PIONEER FOODS

# PIONEER FOOD GROUP LIMITED

Notice and Proxy of Annual General Meeting and
Summary Consolidated Financial Statements
for the year ended 30 September 2014

# SALIENT FEATURES

| | | |
|---|---|---|
| **Continuing operations:** | | |
| Revenue | **R17 699 million** | **+9%** |
| Adjusted operating profit (before items of a capital nature)* | **R1 680 million** | **+46%** |
| Adjusted headline earnings* | **R1 169 million** | **+38%** |
| Adjusted headline earnings per share* | **637 cents** | **+37%** |
| **Group:** | | |
| Earnings | **R965 million** | **+93%** |
| Earnings per share | **527 cents** | **+91%** |
| Headline earnings | **R1 055 million** | **+49%** |
| Headline earnings per share | **576 cents** | **+48%** |
| Adjusted headline earnings* | **R1 242 million** | **+46%** |
| Adjusted headline earnings per share* | **678 cents** | **+44%** |
| Net asset value per share | **3 318 cents** | **-8%** |
| Final gross dividend per listed ordinary share (2013: 86 cents) | **156 cents** | **+81%** |
| Total gross dividend per listed ordinary share (2013: 132 cents) | **221 cents** | **+67%** |

Headline earnings ("HE") is calculated based on Circular 2/2013 issued by the South African Institute of Chartered Accountants.

* HE and operating profit (before items of a capital nature) are adjusted for the impact of the share-based payment charge on the B-BBEE Phase I transaction on profit or loss due to the volatility of this share-based payment charge.

**DIRECTORS:** ZL Combi (Chairman), PM Roux (CEO)*, LR Cronjé*, N Celliers, MM du Toit, Prof ASM Karaan, NS Mjoli-Mncube, G Pretorius, LP Retief, AH Sangqu (* Executive)
**COMPANY SECRETARY:** J Jacobs **EMAIL:** Jay-Ann.Jacobs@pioneerfoods.co.za
**REGISTERED ADDRESS:** Glacier Place, 1 Sportica Crescent, Tyger Valley, 7530, South Africa
**TEL:** 021 974 4000 **FAX:** +27 86 407 0044 **EMAIL:** info@pioneerfoods.co.za
**TRANSFER SECRETARIES:** Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107, South Africa
**TEL:** 011 370 5000 **FAX:** 011 688 5209
**SPONSOR:** PSG Capital (Pty) Ltd, PO Box 7403, Stellenbosch, 7599, South Africa
**TEL:** 021 887 9602 **FAX:** 021 887 9624

# CONTENTS

**Pioneer Food Group Ltd**

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

**10 December 2014**

Dear Shareholder

**NOTICE OF THE 2014 ANNUAL GENERAL MEETING AND PROXY FORM**

We are pleased to enclose herewith a detailed notice of Pioneer Food's Annual General Meeting to be held at 09:00 on Friday, 13 February 2015, at Lanzerac Hotel & Spa, Lanzerac Road, Stellenbosch, 7600 ("the Annual General Meeting").

We have also included the following:

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

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

In a continued effort to support environmental initiatives, printed copies of Pioneer Foods' full integrated annual report with summary financial statements will only be mailed to shareholders on request from 14 January 2015. The full report (including full financial statements) will be available for download on the Company's website at www.pioneerfoods.co.za towards the end of December 2014.

Therefore, should you require a printed copy of the integrated annual report, please contact Rayhaan Samodien at Rayhaan.Samodien@pioneerfoods.co.za or Jay-Ann Jacobs at Jay-Ann.Jacobs@pioneerfoods.co.za to request a copy.

Yours sincerely

**Jay-Ann Jacobs**
*Company Secretary*

## Notice of Annual General Meeting for the year ended 30 September 2014

Notice is hereby given to all shareholders recorded in the securities register of Pioneer Foods as at Friday, 12 December 2014, that the eighteenth Annual General Meeting of Pioneer Foods will be held on Friday, 13 February 2015, at 09:00 at Lanzerac Hotel & Spa, Lanzerac Road, Stellenbosch, 7600.

