year amounted to R26,017,392 (2017: a gain of R113,862,639).		
These fair values were calculated using the Actuarial Binomial Option Pricing Model. The principal assumptions were as follows:		
Ordinary share price at 30 September (cents per share)	<b>9 200</b>	11 275
Notional loan amount at 30 September (cents per share)	<b>3 281</b>	3 293
Prime rate at 30 September	<b>10.0%</b>	10.3%
Expected volatility	<b>23.9% – 28.0%</b>	23.2% – 28.1%
Expected duration to repay notional debt (years)	<b>Note 1</b>	Note 1
Expected dividend yield	<b>2.5%</b>	2.5%
Risk-free rate	<b>7.7% – 9.0%</b>	7.1% – 8.6%
Expected volatility for the current year was determined by calculating the volatility of the share price of Pioneer Food Group Ltd.		
The principal assumptions used to calculate the expected number of shares that will vest, are as follows:		
Expected rate of “leavers” (including “other leavers”) (per annum)	<b>Note 1</b>	Note 1

**Note 1:** All employees to have left the scheme by 2026 with an equal number leaving each year.

	2018 Number '000	2017 Number '000
<b>23. Share-based payments continued</b>		
<b>23.2 MANAGEMENT SHARE APPRECIATION RIGHTS SCHEME (EQUITY-SETTLED)</b>		
The Group adopted a share appreciation rights scheme for qualifying management during the year ended 30 September 2008.		
The exercise of vested share appreciation rights entitles the employee to ordinary shares in Pioneer Food Group Ltd. This number of shares is calculated by dividing the amount by which the share price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the share price at the exercise date.		
<b><i>Number of share appreciation rights made available</i></b>		
Number at beginning of year	6 946	8 719
Expired/forfeited	(799)	(872)
Redeemed	(1 079)	(1 700)
New allocation at R166.20 per share	–	799
New allocation at R134.96 per share	1 824	–
Number at end of year	6 892	6 946
<b><i>Number of share appreciation rights</i></b>		
At R25.48 per share, exercisable up to 8 June 2018	–	48
At R24.20 per share, exercisable up to 26 February 2019	20	46
At R33.89 per share, exercisable up to 8 February 2020	263	291
At R48.74 per share, exercisable up to 7 February 2021	71	81
At R60.34 per share, exercisable up to 9 February 2022	177	193
At R60.34 per share, exercisable up to 16 February 2022 (BEE special grant)	65	87
At R55.42 per share, exercisable up to 5 February 2023	158	200
At R55.42 per share, exercisable up to 5 February 2023 (BEE special grant)	16	35
At R64.52 per share, exercisable up to 9 February 2023	–	50
At R72.67 per share, exercisable up to 31 May 2018	–	127
At R79.20 per share, exercisable up to 17 June 2023	–	22
At R80.41 per share, exercisable up to 30 September 2023	19	19
At R81.55 per share, exercisable up to 31 August 2019	1 212	2 478
At R81.55 per share, exercisable up to 28 February 2024 (BEE special grant)	231	236
At R111.66 per share, exercisable up to 1 February 2020	37	73
At R154.19 per share, exercisable up to 13 August 2020	514	620
At R154.19 per share, exercisable up to 13 February 2025 (BEE special grant)	82	83
At R185.56 per share, exercisable up to 1 December 2021	43	52
At R198.71 per share, exercisable up to 21 March 2021	500	500
At R182.05 per share, exercisable up to 3 June 2021	51	51
At R130.21 per share, exercisable up to 15 August 2021	735	737
At R130.21 per share, exercisable up to 15 February 2026 (BEE special grant)	119	119
At R166.20 per share, exercisable up to 22 August 2022	772	798
At R134.96 per share, exercisable up to 14 August 2023	1 807	–
	6 892	6 946

2018

2017

**23. Share-based payments** continued**23.2 MANAGEMENT SHARE APPRECIATION RIGHTS SCHEME (EQUITY-SETTLED) continued**

Share appreciation rights were granted on 14 February 2018 at a strike price of R134.96. Vesting takes place over a five-year period with the first 33.3% vesting on 14 February 2021 subject to certain time and performance based criteria.

The net estimated weighted average fair value per share appreciation right at 30 September 2018 is R22.08 (2017: R20.28). The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based Payment. The cost accounted for in the current year amounts to R26,635,100 (2017: R23,473,899).

These fair values were calculated using the Actuarial Binomial Option Pricing Model.

The principal assumptions were as follows:

Weighted average share price at grant date (cents per share)	<b>8 554</b>	8 035
Expected volatility	<b>18.5% – 30.9%</b>	18.5% – 30.9%
Expected dividend yield	<b>2.0% – 4.1%</b>	2.0% – 4.1%
Risk-free rate	<b>5.4% – 8.9%</b>	5.4% – 8.9%
Expected life (years)	<b>1 – 6</b>	1 – 6

Expected volatility for the current year was determined by calculating the volatility of the share price of Pioneer Food Group Ltd.

The Board initially approved a maximum number of 14,500,000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2018, 9,919,990 (2017: 10,343,870) ordinary shares were still available for issue.

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>24. Other reserves</b>		
Fair value reserve	<b>29 667</b>	29 099
Foreign currency translation reserve	<b>105 792</b>	77 751
Hedging reserve	<b>(6 782)</b>	5 744
Equity compensation reserve	<b>60 207</b>	100 510
	<b>188 884</b>	213 104

The fair value reserve relates to the difference between the fair value and cost price of investments in listed and unlisted shares, classified as available-for-sale financial assets.

The foreign currency translation reserve relates to exchange differences arising from translation of foreign subsidiaries', joint ventures' and the associate's statements of comprehensive income at average exchange rates for the year and their statements of financial position at the ruling exchange rates at the reporting date if the functional currency differs.

The hedging reserve relates to the change in fair value of derivative financial instruments. These derivative financial instruments include futures and forward exchange contracts. Refer to note 19 for further detail.

The fair value of share appreciation rights issued to qualifying management are accounted for in the equity compensation reserve over the vesting periods. The reserve is adjusted at each reporting date when the entity revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to this reserve in other comprehensive income for equity-settled plans.

	2018 R'000	2017 R'000
<b>25. Borrowings</b>		
<b>25.1 BORROWINGS – SUMMARY</b>		
<i>Non-current</i>		
Secured financing		
Lease agreements	61 498	61 494
Syndicated	1 184 868	–
B-BBEE equity transaction: redeemable preference shares	–	433 141
Instalment sale agreements	137 347	204 089
Other	21 367	–
Total non-current	1 405 080	698 724
<i>Current</i>		
Secured financing		
Lease agreements	1 388	1 298
Syndicated	686	602 775
B-BBEE equity transaction: redeemable preference shares	451 494	33 679
Instalment sale agreements	67 447	39 913
Other	738	5 194
Bank overdrafts	95 258	128 340
Total current	617 011	811 199
Total borrowings	2 022 091	1 509 923
The carrying values of borrowings approximate their fair values at the reporting date and are denominated in the following currencies:		
British pound	280 124	118 184
US dollar	1	–
SA rand	1 719 861	1 386 545
Other currencies	22 105	5 194
Total	2 022 091	1 509 923
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	280 124	118 183

Refer to note 25.2 for further detail.

The level of borrowings is within the limits prescribed by the memorandum of incorporation of the Company and its subsidiaries.

## 25. Borrowings continued

### 25.1 BORROWINGS – SUMMARY continued

#### *Security provided for syndicated and other loans*

In September 2018 the Group concluded syndicated financing in the form of bullet loans and revolving, seasonal and general banking facilities of up to R4.2 billion (2017: R3.1 billion) and a GBP10 million (2017: GBP nil) term loan with FirstRand Bank Ltd, The Standard Bank of South Africa Ltd, ABSA Bank Ltd, Nedbank Ltd and Old Mutual Specialised Finance (Pty) Ltd. The new facilities include a seasonal annual spike of R600 million (2017: Rnil) from 1 March to 30 June in short term facilities.

These loans and facilities are secured by mortgages over certain immovable properties with carrying values of R1,117,880,133 (2017: R997,075,660) at year-end, special notarial bonds over certain items of plant and equipment with carrying values of R1,889,055,913 (2017: R304,392,530) at year-end and general notarial bonds over all movable assets of Pioneer Foods (Pty) Ltd, Pioneer Foods Groceries (Pty) Ltd and Ceres Fruit Juices (Pty) Ltd.

Security provided includes cessions of certain Group companies' inventories and trade receivables, as well as all insurance policies and bank accounts. At year-end inventories, trade receivables and bank accounts ceded as security for this purpose amounted to R2,911,109,614 (2017: R2,956,426,550), R1,702,075,331 (2017: R1,613,803,377) and R868,171,875 (2017: R241,070,860) respectively.

Pioneer Food Group Ltd subordinated all its claims against the obligors (Pioneer Foods Holdings Ltd, Pioneer Foods (Pty) Ltd, Pioneer Foods Groceries (Pty) Ltd and Ceres Fruit Juices (Pty) Ltd) to all the lenders' claims arising from the debt structure. It also guarantees the repayment of all the loan obligations of the obligors and ceded its subordinated claims against the obligors to the security SPV and undertakes to remain an investment company with its only assets being investments in Pioneer Foods Holdings Ltd and its overall inter-company claims.

In terms of the syndicated financing agreement ("the agreement") prior approval is required from the lenders for the following most notable events:

- Further borrowings by the Group that exceed R410 million, utilising the syndicated security provided over the existing syndicated facilities.
- Further borrowings incurred by Pioneer Foods UK Ltd that exceed GBP10 million (including the existing facilities).
- The disposal of property, plant and equipment encumbered in terms of the agreement.
- The disposal of assets (not pledged as security) if the aggregate net proceeds exceed R500 million over the term of the agreement.
- Security provided other than those provided in the ordinary course of business.

At 30 September 2018 the Group complied with the financial covenants of the syndicated borrowing facilities as indicated in note 31.

#### *B-BBEE equity transaction*

During 2012, the Company issued 28,691,649 shares to the value of R1,000,347,998 to strategic BEE partners, former and current black directors of the Company (hereafter collectively referred to as "BEE Investors") and the Pioneer Foods Broad-Based BEE Trust in terms of a B-BBEE equity transaction. The subscription price for these share issues was mainly financed by Pioneer Foods' wholly owned subsidiary, Pioneer Foods (Pty) Ltd, and by third-party funding from Rand Merchant Bank Ltd, a division of FirstRand Bank Ltd ("RMB"). The strategic BEE partners contributed 10% of the subscription price. The current and former black directors of the Company and the Pioneer Foods Broad-Based BEE Trust did not contribute to the subscription price.

In order to give effect to the financial assistance provided, the BEE Investors' SPVs issued variable rate cumulative A preference shares to RMB at a dividend rate of 82.5% of the prime interest rate and B preference shares to Pioneer Foods at a dividend rate of 99% of the prime interest rate. During the 2013 financial year certain issuers of the A preference shares elected to fix, from 1 April 2013, the A preference share dividend rate at 9.5% per annum for the remainder of the financing period. The total outstanding value of the issued A preference shares is R451,494,165 (2017: R466,819,945) of which R421,196,055 (2017: R435,335,923) is now at a fixed dividend rate of 9.5%.

The preference shares do not have voting rights, except in respect of certain resolutions such as those affecting the rights of preference shares. Preference shares are treated as borrowings and the related dividends as interest in terms of IFRS accounting principles.

#### *Security provided for B-BBEE equity transaction*

In terms of the B-BBEE equity transaction RMB provided BEE Investors with finance in the form of cumulative redeemable preference shares. Pioneer Foods (Pty) Ltd provided RMB with a guarantee amounting to R100 million for this financial assistance.

**25. Borrowings** continued**25.1 BORROWINGS – SUMMARY** continued**Security provided for other borrowings**

Secured loans were obtained to facilitate the expansion of the bakeries fleet. This expansion was financed by instalment sale agreements, expiring within three to five years. The instalment sale agreements bear interest at prime less 1.96% and interest is compounded quarterly.

The borrowings outstanding at year-end in respect of these agreements amounted to R204,794,491 (2017: R244,002,445).

The borrowings are secured by the vehicles purchased in terms of the instalment sale agreements. The carrying value of these assets as at 30 September 2018 amounted to R244,602,254 (2017: R238,410,946).

For further detail on security provided for other loans refer to note 25.2.

	YEAR OF REDEMPTION	INTEREST RATE AT YEAR-END (%)	2018 R'000	2017 R'000
<b>25.2 BORROWINGS – DETAIL</b>				
<b>25.2.1 Secured financing</b>				
<b>Lease agreements</b>			<b>62 886</b>	62 792
Monthly payments	2028	6.5	<b>8 411</b>	8 984
Instalment of R94,951 (2017: R94,951).				
Monthly payments	2029	7.0	<b>11 892</b>	12 618
Instalment of R132,128 (2017: R132,128).				
Monthly payments	2041	9.3	<b>7 850</b>	7 621
Instalment of R37,119 (2017: R37,119).				
Monthly payments	2042	10.8	<b>8 541</b>	8 240
Instalment of R42,311 (2017: R42,311).				
Monthly payments	2041	9.2	<b>12 954</b>	12 589
Instalment of R69,930 (2017: R64,027).				
Monthly payments	2041	10.1	<b>3 519</b>	3 401
Instalment of R21,040 (2017: R19,264).				
Monthly payments	2041	9.6	<b>4 018</b>	3 890
Instalment of R19,577 (2017: R19,577).				
Monthly payments	2042	12.9	<b>5 701</b>	5 449
Instalment of R40,943 (2017: R37,485).				
<b>Syndicated loans</b>			<b>1 185 554</b>	602 775
Quarterly payments (bullet loan)	2021	8.3	<b>350 237</b>	–
Instalment (interest only) of R7,436,301 (2017: Rnil).				
Quarterly payments (bullet loan)	2021	2.8	<b>92 434</b>	–
Instalment (interest only) of R642,690 (2017: Rnil).				
Quarterly payments (bullet loan)	2021	2.8	<b>92 434</b>	–
Instalment (interest only) of R642,690 (2017: Rnil).				
Quarterly payments (bullet loan)	2021	8.3	<b>150 102</b>	–
Instalment (interest only) of R3,186,986 (2017: Rnil).				
Quarterly payments (bullet loan)	–	–	–	602 775
Instalment (interest only) of Rnil (2017: R12,628,307).				
Quarterly payments (bullet loan)	2023	8.5	<b>500 347</b>	–
Instalment (interest only) of R10,880,822 (2017: Rnil).				
Secured by mortgages over immovable property, special notarial bonds over specific items of property, plant and equipment and general notarial bonds over all movable assets of specific Group subsidiaries, as well as cessions of certain Group bank accounts and insurance policies. Refer to note 25.1 for further detail.				
Subtotal			<b>1 248 440</b>	665 567

	YEAR OF REDEMPTION	INTEREST RATE AT YEAR-END (%)	2018 R'000	2017 R'000
<b>25. Borrowings</b> continued				
<b>25.2 BORROWINGS – DETAIL</b> continued				
<b>25.2.1 Secured financing</b> continued				
Subtotal			<b>1 248 440</b>	665 567
<b>Redeemable preference shares:</b>				
2019	8.7 – 9.5		<b>451 494</b>	466 820
Accumulated dividends and capital are repaid as dividend income from investments are received.				
Secured by a guarantee of R100 million by a Group subsidiary.				
<b>Other loans:</b>				
Monthly payments	2023	10.0	<b>22 105</b>	5 194
Instalment of R368,417 (2017: R519,432).				
Secured by a charge over specific assets of the subsidiary company.				
Quarterly payments	2019 – 2021	8.0	<b>204 794</b>	240 422
Instalment of R13,189,936 (2017: R13,353,060).				
Carrying value of vehicles encumbered in terms of instalment sale agreements.				
Quarterly payments	–	–	–	3 580
Instalment of Rnil (2017: R2,184,096).				
Carrying value of vehicles encumbered in terms of instalment sale agreements.				
<b>Total amount owing – secured financing</b>			<b>1 926 833</b>	1 381 583
Portion of liabilities payable within one year included in current liabilities			<b>(521 753)</b>	(682 859)
<i>Secured financing</i>				
Lease agreements			<b>(1 388)</b>	(1 298)
Syndicated and other			<b>(68 871)</b>	(647 882)
Redeemable preference shares			<b>(451 494)</b>	(33 679)
			<b>1 405 080</b>	698 724
<b>25.2.2 Finance lease liabilities</b>				
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:				
Capital amount				
Not later than one year			<b>1 388</b>	1 298
Later than one year, but not later than five years			<b>6 595</b>	6 164
Later than five years			<b>54 903</b>	55 330
			<b>62 886</b>	62 792
Interest cost				
Not later than one year			<b>4 352</b>	4 191
Later than one year, but not later than five years			<b>19 587</b>	18 537
Later than five years			<b>74 045</b>	80 840
			<b>97 984</b>	103 568
Instalment				
Not later than one year			<b>5 740</b>	5 489
Later than one year, but not later than five years			<b>26 182</b>	24 701
Later than five years			<b>128 948</b>	136 170
			<b>160 870</b>	166 360



	2018 R'000	2017 R'000
<b>26. Deferred income tax</b>		
Balance at beginning of year	661 849	578 472
Charge in profit or loss	40 249	28 733
Foreign exchange translation adjustment	842	(767)
Deferred income tax on foreign exchange contracts charged to equity	(5 315)	(1 418)
Deferred income tax on share-based payment of share appreciation rights	15 419	57 561
Deferred income tax on fair value adjustments of available-for-sale financial assets charged to equity	(6 400)	(634)
Deferred income tax on remeasurement of post-retirement medical benefits	846	609
Business combinations	2 768	(707)
	<b>710 258</b>	661 849
Due to the following temporary differences:		
Capital allowances, including trademarks	1 045 645	880 548
Inventories	(8 347)	(1 334)
Provision for post-retirement medical benefits and long-service awards	(31 415)	(31 481)
Leave accrual	(37 707)	(32 970)
Bonus accrual	(28 748)	(26 109)
Audit fees accrual	(2 137)	(1 889)
Prepaid expenses	9 856	4 449
Provision for impairment of trade receivables	(1 880)	(949)
Rebates, growth incentives and settlement discount accruals	(36 865)	(27 340)
Assessed losses	(84 172)	(3 608)
Hire-purchases and leased assets	(1 653)	(885)
Reinsurance commission received in advance	–	(533)
Fair value adjustments on available-for-sale financial assets	–	6 400
Allowance for credit notes	(9 877)	(9 441)
Deferred income	(4 209)	(2 093)
Derivative financial instruments	(66 107)	(51 038)
Share-based payments	(15 905)	(38 292)
Accruals – personnel costs	(6 640)	(6 525)
Other	(9 581)	4 939
	<b>710 258</b>	661 849
For the purposes of the statement of financial position deferred income tax is presented as follows:		
Non-current assets	55 847	12 539
Non-current liabilities	(766 105)	(674 388)
	<b>(710 258)</b>	(661 849)

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>27. Provisions for other liabilities and charges</b>		
<b>27.1 POST-RETIREMENT MEDICAL BENEFITS</b>		
Balance at beginning of year	<b>57 700</b>	59 727
Interest cost	<b>4 883</b>	5 263
Remeasurements	<b>(3 020)</b>	(2 175)
Actuarial (gain)/loss from change in demographic assumptions	<b>(936)</b>	923
Actuarial gain from change in financial assumptions	<b>(2 084)</b>	(3 098)
Service cost	<b>92</b>	115
Payments	<b>(5 230)</b>	(5 230)
	<b>54 425</b>	57 700
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	<b>54 425</b>	57 700
The historical present values for the three years prior to the comparative period of the unfunded obligation were as follows:		
2016 – R59,727,000.		
2015 – R61,061,000.		
2014 – R59,811,000.		
Expected maturity analysis of undiscounted post-employment medical benefits:		
Not later than a year	<b>5 387</b>	5 300
Later than one year, but not later than two years	<b>5 465</b>	5 456
Later than two years, but not later than five years	<b>15 308</b>	15 216
Later than five years	<b>114 868</b>	130 169
Total	<b>141 028</b>	156 141

The weighted average duration of the defined obligation is 8.6 years (2017: 8.5 years).

Existing provisions are based on the following important assumptions:

Medical inflation rate: 7.4% (2017: 7.8%) p.a.

Discount rate: 9.0% (2017: 8.9%) p.a.

Normal retirement age: 60 (2017: 60) years

The date of the most recent actuarial valuation is 30 September 2018.

	2018 R'000	2017 R'000
<b>27. Provisions for other liabilities and charges</b> continued		
<b>27.1 POST-RETIREMENT MEDICAL BENEFITS</b> continued		
<i>The effect of a 1% increase in the assumed health cost trend is as follows:</i>		
Increase in the defined benefit obligation	4 288	4 786
Increase in the aggregate of current service and interest cost	393	441
<i>The effect of a 1% decrease in the assumed health cost trend is as follows:</i>		
Decrease in the defined benefit obligation	3 791	4 207
Decrease in the aggregate of current service and interest cost	348	387
<i>The effect of a 1% increase in the assumed discount rate trend is as follows:</i>		
Decrease in the defined benefit obligation	3 822	4 254
<i>The effect of a 1% decrease in the assumed discount rate trend is as follows:</i>		
Increase in the defined benefit obligation	4 399	4 925
<i>The effect of a one-year increase in the assumed expected retirement age trend is as follows:</i>		
Decrease in the defined benefit obligation	195	246
<i>The effect of a one-year decrease in the assumed expected retirement age trend is as follows:</i>		
Increase in the defined benefit obligation	127	193

This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the provision for post-retirement medical benefits recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous periods.

Through the defined benefit post-retirement medical plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

#### Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities.

#### Inflation risk

The Group's post-employment medical plan obligations are linked to inflation, and higher inflation will lead to higher liabilities.

#### Life expectancy

The plan's obligations are to provide benefits for the life of the member, therefore an increase in life expectancy will result in an increase in the plan's liabilities.