### Purpose

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

### Agenda

- Presentation of the audited annual financial statements of the Company, including the reports of the directors and the audit and risk committee for the year ended 30 September 2014.
- Resolutions:
  - Ordinary Resolutions 1 – 10
  - Special Resolutions 1 – 5

### Ordinary resolutions

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

**1. Ordinary Resolution Number 1**

To confirm the re-appointment of PricewaterhouseCoopers Incorporated as auditor for the ensuing year on the recommendation of the Audit and Risk Committee. Mr Richard Jacobs (accredited on the Johannesburg Stock Exchange ("JSE") list of auditors and registered in accordance with the Auditing Professions Act, 26 of 2005) is hereby confirmed as the individual responsible for performing the function of auditor as from February 2015.

*Reason for Ordinary Resolution Number 1*

*The reason for Ordinary Resolution Number 1 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the Annual General Meeting of the Company as required by the Companies Act, No. 71 of 2008 ("Companies Act").*

**2. Ordinary Resolution Number 2**

"Resolved that the unissued ordinary shares in the Company, limited to 1% of the ordinary shares in issue as at 30 September 2014, be and are hereby placed under the control of the directors until the next Annual General Meeting and that they be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act, the memorandum of incorporation of the Company, and the provisions of the Listings Requirements of the JSE, save that the aforementioned 1% limitation shall not apply to any shares issued in terms of a rights offer."

*Reason for Ordinary Resolution Number 2*

*The reason for Ordinary Resolution Number 2 is that the Board requires authority from shareholders in terms of its memorandum of incorporation to issue ordinary shares in the Company. This general authority, once granted, allows the Board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required, inter alia, in terms of capital raising exercises , equity settlement of phantom share rights in terms of the Company's previously approved incentive scheme and to maintain a healthy capital adequacy ratio. This general authority is subject to the restriction that it is limited to 1% of the number of ordinary shares in issue as at 30 September 2014 on the terms more fully set out in Ordinary Resolution Number 2.*

**3. Ordinary Resolution Numbers 3 – 5 (inclusive)**

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

3.1 Ordinary Resolution Number 3

**Re-election of director**: Andile Hesperus Sangqu

3.2 Ordinary Resolution Number 4

**Re-election of director**: Lambert Retief

3.3 Ordinary Resolution Number 5

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

*Reason for Ordinary Resolutions Numbers 3 – 5 (inclusive)*

*The reason for and effect of Ordinary Resolutions Numbers 3 – 5 (inclusive) is that these directors will retire at the Annual General Meeting by rotation in terms of clause 29.3.4 of the Company's memorandum of incorporation and being eligible, have availed themselves for re-election. A brief CV of each of the directors up for re-election to the Board appears in annexure 3 to this notice of Annual General Meeting.*

**4. Ordinary Resolution Number 6**

**Re-appointment of member of the Audit and Risk Committee**
Subject to the result of Ordinary Resolution Number 3:

"Resolved that Mr Andile Hesperus Sangqu, being eligible and availing himself for re-appointment, be and is hereby re-appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of Directors of the Company until the next Annual General Meeting of the Company to be held in 2016."

**5. Ordinary Resolution Number 7**

**Re-appointment of member of the Audit and Risk Committee**
Subject to the result of Ordinary Resolution Number 4:

"Resolved that Mr Lambert Retief, being eligible and availing himself for re-appointment, be and is hereby re-appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of Directors of the Company, until the next Annual General Meeting of the Company to be held in 2016."

**6. Ordinary Resolution Number 8**

**Re-appointment of member of the Audit and Risk Committee**

"Resolved that Ms Nonhlanhla Mjoli-Mncube, being eligible and availing herself for re-appointment, be and is hereby re-appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of Directors of the Company, until the next Annual General Meeting of the Company to be held in 2016."

*Reason for Ordinary Resolution Numbers 6 – 8 (inclusive)*

*In terms of the provisions of section 94(2) of the Companies Act, a company shall at every Annual General Meeting elect an audit committee comprising of at least three members. A brief CV of each of the independent non-executive directors proposed to be appointed to the Audit and Risk Committee appears in annexure 4 to this notice. As is evident from the CVs of these directors, all of them have academic qualifications or experience in one or more of the following areas, i.e. economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resources.*

7. **Ordinary Resolution Number 9**

**Endorsement of Pioneer Foods' remuneration policy**
"Resolved that the shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out in annexure 5 to the notice of Annual General Meeting."