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>27. Provisions for other liabilities and charges</b> continued		
<b>27.2 LONG-SERVICE AWARDS</b>		
Balance at beginning of year	<b>54 731</b>	51 434
Interest cost	<b>4 354</b>	4 435
Actuarial loss	<b>180</b>	336
Service cost	<b>7 131</b>	6 606
Payments	<b>(8 626)</b>	(8 080)
	<b>57 770</b>	54 731
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	<b>57 770</b>	54 731
Existing provisions are based on the following important assumptions:		
Discount rate: 8.5% (2017: 8.0%) p.a.		
Salary increases: 6.7% (2017: 6.5%) p.a.		
Normal retirement age: 60 (2017: 60) years		
The date of the most recent actuarial valuation is 30 September 2018.		
<b>27.3 TOTAL PROVISION FOR OTHER LIABILITIES AND CHARGES</b>		
Consists of:		
Post-retirement medical benefits	<b>54 425</b>	57 700
Long-service awards	<b>57 770</b>	54 731
	<b>112 195</b>	112 431
For the purposes of the statement of financial position the total provision for other liabilities and charges is presented as follows:		
Non-current liabilities	<b>112 195</b>	112 431

	2018 R'000	2017 R'000
<b>28. Non-controlling interest</b>		
Balance at beginning of year	25 011	–
Profit for the year	4 514	148
Business combination	–	23 622
Share of other comprehensive income	5 821	1 241
Balance at end of year	<b>35 346</b>	25 011
<p>The carrying amount of the non-controlling interest relates to Food Concepts Pioneer Ltd. The Group obtained control of this entity (formerly a joint venture) after increasing its shareholding during 2017.</p>		
<b>29. Share-based payment liability – employee share scheme</b>		
Balance at beginning of year	192 141	378 945
Share-based payment	(26 017)	(113 863)
Repurchase of class A ordinary shares from leavers	(26 287)	(69 182)
Dividends paid on class A ordinary shares	(3 301)	(3 759)
	<b>136 536</b>	192 141
<p>Refer to note 23.1 for further detail.</p>		
<p>For the purposes of the statement of financial position the share-based payment liability is presented as follows:</p>		
Non-current liabilities	112 768	159 845
Current liabilities	23 768	32 296
	<b>136 536</b>	192 141

	2018 R'000	2017 R'000
<b>30. Trade and other payables</b>		
Trade payables	2 470 941	1 912 574
Accrued expenses	130 189	105 498
Related parties (refer to note 36)	1 976	529
Deferred revenue	33 665	36 305
Government grants	56 879	61 070
Value-added tax	12 991	5 012
Accrual for leave	134 759	118 008
Accrual for 13th cheque	73 614	65 326
Accrual for performance bonus	30 762	2 858
Other	72 733	81 684
	<b>3 018 509</b>	<b>2 388 864</b>
For the purposes of the statement of financial position trade and other payables are presented as follows:		
Current liabilities	<b>3 018 509</b>	<b>2 388 864</b>
	<b>3 018 509</b>	<b>2 388 864</b>
The carrying amounts of the Group's trade payables are denominated in the following currencies:		
<b><i>Covered by means of foreign exchange contracts</i></b>	<b>728 308</b>	<b>414 964</b>
Euro	9 738	21 585
British pound	–	5 063
US dollar	718 570	388 167
Other	–	149
<b><i>Uncovered</i></b>	<b>1 742 633</b>	<b>1 497 610</b>
Euro	9 882	7 823
British pound	178 753	168 783
Botswana pula	–	7
US dollar	7 857	10 558
SA rand	1 531 620	1 296 909
Other	14 521	13 530
Total	<b>2 470 941</b>	<b>1 912 574</b>
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	<b>178 512</b>	<b>167 921</b>

Other payables are mostly denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.

	2018 R'000	2017 R'000
<b>31. Financial risk management</b>		
<b>31.1 FINANCIAL RISK FACTORS</b>		
The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.		
The Board approved an overall decision-making framework in terms of which financial risks are evaluated, managed and hedged by executive management.		
<b>(a) Market risk</b>		
<b>(i) Interest rate risk</b>		
The Group's interest rate risk arises from both financial assets and financial liabilities.		
Financial liabilities exposed to interest rate risk include interest-bearing short- and long-term borrowings, bank overdrafts and call loans. The Group borrows at both fixed and variable interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.		
The interest rate profile as at 30 September is summarised as follows:		
Variable rate	<b>1 515 904</b>	1 011 797
Fixed rate	<b>506 187</b>	498 126
Total loans	<b>2 022 091</b>	1 509 923
	<b>2018</b>	2017
	<b>%</b>	<b>%</b>
Percentage of total loans:		
Variable rate	<b>75</b>	67
Fixed rate	<b>25</b>	33
Total loans	<b>100</b>	100

Refer to note 25 for detail regarding interest rates.

## 31. Financial risk management continued

### 31.1 FINANCIAL RISK FACTORS continued

#### (a) Market risk continued

##### (i) Interest rate risk continued

Financial assets exposed to interest rate risk include cash, short-term bank deposits and loans to associates and joint ventures. The Group's cash and cash equivalents are placed with creditable financial institutions.

Cash and short-term bank deposits are invested at variable rates. At year-end R539,647,230 (2017: R273,770,035) was invested at rates that varied from 6.0% to 7.5% (2017: 6.8% to 7.7%).

At year-end loans to joint ventures were granted interest-free or at variable rates of 10.0% (2017: 4.3% to 10.3%).

##### (ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, US dollar and British pound. Foreign exchange risk arises from future commercial transactions denominated in foreign currencies, recognised assets and liabilities denominated in foreign currencies and derivative financial instruments. Apart from the Group's exposure to trade receivables and payables denominated in foreign currencies, no other financial assets or liabilities expose the Group to significant foreign currency risk.

The Group manages short-term foreign exchange exposure relating to trade imports and exports in terms of formal foreign exchange policies with prescribed limits. Foreign exchange risk arising from the import of raw materials and the export of finished products is hedged by means of foreign exchange contracts in terms of formal hedging policies. To the extent that foreign exchange contracts qualify for hedge accounting under IAS 39 – Financial Instruments: Recognition and Measurement, the effective portion of the movement in fair values of these derivatives are accounted for as either cash flow hedges or fair value hedges.

Foreign exchange risk arising from capital imports is hedged in total by means of foreign exchange contracts or other appropriate hedging instruments. On a case-by-case basis, depending on the potential profit or loss volatility caused by the fair value movement of the derivative, management decides whether or not to apply hedge accounting.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, the Group's exposure to this risk is insignificant as the Group's investments in foreign operations are not material.

Refer to note 19 for detail of foreign exchange contracts at year-end.

##### (iii) Price risk

The Group is exposed to price risk of equity securities due to investments held by the Group that are classified on the consolidated statement of financial position as 'available-for-sale financial assets'. To manage its price risk arising from investments in equity securities, the portfolio was managed by three major professional fund managers and investments were spread over a variety of industries in the market. The Group's remaining investment in equity securities is not material.

The Group is further exposed to commodity price risk. The risk arises from the Group's need to buy specific quantities and qualities of raw materials to meet its milling and manufacturing requirements. These raw materials include wheat, maize, rice, legumes, soya beans, sorghum and oats.

The Group uses exchange-for-physical contracts, options and futures to hedge itself against the price risk of these commodities. These contracts hedge the future purchase price of raw materials. Settlement of the physical contracts and local futures are effected by physical delivery. To the extent that commodity forward contracts and futures qualify for hedge accounting under IAS 39 – Financial Instruments: Recognition and Measurement, the effective portion of the movement in fair values of these derivatives are accounted for as either cash flow hedges or fair value hedges.

Commodities are hedged in terms of formal procurement policies which include raw material procurement hedging policies, pricing options and exposure limits, approved by the Board of directors. The policies are regularly reviewed by the relevant procurement committee under chairmanship of the appropriate executive business manager. Policies are sufficiently flexible to allow management to rapidly adjust hedges following possible changes in raw material requirements.

Refer to note 19 for detail of commodity instruments at year-end.



**31. Financial risk management** continued**31.1 FINANCIAL RISK FACTORS** continued**(a) Market risk** continued

## (iv) Sensitivity analysis

The table below summarises the impact on post-tax profit and equity of changes in market risks relating to the Group's financial instruments exposed to foreign currency risk, interest rate risk and price risk.

The rates used are those used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

**Change in foreign currency**

Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in the US dollar of 10.0% (2017: 10.0%), British pound of 10.0% (2017: 10.0%), Botswana pula of 5.0% (2017: 5.0%) and euro of 10.0% (2017: 10.0%), with all other variables held constant. The reasonably possible changes in the relevant risk variables are based on management's economic outlook for the next 12 months. Changes to these risk variables are due to a revised economic outlook.

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<i>Rand depreciates against foreign currencies</i>		
– Increase/(decrease) in profit after income tax		
Trade receivables	<b>17 377</b>	13 552
Trade payables	<b>(53 598)</b>	(31 324)
Cash and cash equivalents	<b>209</b>	530
Derivative financial instruments not earmarked for hedging	<b>54 064</b>	1 626
– Increase in equity after income tax		
Derivative financial instruments earmarked for hedging	<b>717</b>	24 950
	<b>18 769</b>	9 334

If the South African rand appreciates against these currencies it will have an opposite effect on reserves of the same amount.

**Change in interest rate**

The summary below reflects the results of an expected increase in the prime interest rate of 0.25% (2017: 0.25%) with all other variables held constant.

## Interest rate increases

## – Increase/(decrease) in profit after income tax

Short-term bank deposits	<b>960</b>	472
Interest-bearing borrowings	<b>(2 696)</b>	(1 909)
	<b>(1 736)</b>	(1 437)

If the prime interest rate decreases it will have an opposite effect on profit after income tax of the same amount for financial instruments.

**Change in commodity prices**

Derivative financial instruments affected by changes in the commodity prices relate to futures and options. The summary below reflects the results of an expected increase in the wheat price of 10.0% (2017: 10.0%) and an expected increase in the maize price of 10.0% (2017: 10.0%), with all other variables held constant.

## Commodity price increase

## – Increase in equity after income tax

Derivative financial instruments earmarked for hedging	<b>57 476</b>	25 870
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A decrease in these commodity prices will result in a decrease in reserves of the same amount.

	2018 R'000	2017 R'000
<b>31. Financial risk management</b> continued		
<b>31.1 FINANCIAL RISK FACTORS</b> continued		
<i>(a) Market risk</i> continued		
(iv) Sensitivity analysis continued		
<b>Change in security prices</b>		
Available-for-sale financial assets relate to investments in securities. The summary below reflects the results of an expected increase in the security prices of 5.0% (2017: 5.0%), with all other variables held constant.		
Security prices increase		
– Increase in equity after income tax		
Available-for-sale financial instruments	2 983	5 926
A decrease in these security prices will result in a decrease in reserves of the same amount.		
<b>Change in forward purchase contracts on own equity</b>		
The summary below reflects the results of an expected increase in the security prices of 5.0% (2017: 10.0%), with all other variables held constant.		
Security prices increase		
– Increase in profit after income tax		
Derivative financial instruments on own equity	9 495	26 169

A decrease in these security prices will result in a decrease in profit after income tax of the same amount.

**(b) Credit risk**

Financial assets that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents, derivative financial instruments and deposits with financial institutions, as well as credit exposure to trade receivables, including outstanding receivables and committed transactions.

The Group's credit risk exposure relating to cash and cash equivalents, derivative financial instruments and deposits with financial institutions is managed on a Group level. Cash equivalents and short-term deposits are placed with a limited group of creditable financial institutions, all of which have at a minimum a P-3 credit rating according to the published Moody's ratings. A short-term rating of P-3 indicates that the issuer has an acceptable ability to repay short-term debt obligations.

The Group's credit risk exposure relating to trade receivables is managed on a centralised basis. The Group has implemented a credit policy governing credit risk management. Trade receivables are subject to credit limits, credit approval and credit control procedures. Upon approval of new customers and when determining or revising individual credit limits the credit quality of customers is assessed, taking into account the customer's financial position, past experience with the customer, external and bank ratings when available as well as other relevant factors. Credit guarantee insurance or collateral is obtained where appropriate. The utilisation of credit limits is regularly monitored.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as well as financial guarantees issued of R28,364,193 (2017: R25,385,998).

## 31. Financial risk management continued

### 31.1 FINANCIAL RISK FACTORS continued

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generating capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate. The Group's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity as well as significant liquid resources.

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held short-term bank deposits of R539,647,230 (2017: R273,770,035).

At year-end the Group has borrowing facilities in the form of committed borrowings as well as overnight facilities at the four major South African banks. Sufficient collateral in the form of inventory, trade receivables, property, plant and equipment and cessions of insurance policies and bank accounts of certain Group legal entities, are provided as security for the debt. The Group also has the option to repay long-term debt as excess cash flow is available, without incurring any penalties.

The Group tends to have significant fluctuations in short-term borrowings due to seasonal factors. Consequently, Group policy requires that sufficient borrowing facilities are available to exceed projected peak borrowings.

	2018 R'000	2017 R'000
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	4 684 693	3 943 408
Net interest-bearing liabilities	(893 321)	(1 079 134)
	<b>3 791 372</b>	<b>2 864 274</b>

The total borrowing facilities for 2018, as indicated above, exclude the additional general banking facilities (seasonal facilities) that will be available from 1 March to 30 June each year.

Refer to note 50 for a maturity analysis that analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

### 31.2 CAPITAL RISK MANAGEMENT

Capital employed is managed on a basis that enables the Group to continue operating as a going concern in order to provide acceptable returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by means of the debt to equity ratio. This ratio is calculated as net debt divided by capital and reserves attributable to owners of the parent. The Group strives to limit debt to equity to 40%.

The capital structure in the form of equity and debt is managed taking cognisance of the Company's performance and economic conditions. The Group has the flexibility to make adjustments to the capital structure by adjusting dividend payments, the issue of new shares or the return of share capital to shareholders and the variation in debt levels.

A major focus of the Group's capital management is to ensure liquidity, in the form of short-term borrowing facilities, in order to have sufficient funding available for the Group's working capital requirements.

Under the terms of the syndicated loan facilities, the Group is required to comply with the following financial covenants:

- Net debt to EBITDA must not be greater than 2.75:1
- Interest cover must not be less than 3.5:1

At 30 September 2018, the Group complied with these covenants with these ratios being 0.2:1 and 13.2:1 respectively.

## **31. Financial risk management** continued

### **31.3 FAIR VALUES**

All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:

Level 1 – Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is 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 value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Group uses a variety of methods that 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 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 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.

At 30 September 2017 the assets related to the fish paste spreads business have 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. Refer to note 13 for further detail. During the 30 September 2018 reporting year the Board revoked its decision to dispose of the assets of this business and its intention is now to recover the carrying amounts of these assets through continuing use. The Group believes that value remains to be unlocked and is committed to implement measures to improve operating efficiencies.

Refer to note 52 for detail on fair value measurements by level of fair value measurement hierarchy.

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	2018 R'000	2017 R'000
<b>32. Contingent liabilities</b>		
Guarantees in terms of loans by third parties to contracted service providers	28 364	25 386
Other guarantees	2 431	2 820
Share of items of joint ventures	81	81
Third-party claims	–	498
	<b>30 876</b>	28 785
There are no matters of litigation that pose a material financial risk to the Group.		
<b>33. Commitments</b>		
<b>33.1 OPERATING LEASE COMMITMENTS</b>		
Not later than one year	139 169	101 482
Later than one year, but not later than five years	465 179	229 392
Later than five years	500 058	359 931
	<b>1 104 406</b>	690 805
The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 25 years and the majority of lease agreements are renewable at the end of the lease period at market rates.		
The Group also leases various items of plant and machinery under cancellable operating lease agreements. The Group is usually required to give a six-month notice for the termination of these agreements. The lease expenditure charged to profit or loss during the year is disclosed in note 4.		
<b>33.2 OPERATING LEASE RECEIVABLES</b>		
The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:		
Not later than one year	498	239
Later than one year, but not later than five years	819	21
	<b>1 317</b>	260
<b>33.3 FUTURE CAPITAL COMMITMENTS</b>		
Contractually committed		
– for next financial year	156 656	218 854
Approved by the Board, but not yet contractually committed	1 068 350	943 680
– for next financial year	614 440	626 615
– for year following next financial year	453 910	317 065
Share of items of joint ventures and associate	56 690	43 417
	<b>1 281 696</b>	1 205 951
Allocated as follows:		
Property, plant and equipment	<b>1 281 696</b>	1 205 951
The expenditure will be financed from operating income and borrowed funds, in accordance with a budget approved by the Board.		

	2018 R'000	2017 R'000
<b>34. Retirement benefits</b>		
The Group contributes to retirement and provident funds for all its employees which are administered by several service providers. These retirement and provident funds are defined contribution plans which are arranged and governed by the Pension Fund Act of 1956.		
<b>35. Government grants</b>		
Cumulative amounts received	<b>83 459</b>	83 459
Cumulative amounts amortised	<b>(26 580)</b>	(22 389)
Receipts deferred	<b>56 879</b>	61 070

The Group benefits from government grants for capital expenditure.

### 36. Related-party transactions

#### 36.1 PARENT

Pioneer Food Group Ltd is the ultimate holding company of the Pioneer Foods group of companies.

#### 36.2 SUBSIDIARIES

The details of effective interests in subsidiaries are disclosed in note 47.

#### 36.3 ASSOCIATE AND JOINT VENTURES

The detail of the effective interest in and loan to an associate is disclosed in notes 16 and 49. Details of effective interests in and loans to and from joint ventures are disclosed in notes 15 and 48.

#### 36.4 KEY MANAGEMENT PERSONNEL

Key management personnel include the members of the Board, members of the Group's executive committee, business executives as well as the immediate subordinates of such managers. Non-executive directors are included in the definition of key management personnel as well as any close family members of such persons and any entity over which any member of key management exercises control, joint control or significant influence.

Close family members are those family members who may be expected to influence, or be influenced, by that person in their dealings with Pioneer Foods. They include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

	2018 R'000	2017 R'000
<b>36. Related-party transactions continued</b>		
<b>36.5 TRANSACTIONS AND BALANCES</b>		
During the financial year the Company and its subsidiaries conducted the following transactions with joint ventures, associates, parties exercising significant influence and key management personnel.		
<b><i>Sale of goods</i></b>		
Joint ventures	520 286	435 670
Associates	13 916	465
<b><i>Rendering of services</i></b>		
Joint ventures	18 591	19 759
<b><i>Purchase of goods</i></b>		
Joint ventures	5 258	4 272
<b><i>Net interest (paid)/received</i></b>		
Joint ventures	(455)	1 008
Associates	135	193
<b><i>Key management personnel compensation</i></b>		
Salaries and other short-term employee benefits	111 542	109 317
Termination benefits	8 312	9 573
Post-employment benefits	12 923	12 915
Other long-term benefits	833	352
Share-based payments	15 887	12 635
	<b>149 497</b>	<b>144 792</b>

Receivables from related parties arise mainly from sales transactions and are due at the end of the month following the date of the transaction. These receivables are unsecured in nature and bear no interest. No provision for impairment was made against receivables from related parties (2017: Rnil).

Payables to related parties arise mainly from purchase transactions and are due 30 days after the statement date. These payables bear no interest.

	2018 R'000	2017 R'000
<b>36. Related-party transactions</b> continued		
<b>36.5 TRANSACTIONS AND BALANCES</b> continued		
<i>Year-end balances arising from sales/purchases of goods/services</i>		
<b>Receivable from related parties</b>		
Joint ventures	55 012	48 715
Associates	4 547	143
	<b>59 559</b>	48 858
<b>Payable to related parties</b>		
Joint ventures	1 976	529
<b>Loans to/(from) related parties</b>		
<i>Loans to/(from) joint ventures</i>		
Beginning of year	21 197	48 524
Loans advanced during the year	218 013	193 879
Loan repayments received	(245 301)	(222 215)
Interest charged	1 512	2 889
Interest paid	(2 013)	(1 880)
End of year	<b>(6 592)</b>	21 197
No provision for impairment was made against loans made to joint ventures (2017: Rnil).		
<i>Loans to associate</i>		
Beginning of year	7 593	–
Loans advanced during the year	–	7 285
Loan repayments received	(7 527)	(50)
Interest charged	135	193
Foreign exchange translation	(201)	165
End of year	–	7 593
No provision for impairment was made against the loan made to an associate (2017: Rnil).		



	2018 R'000	2017 R'000
<b>37. Net cash profit from operating activities</b>		
Profit before income tax	1 476 112	984 953
Adjusted for:		
Depreciation and amortisation	437 726	386 723
Impairment of property, plant and equipment and intangible assets	–	31 104
Net profit on disposal of property, plant and equipment and intangible assets	(35 214)	(5 798)
Net profit on disposal of available-for-sale financial assets	(24 576)	(4 800)
Net loss on disposal of equity-accounted investments	–	17 746
Fair value adjustment of step-up from joint venture to subsidiary	(13 438)	18 705
Unrealised losses/(profits) on foreign exchange contracts and on foreign exchange differences	6 599	(9 441)
Fair value of embedded derivative financial instruments	1 410	(581)
Change in provision for impairment of trade receivables	(8 968)	1 155
Change in allowance for outstanding credit notes	(692)	(6 153)
Share-based payments	56 727	126 420
Changes in provisions for post-retirement medical benefits and long-service awards	7 403	7 057
Dividends received	(11 447)	(3 246)
Interest received	(16 540)	(18 968)
Interest paid	197 467	196 805
Share of profit of associated companies	(13 811)	(6 407)
Share of loss/(profit) of joint ventures	13 770	(53 901)
	<b>2 072 528</b>	<b>1 661 373</b>
<b>38. Working capital changes</b>		
(Increase)/decrease in inventory	(38 285)	178 196
(Increase)/decrease in trade and other receivables	(19 858)	271 015
Increase in trade and other payables	334 100	339 677
Changes to derivative financial instruments (assets and liabilities)	18 998	(23 886)
Provisions paid	(13 856)	(13 310)
	<b>281 099</b>	<b>751 692</b>
<b>39. Dividends paid to Group ordinary shareholders</b>		
Amounts unpaid at beginning of year	(598)	(615)
As disclosed in statement of changes in equity	(681 376)	(678 464)
Dividends declared to ordinary shareholders	(820 891)	(818 045)
Treasury dividends received by share incentive trusts	–	66
Treasury dividends received by subsidiary	65 635	65 635
Treasury dividends received by participants to B-BBEE equity transaction	66 035	66 035
Treasury dividends received by Pioneer Foods Broad-Based BEE Trust	7 845	7 845
Amounts unpaid at end of year	1 551	598
	<b>(680 423)</b>	<b>(678 481)</b>
<b>40. Income tax paid</b>		
Amounts unpaid at beginning of year	(16 794)	(28 353)
Current income tax as disclosed in profit or loss	(358 749)	(230 069)
Business combination	6 816	–
Hedging reserve – reversal of previous year income tax to profit or loss	1 573	(44 857)
Hedging reserve – income tax current year	(2 152)	(1 573)
Amounts unpaid at end of year	4 955	16 794
	<b>(364 351)</b>	<b>(288 058)</b>

	2018 R'000	2017 R'000
<b>41. Proceeds on disposal of property, plant and equipment and intangible assets</b>		
Carrying amount of property, plant and equipment and intangible assets	71 419	65 650
Net profit on disposal of property, plant and equipment and intangible assets	35 214	5 798
	<b>106 633</b>	71 448
<b>42. Proceeds on disposal of available-for-sale financial assets</b>		
Cost price of available-for-sale financial assets	61 892	12 314
Net profit on disposal of available-for-sale financial assets	24 576	4 800
	<b>86 468</b>	17 114
<b>43. Net debt reconciliation</b>		
This following is an analysis of net debt and the movements in net debt for each of the periods presented.		
<b>Net debt</b>		
Cash at bank and on hand	589 123	157 019
Short-term bank deposits	539 647	273 770
Cash and cash equivalents	1 128 770	430 789
Borrowings – repayable within one year (including bank overdrafts)	(617 011)	(811 199)
Lease agreements	(1 388)	(1 298)
Syndicated	(686)	(602 775)
B-BBEE equity transaction: redeemable preference shares	(451 494)	(33 679)
Instalment sale agreements	(67 447)	(39 913)
Other	(738)	(5 194)
Bank overdrafts	(95 258)	(128 340)
Borrowings – repayable after one year	(1 405 080)	(698 724)
Lease agreements	(61 498)	(61 494)
Syndicated	(1 184 868)	–
B-BBEE equity transaction: redeemable preference shares	–	(433 141)
Instalment sale agreements	(137 347)	(204 089)
Other	(21 367)	–
	<b>(893 321)</b>	(1 079 134)
Cash	1 128 770	430 789
Gross debt – fixed interest rates	(506 187)	(498 126)
Gross debt – variable interest rates	(1 515 904)	(1 011 797)
	<b>(893 321)</b>	(1 079 134)

**43. Net debt reconciliation**

continued

	CASH/BANK OVERDRAFTS R'000	LEASES DUE WITHIN 1 YEAR R'000	LEASES DUE AFTER 1 YEAR R'000	BORROWINGS DUE WITHIN 1 YEAR R'000	BORROWINGS DUE AFTER 1 YEAR R'000	TOTAL R'000
<b>Net debt as at 1 October 2016</b>	421 635	(1 213)	(41 165)	(73 095)	(1 292 122)	(985 960)
Cash flows	(128 079)	(85)	200	(602 303)	654 892	(75 375)
New borrowings	–	–	(20 529)	–	–	(20 529)
Business combinations	7 970	–	–	(6 163)	–	1 807
Foreign exchange adjustments	923	–	–	–	–	923
<b>Net debt as at 30 September 2017</b>	302 449	(1 298)	(61 494)	(681 561)	(637 230)	(1 079 134)
Cash flows	<b>724 405</b>	<b>(90)</b>	<b>(4)</b>	<b>161 933</b>	<b>499 883</b>	<b>1 386 127</b>
New borrowings	–	–	–	(737)	(1 206 235)	(1 206 972)
Business combinations	<b>3 649</b>	–	–	–	–	<b>3 649</b>
Foreign exchange adjustments	<b>3 009</b>	–	–	–	–	<b>3 009</b>
<b>Net debt as at 30 September 2018</b>	<b>1 033 512</b>	<b>(1 388)</b>	<b>(61 498)</b>	<b>(520 365)</b>	<b>(1 343 582)</b>	<b>(893 321)</b>

**44. Business combinations****44.1 BUSINESS COMBINATIONS – SUMMARY**

Effect on movement of:

	2018 R'000	2017 R'000
Property, plant and equipment	<b>174 255</b>	40 506
Intangible assets	<b>258 939</b>	29 278
Goodwill	<b>99 522</b>	38 012
Inventories	<b>99 984</b>	4 017
Trade and other receivables	<b>232 743</b>	1 753
Cash and cash equivalents	<b>3 649</b>	7 970
Borrowings	<b>(148 876)</b>	(6 163)
Deferred income tax	<b>(2 768)</b>	707
Loan joint venture	<b>(32 801)</b>	–
Current income tax	<b>6 816</b>	–
Non-controlling interest	–	(23 622)
Trade and other payables	<b>(308 336)</b>	(11 714)
	<b>383 127</b>	80 744
Fair value adjustment of step-up from joint venture to subsidiary	<b>(13 438)</b>	18 705
	<b>369 689</b>	99 449
De-recognition of investment in joint venture	<b>(36 362)</b>	(70 744)
Share of other comprehensive income recycled to profit or loss	–	(12 071)
Purchase consideration	<b>333 327</b>	16 634
Cash and cash equivalents acquired	<b>(3 649)</b>	(7 970)
Borrowings acquired	<b>148 876</b>	–
Loan joint venture acquired	<b>32 801</b>	–
	<b>511 355</b>	8 664

	2018 R'000	2017 R'000
<b>44. Business combinations</b> continued		
<b>44.2 DETAIL OF BUSINESS COMBINATIONS DURING CURRENT YEAR</b>		
<b><i>The Good Carb Food Company Ltd (UK)</i></b>		
The assets and liabilities of this business were acquired on 11 December 2017 and can be summarised as follows:		
<b>Fair value</b>		
Plant, machinery and equipment	42	–
Trademarks	189 453	–
Goodwill	99 522	–
Intellectual property	17 462	–
Inventories	8 545	–
Trade and other receivables	11 869	–
Cash and cash equivalents	19 648	–
Trade and other payables	(23 900)	–
Deferred income tax	(39 314)	–
<b>Purchase consideration – settled in cash</b>	<b>283 327</b>	–
Cash and cash equivalents acquired	(19 648)	–
	<b>263 679</b>	–
<b>Reason for business combination:</b>		
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 complimentary 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.		
<b>Reason for goodwill recognised on acquisition:</b>		
The premium paid to acquire control resulted in the recognition of goodwill amounting to R99,522,461. 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.		
<b>Contribution since acquisition:</b>		
Revenue	116 856	–
Operating profit before finance cost and income tax	23 420	–
<b><i>Pro forma contribution assuming the acquisition was at the beginning of the year:</i></b>		
Revenue	147 607	–
Operating profit before finance cost and income tax	29 584	–

	2018 R'000	2017 R'000
<b>44. Business combinations</b> continued		
<b>44.2. DETAIL OF BUSINESS COMBINATIONS DURING CURRENT YEAR</b> <b>continued</b>		
<b><i>Heinz Foods SA (Pty) Ltd</i></b>		
Subsequently renamed as Pioneer Foods Wellingtons (Pty) Ltd.		
The assets and liabilities of this business were acquired on 1 June 2018 and can be summarised as follows:		
<b>Fair value</b>		
Land and buildings	28 304	–
Plant, machinery and equipment	145 534	–
Trademarks	52 024	–
Vehicles	375	–
Inventories	91 439	–
Trade and other receivables	220 874	–
Cash and cash equivalents	(15 999)	–
Trade and other payables	(284 436)	–
Deferred income tax	36 546	–
Current income tax	6 816	–
Borrowings (Note 1)	(148 876)	–
Loan joint venture (Note 1)	(32 801)	–
	<b>99 800</b>	–
De-recognition of investment in joint venture	(36 362)	–
Fair value adjustment of step-up from joint venture to subsidiary	(13 438)	–
<b>Purchase consideration</b>	<b>50 000</b>	–
Cash and cash equivalents acquired	15 999	–
Borrowings acquired	148 876	–
Loan joint venture acquired	32 801	–
	<b>247 676</b>	–
<b>Reason for business combination:</b>		
The Group acquired the remaining equity (50.1%) 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.		
<b>Contribution since acquisition:</b>		
Revenue	196 553	–
Operating loss before finance cost and income tax	(11 710)	–
<b>Pro forma contribution assuming the acquisition was at the beginning of the year:</b>		
Revenue	589 658	–
Operating loss before finance cost and income tax	(23 443)	–

**Note 1:** Subsequent to this acquisition, these represent intergroup loans that are eliminated upon consolidation.

#### 45. Segment information

Management has determined the operating segments based on the reports reviewed on a regular basis by the chief operating decision-maker ("CODM") in order to make strategic decisions.

Operating segments are divided into the following:

- Essential Foods
- Groceries
- International
- Other

Essential Foods includes products such as wheaten flour, maize meal, rice, pasta, legumes and bread. Groceries includes breakfast cereals, other fast moving consumer goods, fruit juices, fruit concentrate mixtures, water, frozen and ambient foods. International includes dried fruit, all exports (other than to Botswana, Namibia, Lesotho and Swaziland), the cereals and fruit snacking businesses in the United Kingdom, the bread and sausage rolls business in Nigeria and Bokomo Zambia (dormant). The other operating segment represents all operations not included in the segments above.

All corporate results are allocated to operating segments, except for the Phase I B-BBEE share-based payment charge and the impact of the related hedge, the results of the ultimate holding company and the insurance captive, corporate legal costs, BEE socio-economic and enterprise development costs and costs of mergers and acquisitions.

The segment results disclosed per segment below is the CODM's measure of each segment's operational performance. The measure represents adjusted operating profit before items of a capital nature, before non-controlling interest and before income tax and includes dividend income.

External revenue and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the statement of comprehensive income.

Segment assets consist of property, plant and equipment, intangible assets, inventories, trade and other receivables and derivative financial instrument assets and exclude cash and cash equivalents, available-for-sale financial assets, investments in joint ventures, loans to joint ventures, investments in associates, loans to associates, deferred and current income tax assets and non-current trade and other receivables.

Segment liabilities consist of trade and other payables, accrual for forward purchase contracts on own equity, provisions for other liabilities and charges, share-based payment liabilities and derivative financial instrument liabilities, and exclude borrowings, current and deferred income tax liabilities, loans from joint ventures and dividends payable.

Segment capital expenditure consists of additions and replacements of property, plant and equipment and intangible assets.

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<b>Segment revenue</b>	<b>20 151 853</b>	19 575 045
Essential Foods	<b>11 859 292</b>	12 469 831
Groceries	<b>5 119 561</b>	4 402 690
International	<b>3 173 000</b>	2 702 524

	2018 R'000	2017 R'000
<b>45. Segment information</b> continued		
<b>Segment results</b>	<b>1 602 415</b>	1 259 139
Essential Foods	915 297	800 113
Groceries	419 239	357 023
International	285 039	121 475
Other	(17 160)	(19 472)
<b>A reconciliation of the segments' results to operating profit before income tax is provided below:</b>		
Segment results	1 602 415	1 259 139
Share-based payment on broad-based share incentive scheme and related hedge	(30 092)	(102 946)
Operating profit before items of a capital nature	1 572 323	1 156 193
Adjusted for:		
Items of a capital nature	73 228	(56 957)
Interest income	16 540	18 968
Dividend income	11 447	3 246
Finance costs	(197 467)	(196 805)
Share of (loss)/profit of joint ventures	(13 770)	53 901
Share of profit of associated companies	13 811	6 407
Profit before income tax per statement of comprehensive income	1 476 112	984 953
<b>Segment assets</b>	<b>12 431 315</b>	11 460 907
Essential Foods	5 993 742	5 900 390
Groceries	4 096 795	3 535 760
International	2 192 324	1 778 391
Other	148 454	246 366
<b>A reconciliation of the segments' assets to the Group's assets is provided below:</b>		
Segment assets per segment report	12 431 315	11 460 907
Adjusted for:		
Investments in joint ventures	580 586	665 006
Loans to joint ventures	14 448	35 737
Investments in associates	196 241	198 410
Loan to associate	–	7 593
Available-for-sale financial assets	77 912	138 092
Trade and other receivables	45 751	15 433
Current and deferred income tax assets	66 049	20 478
Cash and cash equivalents	1 128 770	430 789
Total assets per statement of financial position	14 541 072	12 972 445

	2018 R'000	2017 R'000
<b>45. Segment information</b> continued		
<b>Total segment liabilities</b>	<b>3 300 104</b>	2 695 998
Essential Foods	<b>1 954 901</b>	1 464 427
Groceries	<b>845 654</b>	676 533
International	<b>360 258</b>	369 934
Other	<b>139 291</b>	185 104
<b>A reconciliation of the segments' liabilities to the Group's liabilities is provided below:</b>		
Segment liabilities per segment report	<b>3 300 104</b>	2 695 998
Adjusted for:		
Non-current and current borrowings	<b>2 022 091</b>	1 509 923
Current and deferred income tax liabilities	<b>781 262</b>	699 121
Loan from joint venture	<b>21 040</b>	14 540
Dividends payable	<b>1 551</b>	598
Total liabilities per statement of financial position	<b>6 126 048</b>	4 920 180
<b>Total segment capital expenditure (excluding business combinations)</b>	<b>626 223</b>	980 415
Essential Foods	<b>441 744</b>	671 722
Groceries	<b>85 641</b>	202 979
International	<b>57 298</b>	73 129
Other	<b>41 540</b>	32 585
<b>Total segment depreciation and amortisation</b>	<b>437 726</b>	386 723
Essential Foods	<b>260 571</b>	236 174
Groceries	<b>130 470</b>	112 771
International	<b>46 685</b>	37 778
<b>Items of a capital nature per segment</b>		
Profit/(loss) on disposal of property, plant and equipment before income tax	<b>35 214</b>	5 798
Essential Foods	<b>9 352</b>	9 562
Groceries	<b>22 637</b>	653
International	<b>3 225</b>	(3 928)
Other	<b>–</b>	(489)
Fair value adjustment of step-up from joint venture to subsidiary		
Other	<b>13 438</b>	(18 705)
Net loss on disposal of equity-accounted investments		
Other	<b>–</b>	(17 746)
Impairment of intangible assets		
Groceries	<b>–</b>	(20 954)
Impairment of goodwill		
Groceries	<b>–</b>	(10 150)
Profit on available-for-sale financial assets before income tax		
Other	<b>24 576</b>	4 800
Items of a capital nature before income tax	<b>73 228</b>	(56 957)
Income tax effect	<b>(12 014)</b>	4 262
Items of a capital nature after income tax	<b>61 214</b>	(52 695)



	2018 R'000	2017 R'000
<b>45. Segment information</b> continued		
<b>Other material items of income or expenses per segment</b>		
Inventory written off per segment	183 657	192 448
Essential Foods	56 515	52 995
Groceries	99 832	94 701
International	27 310	44 752
<b>Geographical information</b>		
The Group mainly operates in South Africa. Other operations are located in the United Kingdom (three subsidiaries) and one subsidiary in Nigeria. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries are grouped together as a single geographical segment.		
Revenue derived by Group companies domiciled in the Republic of South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.		
<b>Segment revenue</b>	20 151 853	19 575 045
South Africa	18 557 813	18 270 634
Foreign countries	1 594 040	1 304 411
<b>Total segment non-current assets*</b>	7 690 936	7 108 868
South Africa	7 012 473	6 675 067
Foreign countries	678 463	433 801
<b>Note:</b>		
* Excluding deferred income tax, derivative financial instruments and available-for-sale financial assets.		
<b>Total segment capital expenditure (excluding business combinations)</b>	626 223	980 415
South Africa	579 855	954 108
Foreign countries	46 368	26 307
<b>Information regarding major customers</b>		
During the period under review, revenue from one customer exceeded 10% of Group revenue:		
Customer A	2 989 701	2 881 081
Revenue from this customer is reported within all operating segments except other.		

## 46. Events after the reporting period

### Dividend

A final dividend of 260 cents (2017: 260 cents) per ordinary share has been declared for the year. This will only be reflected in the statement of changes in equity for the next reporting period.

The 10,745,350 Pioneer Foods shares issued to the Pioneer Foods Broad-Based BEE Trust are entitled to 20% of the final gross dividend payable i.e. 52.0 cents (2017: 52.0 cents) per share.

### Other events

No other events that may have a material effect on the Group occurred after the reporting period and up to the date of approval of the annual financial statements by the Board.

NAME OF SUBSIDIARY – PTY (LTD) UNLESS INDICATED OTHERWISE	COUNTRY OF INCORPORATION	ISSUED SHARE CAPITAL OF SUBSIDIARY		PERCENTAGE INTEREST	
		2018	2017	2018 %	2017 %
RAND – UNLESS INDICATED OTHERWISE					
<b>47. Interest in subsidiaries</b>					
<b>47.1 MANUFACTURING</b>					
Pioneer Foods (UK) Ltd	United Kingdom	<b>GBP3 000 120</b>	GBP3 000 120	<b>100</b>	100
Bokomo Zambia Ltd	& Zambia				
– Ordinary shares		<b>ZMK1 895 500</b>	ZMK1 895 500	<b>100</b>	100
– Preference shares		<b>ZMK200</b>	ZMK200	<b>100</b>	100
Ceres Fruit Juices	South Africa	<b>100 000</b>	100 000	<b>100</b>	100
Continental Beverages	\$ South Africa	–	1 000	–	100
Pioneer Foods	South Africa	<b>252</b>	252	<b>100</b>	100
Pioneer Foods Groceries	South Africa	<b>2 963 838 244</b>	2 963 838 244	<b>100</b>	100
Streamfoods Ltd	United Kingdom	<b>GBP188 000</b>	GBP188 000	<b>100</b>	100
Food Concepts Pioneer Ltd	Nigeria	<b>NGN48 000 000</b>	NGN1 002 004	<b>64</b>	64
The Good Carb Food Company Ltd	@ United Kingdom	<b>GBP10 000</b>	–	<b>100</b>	–
Pioneer Foods Wellingtons	# South Africa	<b>74 752 906</b>	–	<b>100</b>	–
<b>47.2 PROPERTIES AND LETTING</b>					
Sasned	& South Africa	<b>2</b>	2	<b>100</b>	100
<b>47.3 INVESTMENTS</b>					
Pioneer Foods Holdings Ltd	South Africa	<b>220</b>	220	<b>100</b>	100
<b>47.4 SERVICES</b>					
Sasguard Insurance Company Ltd	South Africa	<b>30 000</b>	30 000	<b>100</b>	100

### Notes:

& Dormant at 30 September 2018.

\$ Deregistered during the year.

@ Acquired on 11 December 2017.

# Joint venture became a subsidiary after control was obtained on 1 June 2018. Formerly known as Heinz Foods SA (Pty) Ltd.

NAME OF JOINT VENTURE – (PTY) LTD UNLESS INDICATED OTHERWISE	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST	
		2018 %	2017 %
<b>48. Interest in joint ventures</b>			
<b>MANUFACTURING</b>			
Alpen Food Company South Africa (Note 1)	South Africa	50	50
Bokomo Botswana (Note 2)	Botswana	50	50
Bokomo Namibia (Note 2)	Namibia	50	50
Bowman Ingredients (SA) (Note 3)	South Africa	50	50
Pioneer Foods Wellingtons (formerly known as Heinz Foods SA) (Note 4)	South Africa	–	50
Future Life Health Products (Note 5)	South Africa	50	50

**Notes (nature of business):**

1. Cereals.
2. Wheat and maize milling and distribution of Group products.
3. Food ingredients for industrial customers.
4. Condiments and convenience foods. Became a subsidiary after control was obtained on 1 June 2018.
5. Cereals.

NAME OF ASSOCIATE	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST	
		2018 %	2017 %
<b>49. Interest in associates</b>			
<b>MANUFACTURING</b>			
Weetabix East Africa Ltd (Note 1)	Kenya	50	50

**Note 1:** Cereals.

	CAPITAL R'000	INTEREST R'000	TOTAL R'000
<b>50. Maturity analysis of financial liabilities</b>			
<b>30 September 2018</b>			
<b>Not later than one year</b>			
Borrowings excluding bank overdrafts	521 753	128 665	650 418
Trade and other payables	2 675 839	–	2 675 839
Other derivative financial instruments	32 864	–	32 864
Dividends payable	1 551	–	1 551
Loan from joint venture	21 040	–	21 040
Financial guarantees	28 364	–	28 364
	<b>3 281 411</b>	<b>128 665</b>	<b>3 410 076</b>
<b>Between one and two years</b>			
Borrowings excluding bank overdrafts	130 216	104 603	234 819
	<b>130 216</b>	<b>104 603</b>	<b>234 819</b>
<b>More than two years</b>			
Borrowings excluding bank overdrafts	1 274 864	254 401	1 529 265
	<b>1 274 864</b>	<b>254 401</b>	<b>1 529 265</b>
<b>Total</b>			
Borrowings excluding bank overdrafts	1 926 833	487 669	2 414 502
Trade and other payables	2 675 839	–	2 675 839
Other derivative financial instruments	32 864	–	32 864
Dividends payable	1 551	–	1 551
Loan from joint venture	21 040	–	21 040
Financial guarantees	28 364	–	28 364
	<b>4 686 491</b>	<b>487 669</b>	<b>5 174 160</b>
<b>30 September 2017</b>			
<b>Not later than one year</b>			
Borrowings excluding bank overdrafts	682 859	113 146	796 005
Trade and other payables	2 100 285	–	2 100 285
Other derivative financial instruments	2 562	–	2 562
Dividends payable	598	–	598
Loan from joint venture	14 540	–	14 540
Financial guarantees	25 386	–	25 386
	2 826 230	113 146	2 939 376
<b>Between one and two years</b>			
Borrowings excluding bank overdrafts	500 911	41 854	542 765
	500 911	41 854	542 765
<b>More than two years</b>			
Borrowings excluding bank overdrafts	197 813	103 458	301 271
	197 813	103 458	301 271
<b>Total</b>			
Borrowings excluding bank overdrafts	1 381 583	258 458	1 640 041
Trade and other payables	2 100 285	–	2 100 285
Other derivative financial instruments	2 562	–	2 562
Dividends payable	598	–	598
Loan from joint venture	14 540	–	14 540
Financial guarantees	25 386	–	25 386
	<b>3 524 954</b>	<b>258 458</b>	<b>3 783 412</b>

**Note:** Financial liabilities do not include provisions, accrual for 13th cheque, deferred revenue, government grants, accrual for performance bonuses, accrual for leave and VAT amounts payable.

	LOANS AND RECEIVABLES R'000	ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS R'000	DERIVATIVES USED FOR HEDGING R'000	AVAILABLE- FOR-SALE R'000	TOTAL R'000
<b>51. Financial instruments by category</b>					
<b>30 September 2018</b>					
<b>Assets as per statement of financial position</b>					
Loan to joint venture	14 448	-	-	-	14 448
Available-for-sale financial assets	-	-	-	77 912	77 912
Derivative financial instruments	-	7 029	149 682	-	156 711
Trade and other receivables (refer to note 1 below)	2 162 917	-	-	-	2 162 917
Cash and cash equivalents	1 128 770	-	-	-	1 128 770
<b>Total</b>	<b>3 306 135</b>	<b>7 029</b>	<b>149 682</b>	<b>77 912</b>	<b>3 540 758</b>

	LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS R'000	DERIVATIVES USED FOR HEDGING R'000	OTHER FINANCIAL LIABILITIES R'000	TOTAL R'000
<b>Liabilities as per statement of financial position</b>				
Borrowings	-	-	2 022 091	2 022 091
Derivative financial instruments	27 116	5 748	-	32 864
Trade and other payables (refer to note 2 below)	-	-	2 675 839	2 675 839
Dividends payable	-	-	1 551	1 551
Loan from joint venture	-	-	21 040	21 040
<b>Total</b>	<b>27 116</b>	<b>5 748</b>	<b>4 720 521</b>	<b>4 753 385</b>

**Notes:**

1. Financial assets do not include prepaid expenses and VAT amounts receivable.
2. Financial liabilities do not include provisions, deferred revenue, government grants, accrual for performance bonuses, accrual for 13th cheque, accrual for leave and VAT amounts payable.

	LOANS AND RECEIVABLES R'000	ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS R'000	DERIVATIVES USED FOR HEDGING R'000	AVAILABLE- FOR-SALE R'000	TOTAL R'000
<b>51. Financial instruments by category continued</b>					
<b>30 September 2017</b>					
<b>Assets as per statement of financial position</b>					
Loans to joint ventures	35 737	–	–	–	35 737
Loan to associate	7 593	–	–	–	7 593
Available-for-sale financial assets	–	–	–	138 092	138 092
Derivative financial instruments	–	15 920	238 134	–	254 054
Trade and other receivables (refer to note 1 below)	1 891 986	–	–	–	1 891 986
Cash and cash equivalents	430 789	–	–	–	430 789
<b>Total</b>	<b>2 366 105</b>	<b>15 920</b>	<b>238 134</b>	<b>138 092</b>	<b>2 758 251</b>

	LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS R'000	OTHER FINANCIAL LIABILITIES R'000	TOTAL R'000
<b>Liabilities as per statement of financial position</b>			
Borrowings	–	1 509 923	1 509 923
Derivative financial instruments	2 562	–	2 562
Trade and other payables (refer to note 2 below)	–	2 100 285	2 100 285
Dividends payable	–	598	598
Loan from joint venture	–	14 540	14 540
<b>Total</b>	<b>2 562</b>	<b>3 625 346</b>	<b>3 627 908</b>

**Notes:**

1. Financial assets do not include prepaid expenses and VAT amounts receivable.
2. Financial liabilities do not include provisions, deferred revenue, government grants, accrual for performance bonuses, accrual for 13th cheque, accrual for leave and VAT amounts payable.

	LEVEL 1 R'000	LEVEL 2 R'000	LEVEL 3 R'000	TOTAL R'000
<b>52. Fair value categories of assets and liabilities measured at fair value</b>				
<b>30 September 2018</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets				
– Listed securities	76 890	–	–	76 890
– Unlisted securities	–	1 022	–	1 022
Derivative financial instruments				
– Foreign exchange contracts	–	7 029	–	7 029
– Forward purchase contracts on own equity	–	149 682	–	149 682
<b>Total</b>	<b>76 890</b>	<b>157 733</b>	<b>–</b>	<b>234 623</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments				
– Foreign exchange contracts	–	31 454	–	31 454
– Embedded derivatives	–	1 410	–	1 410
<b>Total</b>	<b>–</b>	<b>32 864</b>	<b>–</b>	<b>32 864</b>
<b>30 September 2017</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets				
– Listed securities	136 712	–	–	136 712
– Unlisted securities	–	1 380	–	1 380
Derivative financial instruments				
– Foreign exchange contracts	–	22 134	–	22 134
– Embedded derivatives	–	581	–	581
– Forward purchase contracts on own equity	–	231 339	–	231 339
Non-current assets classified as held-for-sale	–	–	12 530	12 530
<b>Total</b>	<b>136 712</b>	<b>255 434</b>	<b>12 530</b>	<b>404 676</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments				
– Foreign exchange contracts	–	2 562	–	2 562
<b>Total</b>	<b>–</b>	<b>2 562</b>	<b>–</b>	<b>2 562</b>

**Note:** There were no transfers between level 1 and level 2 during the period.

	2018 R'000	2017 R'000
<b>53. Non-current assets of disposal group classified as held for sale</b>		
<b>Fish paste spreads</b>		
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.		
The fair values of the assets of this business were remeasured at fair value less costs to sell and impairment losses were consequently recognised in the line item “items of a capital nature” in the statement of comprehensive income for the year ended 30 September 2017 as detailed in note 13. The carrying values of the assets after impairment are as follows:		
<b>Assets of the disposal group classified as held for sale:</b>		
Property, plant and equipment	–	2 253
Intangible assets	–	12 530
Inventories	–	5 236
	–	20 019

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.

**54. Going concern statement**

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.



PIONEER FOOD GROUP LTD

# COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018



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## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R'000	2017 R'000
Revenue	3	824 192	821 814
Other income	4	5 921	8 564
Administrative expenses	5	(17 655)	(13 834)
Other operating expenses	5	(5 928)	(4 980)
Operating profit		806 530	811 564
Investment income	6	539	960
Profit before income tax		807 069	812 524
Income tax expense	7	(31)	(689)
Profit for the year		807 038	811 835
Other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		<b>807 038</b>	<b>811 835</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		807 038	811 835
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		807 038	811 835

## STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Notes	2018 R'000	2017 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	10	2 420 565	2 472 870
<b>Current assets</b>			
Trade and other receivables	9	6 833	5 726
Loan to subsidiary	15	172 802	220 526
Cash and cash equivalents	11	4 963	9 406
<b>Total assets</b>		<b>2 605 163</b>	<b>2 708 528</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital – ordinary shares	12	22 243	22 264
Share capital – class A ordinary shares	12	288	318
Share premium		2 087 771	2 130 364
Other reserves		198 628	198 628
Retained earnings		156 032	162 437
<b>Total equity</b>		<b>2 464 962</b>	<b>2 514 011</b>
<b>Non-current liabilities</b>			
Share-based payment liability	13	112 768	159 845
<b>Current liabilities</b>			
Share-based payment liability	13	23 768	32 296
Trade and other payables	14	2 121	1 751
Current income tax		1	35
Dividends payable		1 543	590
<b>Total liabilities</b>		<b>140 201</b>	<b>194 517</b>
<b>Total equity and liabilities</b>		<b>2 605 163</b>	<b>2 708 528</b>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	SHARE CAPITAL ORDINARY SHARES R'000	SHARE CAPITAL CLASS A ORDINARY SHARES R'000	SHARE PREMIUM R'000	EQUITY COMPEN- SATION RESERVE R'000	RETAINED EARNINGS R'000	TOTAL EQUITY R'000
Balance as at 1 October 2017	22 264	318	2 130 364	198 628	162 437	2 514 011
Profit for the year	-	-	-	-	807 038	807 038
Ordinary shares issued – share appreciation rights	42	-	51 477	-	-	51 519
Shares bought back and cancelled	(63)	-	(67 783)	-	-	(67 846)
Employee share scheme – repurchase of class A ordinary shares from leavers	-	(30)	(26 287)	-	-	(26 317)
Interim dividend for 2018	-	-	-	-	(234 130)	(234 130)
Final dividend for 2017	-	-	-	-	(578 916)	(578 916)
Transaction cost on shares bought back	-	-	-	-	(397)	(397)
<b>Balance as at 30 September 2018</b>	<b>22 243</b>	<b>288</b>	<b>2 087 771</b>	<b>198 628</b>	<b>156 032</b>	<b>2 464 962</b>
Balance as at 1 October 2016	22 173	371	2 051 429	198 628	161 146	2 433 747
Profit for the year	-	-	-	-	811 835	811 835
Ordinary shares issued – share appreciation rights	91	-	148 117	-	-	148 208
Employee share scheme – repurchase of class A ordinary shares from leavers	-	(53)	(69 182)	-	-	(69 235)
Interim dividend for 2017	-	-	-	-	(233 641)	(233 641)
Final dividend for 2016	-	-	-	-	(576 559)	(576 559)
Employee share scheme – transaction cost on shares bought back	-	-	-	-	(344)	(344)
<b>Balance as at 30 September 2017</b>	<b>22 264</b>	<b>318</b>	<b>2 130 364</b>	<b>198 628</b>	<b>162 437</b>	<b>2 514 011</b>

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R'000	2017 R'000
<b>Net cash flow from operating activities</b>			
Net cash loss from operating activities	16	(17 662)	(10 250)
Working capital changes	17	(736)	(5 172)
Net cash utilised by operations		(18 398)	(15 422)
Settlement of share-based payment liabilities		(26 317)	(69 235)
Income tax paid	18	(65)	(686)
		(44 780)	(85 343)
<b>Net cash flow from investment activities</b>			
Loan advanced to related party		(988 092)	(1 033 711)
Loan repaid by related party		1 035 816	943 957
Interest received	6	539	960
Dividends received	3	824 192	821 814
		(832 118)	(666 112)
<b>Net cash flow from financing activities</b>			
Share appreciation rights – issue of ordinary shares		51 519	148 208
Transaction cost on shares brought back		(397)	(344)
Ordinary shares bought back		(67 846)	–
Dividends paid to ordinary shareholders	19	(812 093)	(810 217)
Dividends paid to class A ordinary shareholders	19	(3 301)	(3 759)
Net decrease in cash and cash equivalents		(4 443)	(18 435)
Net cash and cash equivalents at beginning of year		9 406	27 841
<b>Net cash and cash equivalents at end of year</b>	11	<b>4 963</b>	9 406

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 R'000	2017 R'000
<b>1. Accounting policies</b>		
The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to note 1 of the Group financial statements.		
These stand-alone financial statements include the financial position and results of the Pioneer Foods Education and Community Trust and the Pioneer Foods Broad-Based BEE Trust, since these trusts act as agents on behalf of the Company.		
<b>2. Critical accounting estimates and judgements</b>		
The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.		
<b>3. Revenue</b>		
Dividends received on investment in subsidiary		
Unlisted shares in subsidiary – Pioneer Foods Holdings Ltd	824 192	821 814
<b>4. Other income</b>		
Administration fees received	5 921	4 979
Distribution received from the Pioneer Foods Share Incentive Trust	–	3 585
	5 921	8 564
<b>5. Operating profit</b>		
The operating profit is calculated after taking into account revenue (refer to note 3) and other income (refer to note 4), as well as the following:		
Auditors' remuneration		
Audit – current year	513	490
Technical services from non-employees	1 430	1 377
Legal fees	210	424
Shareholder communication	2 905	2 364
Directors' remuneration (refer to note 15)	5 921	4 979
<b>6. Investment income</b>		
Interest income on financial assets: loans and receivables		
Call accounts and other	539	960

	2018 R'000	2017 R'000
<b>7. Income tax expense</b>		
Current income tax		
Current year	<b>31</b>	689

The income tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory rate of 28% (2017: 28%) as follows:

	2018 %	2017 %
Standard rate for companies	<b>28.0</b>	28.0
Increase/(decrease) in rate:		
Exempt income (dividend income)	<b>(28.6)</b>	(28.2)
Capital gains tax	–	0.1
Non-deductible expenditure	<b>0.6</b>	0.5
Other differences	–	(0.3)
Effective rate	–	0.1

	2018 R'000	2017 R'000
<b>8. Dividend per ordinary share</b>		
Interim		
105.0 cents (2017: 105.0 cents) per ordinary share	<b>234 130</b>	233 641
Final		
260.0 cents (2017: 260.0 cents) per ordinary share	<b>578 322</b>	578 916
	<b>812 452</b>	812 557

Dividends payable are not accounted for until they have been declared by the Board of directors. The statement of changes in equity does not reflect the final dividend payable. The final dividend will be accounted for as an appropriation of retained earnings in the following year.

The total rand value of the final dividend for the year is an approximate amount. The exact amount is dependent on the number of shares in issue at the record date. The final dividend of the prior year was restated to the actual amount paid.

<b>9. Trade and other receivables</b>		
Interest receivable	<b>24</b>	50
Receivables from related parties (refer to note 15)	<b>6 809</b>	5 676
	<b>6 833</b>	5 726

	2018 R'000	2017 R'000
<b>10. Investment in subsidiaries</b>		
<i>Unlisted – at cost</i>		
Pioneer Foods Holdings Ltd	–	–
<i>Capital contribution towards subsidiaries</i>		
Pioneer Foods Holdings Ltd	2 206 660	2 206 660
Other	213 905	266 210
	<b>2 420 565</b>	<b>2 472 870</b>
<b>11. Cash and cash equivalents</b>		
Cash at bank	351	329
Short-term bank deposits	4 612	9 077
	<b>4 963</b>	<b>9 406</b>
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash and short-term deposits	<b>4 963</b>	<b>9 406</b>

	2018 Number	2017 Number
<b>12. Share capital</b>		
<b><i>Issued and fully paid – number of ordinary listed shares</i></b>		
At beginning of year	222 634 095	221 727 559
Shares issued to management in terms of share appreciation rights scheme	423 880	906 536
Shares bought back and cancelled	(626 258)	–
At end of year	<b>222 431 717</b>	<b>222 634 095</b>

***Shares issued in terms of share appreciation rights scheme***

During the year, the Company issued 423,880 (2017: 905,536) ordinary shares of 10 cents each at an average of R121.54 (2017: R163.49) per share in terms of the share appreciation rights scheme.

During the year, the Company bought back and cancelled 626,258 (2017: Nil) listed ordinary shares of 10 cents each at an average of R108.34 (2017: Rnil) per share.

***Shares issued in terms of the B-BBEE equity transaction***

In terms of the B-BBEE equity transaction in 2012, 17,488,631 and 603,030 ordinary shares of 10 cents each were issued at R55.14 and R58.04 per share to BEE strategic partners and current and former BEE directors of the Company respectively. 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 a further 145,362 listed ordinary shares in 2015.

***Shares acquired by Pioneer Foods Broad-Based BEE Trust***

The shares held by the Pioneer Foods Broad-Based BEE Trust are consolidated in terms of IFRS due to the fact that the Pioneer Foods Broad-Based BEE Trust acts as an agent on behalf of the Company.



	2018 Number	2017 Number
<b>12. Share capital</b> continued		
<i>Issued and fully paid – number of ordinary unlisted class A shares</i>		
At beginning of year	3 174 920	3 707 830
Shares bought back and cancelled	(296 240)	(532 910)
At end of year	<b>2 878 680</b>	3 174 920
<p>During 2006, the Company introduced a broad-based employee share scheme for all employees other than management qualifying for the share-based compensation scheme and 18,130,000 class A ordinary shares of 10 cents each were authorised. The issued shares are all held by the employee share scheme trust.</p> <p>During the year, the Company bought back 296,240 (2017: 532,910) class A ordinary shares at an average premium of R88.73 (2017: R129.82) per share in addition to the par value of R0.10 per share.</p> <p>Class A ordinary shares are not listed on the JSE Ltd. These shares have full voting rights, similar to those of the ordinary shares. Refer to note 22 of the Group financial statements for further detail.</p>		
	<b>2018 R'000</b>	2017 R'000
<b>13. Share-based payment liability</b>		
Balance at beginning of year	192 141	378 945
Share-based payment	(26 017)	(113 863)
Repurchase of class A ordinary shares from leavers	(26 287)	(69 182)
Dividends paid to class A ordinary shares	(3 301)	(3 759)
	<b>136 536</b>	192 141
<p>For the purposes of the statement of financial position, the share-based payment liability is presented as follows:</p>		
Non-current portion	112 768	159 845
Current portion	23 768	32 296
	<b>136 536</b>	192 141
<b>14. Trade and other payables</b>		
Payables to related parties (refer to note 15)	721	476
Accrued expenses	–	89
Value-added tax	888	697
Other	512	489
	<b>2 121</b>	1 751

	2018 R'000	2017 R'000
<b>15. Related-party transactions</b>		
During the financial year, the Company conducted the following transactions with its subsidiaries:		
<b>Rendering of services</b>		
Administration fees charged to Pioneer Foods (Pty) Ltd	5 921	4 979
<b>Payable to related party</b>		
Payable to Pioneer Foods (Pty) Ltd	721	476
<b>Receivable from related party</b>		
Receivable from Pioneer Foods (Pty) Ltd	6 809	5 676
<b>Loan to related party</b>		
Loan to Pioneer Foods (Pty) Ltd		
Beginning of year	220 526	130 772
Loan advanced during the year	(1 035 816)	(943 957)
Loan repaid during the year	988 092	1 033 711
End of year	172 802	220 526
Unsecured interest-free loan with no fixed terms of repayment.		
<b>Key management personnel compensation</b>		
Non-executive directors		
Fees	5 921	4 979
<b>16. Net cash loss from operating activities</b>		
Reconciliation of profit before income tax and cash loss from operating activities:		
Profit before income tax	807 069	812 524
Adjusted for:		
Dividends received	(824 192)	(821 814)
Interest received	(539)	(960)
	(17 662)	(10 250)
<b>17. Working capital changes</b>		
Increase in trade and other receivables	(1 107)	(5 726)
Increase in trade and other payables	371	554
	(736)	(5 172)
<b>18. Income tax paid</b>		
Amounts unpaid at beginning of year	(35)	(32)
Current income tax as disclosed in profit or loss	(31)	(689)
Amounts unpaid at end of year	1	35
	(65)	(686)
<b>19. Dividends paid</b>		
<i>Ordinary shareholders</i>		
Amounts unpaid at beginning of year	(590)	(607)
As disclosed in statement of changes in equity	(813 046)	(810 200)
Amounts unpaid at end of year	1 543	590
	(812 093)	(810 217)
<i>Class A ordinary shareholders</i>		
As accounted for against share-based payment liability	(3 301)	(3 759)

	<b>LOANS AND RECEIVABLES R'000</b>
<b>20. Financial instruments by category</b>	
<b>30 September 2018</b>	
<i>Assets as per statement of financial position</i>	
Trade and other receivables	6 833
Loan to subsidiary	172 802
Cash and cash equivalents	4 963
<b>Total</b>	<b>184 598</b>
	<b>OTHER FINANCIAL LIABILITIES R'000</b>
<i>Liabilities as per statement of financial position</i>	
Trade and other payables	1 233
Dividends payable	1 543
<b>Total</b>	<b>2 776</b>
	<b>LOANS AND RECEIVABLES R'000</b>
<b>30 September 2017</b>	
<i>Assets as per statement of financial position</i>	
Trade and other receivables	5 726
Loan to subsidiary	220 526
Cash and cash equivalents	9 406
<b>Total</b>	<b>235 658</b>
	<b>OTHER FINANCIAL LIABILITIES R'000</b>
<i>Liabilities as per statement of financial position</i>	
Trade and other payables	1 054
Dividends payable	590
<b>Total</b>	<b>1 644</b>

**Note:** Trade and other payables do not include amounts for value-added tax payable.

	<b>CAPITAL R'000</b>	<b>INTEREST R'000</b>	<b>TOTAL R'000</b>
<b>21. Maturity analysis of financial liabilities</b>			
<b>30 September 2018</b>			
Not later than 1 year			
Trade and other payables	1 233	–	1 233
Dividends payable	1 543	–	1 543
	<b>2 776</b>	<b>–</b>	<b>2 776</b>
	CAPITAL R'000	INTEREST R'000	TOTAL R'000
<b>30 September 2017</b>			
Not later than 1 year			
Trade and other payables	1 054	–	1 054
Dividends payable	590	–	590
	1 644	–	1 644

**Note:** Trade and other payables do not include amounts for value-added tax payable.

## 22. Events after the reporting period

### DIVIDEND

A final dividend of 260 cents (2017: 260 cents) per ordinary share has been declared for the year. This will only be reflected in the statement of changes in equity for the next reporting period.

The 10,745,350 Pioneer Foods shares issued to the Pioneer Foods Broad-Based BEE Trust are entitled to 20% of the final gross dividend payable i.e. 52.0 cents (2017: 52.0 cents) per share.

### OTHER EVENTS

No other events that may have a material effect on the Company occurred after the reporting period and up to the date of approval of the annual financial statements by the Board.

## 23. Going concern

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

## SHAREHOLDER INFORMATION

CATEGORY	NUMBER OF ORDINARY SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES	% OF TOTAL ORDINARY SHARES
<b>Shareholder spread</b>				
<i>Ordinary shares</i>				
Individuals	6 326	72.9	18 544 845	8.0
Nominees and trusts	1 181	13.6	12 229 303	5.2
Investment companies and corporate bodies	1 170	13.5	202 402 919	86.8
	<b>8 677</b>	<b>100.0</b>	<b>233 177 067</b>	<b>100.0</b>
<b>Non-public/public shareholders</b>				
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2018, is as follows:				
<b>Analysis of shareholding – ordinary shares</b>				
<b>Public shareholding</b>				
<i>Major shareholders</i>				
Government Employees Pension Fund	1	–	18 524 652	7.9
Dipeo Capital (RF) (Pty) Ltd (note 1)	1	–	9 326 640	4.0
<i>Other shareholders</i>	<b>8 665</b>	<b>99.9</b>	<b>117 428 002</b>	<b>50.4</b>
<b>Non-public shareholding</b>				
<i>Major shareholders</i>				
Zeder Investments Ltd (note 1)	1	–	58 250 788	25.0
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
Directors	7	0.1	919 579	0.4
	<b>8 677</b>	<b>100.0</b>	<b>233 177 067</b>	<b>100.0</b>
<b>Distribution of ordinary shareholders</b>				
Number of shares				
1 – 1 000 shares	5 576	64.3	1 677 198	0.7
1 001 – 10 000 shares	2 156	24.8	7 658 758	3.3
10 001 – 50 000 shares	636	7.3	14 701 495	6.3
50 001 – 100 000 shares	128	1.5	9 290 470	4.0
100 001 – 500 000 shares	139	1.6	31 337 913	13.4
500 001 shares and over	42	0.5	168 511 233	72.3
	<b>8 677</b>	<b>100.0</b>	<b>233 177 067</b>	<b>100.0</b>

**Note 1:** And its wholly owned subsidiaries.

# CORPORATE INFORMATION

## HOLDING COMPANY

Pioneer Food Group Ltd  
Registration number: 1996/017676/06  
JSE Securities Exchange Code: PFG  
JSE Securities Exchange Sector: Food & Beverage

## COUNTRY OF INCORPORATION

South Africa

## DATE OF INCORPORATION

11 December 1996

## ISIN CODE

ZAE000118279

## COMPANY SECRETARY AND REGISTERED OFFICE

Jay-Ann Jacobs  
Glacier Place, 1 Sportica Crescent  
Tyger Valley, 7530, South Africa  
Tel: +27 21 974 4000  
Fax: +27 86 407 0044  
E-mail: Jay-Ann.Jacobs@pioneerfoods.co.za  
E-mail: info@pioneerfoods.co.za

## TRANSFER SECRETARY

Computershare Investor Services (Pty) Ltd  
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196  
PO Box 61051, Marshalltown, 2107  
Tel: +27 11 370 5000  
Fax: +27 11 688 5209

## AUDITORS

PricewaterhouseCoopers Inc.  
(Registration number: 1998/012055/21)  
PricewaterhouseCoopers Building  
Capital Place  
Neutron Avenue, Techno Park  
Stellenbosch, 7600

## BANKERS

The Standard Bank of South Africa Ltd  
Absa Bank Ltd  
Nedbank Ltd  
FirstRand Bank Ltd  
Old Mutual Specialised Finance (Pty) Ltd

## SPONSOR

PSG Capital (Pty) Ltd  
(Registration number: 2006/015817/07)  
1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600  
PO Box 7403, Stellenbosch, 7599  
Tel: +27 21 887 9602  
Fax: +27 21 887 9624

## Financial calendar

Financial year-end	30 September
Annual general meeting	15 February 2019

## REPORTS

Interim report for the six months ended 31 March 2019	May 2019
Announcement of results for the year ended 30 September 2019	November 2019
Integrated report for the year ended 30 September 2019	December 2019

## DIVIDENDS

Interim – Announcement	May 2019
– Payment	July 2019
Final – Announcement	November 2019
– Payment	February 2020











[www.pioneerfoods.co.za](http://www.pioneerfoods.co.za)