*Reason for Ordinary Resolution Number 9*

*The reason for Ordinary Resolution Number 9 is that King III recommends that the remuneration policy of the Company be endorsed through a non-binding advisory vote by shareholders.*

8. **Ordinary Resolution Number 10**

**Authorisation to sign documents giving effect to resolutions**
"Resolved that any one director or the secretary of the company be and they are hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the Annual General Meeting.

## Special Resolutions

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

9. **Special Resolution Number 1**

**Approval of the non-executive directors' remuneration**
"Resolved in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its non-executive directors for their services rendered as directors as from 1 April 2015 until 31 March 2016, on the basis set out below:

| | Fees from 1 April 2014 until 31 March 2015 | Fees from 1 April 2015 until 31 March 2016 |
|---|---|---|
| | Rand | Rand |
| Chairman of the Board | 623 810 | 664 358 |
| Committee Chairman/Lead Independent Director | 354 438 | 377 476 |
| Committee Member | 255 195 | 273 059 |
| Board Member (not serving on a committee) | 192 814 | 206 311" |

*Reason for and effect of Special Resolution Number 1*

*The reason for and the effect of Special Resolution Number 1 is to approve the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period as from 1 April 2015 until 31 March 2016.*

*The effect of Special Resolution Number 1 is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next Annual General Meeting of the Company to be held in 2016.*

10. **Special Resolution Number 2**

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

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

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

*Reason for and effect of Special Resolution Number 2*

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

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

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

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

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

## 11. Special Resolution Number 3

**Financial assistance for the subscription of or the acquisition of securities in the Company and in related and inter-related companies**

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

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

The Board undertakes that –

– it will not adopt a resolution to authorise such financial assistance, unless the Board is satisfied that –

  – immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and

  – the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

*Reason for and effect of Special Resolution Number 3*

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

## 12. Special Resolution Number 4

**Amendment to the Company's memorandum of incorporation**

"Resolved that clauses 29.2.4.1 and 29.2.4.2 of the Company's memorandum of incorporation be deleted in its entirety and substituted with the following wording:

'29.2.4.1 not later than 45 (forty five) days subsequent to the financial year end of the Company, there shall have been delivered at the registered office of the Company a notice in writing by a Shareholder (who may also be the proposed Director) who is entitled to be present and to vote at the general meeting for which such notice was given;

29.2.4.2 [deleted]'"

*Reason for and effect of Special Resolution Number 4*

*The reason for and effect of Special Resolution Number 4 is to remove the administrative burdensome and costly nomination procedures for the appointment of Directors of the Company contained in the memorandum of incorporation of the Company, and to provide shareholders with the opportunity to propose nominees for election as Directors in a simpler and effective manner that is common practice for public companies."*

## 13. Special Resolution Number 5

**General authority to repurchase shares**

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

- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next Annual General Meeting of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted;
- a resolution has been passed by the Board approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the group;
- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five business day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme that have been submitted to the JSE in writing and executed by an independent third party."

*Reason for and effect of Special Resolution Number 5*

*The reason for and effect of Special Resolution Number 5 is to grant the directors a general authority in terms of Company's memorandum of incorporation and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in the special resolution.*

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

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

## Record dates

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the Company in order to receive notice of the Annual General Meeting is **Friday, 12 December 2014**.

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the Company in order to be able to attend, participate and vote at the Annual General Meeting is **Friday, 6 February 2015**, and the last day to trade in the Company's shares in order to be recorded in the securities register of the Company in order to be able to attend, participate and vote at the Annual General Meeting is **Friday, 30 January 2015**.

## Approvals required for ordinary and special resolutions

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

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

## Attendance and voting by shareholders or proxies

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the Annual General Meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the Company. Proxy forms must be lodged with the transfer secretaries of the Company, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than **Wednesday, 11 February 2015**, at **09:00** (South African time).

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

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

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

– to furnish them with their voting instructions; or

– in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

## Proof of identification required

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

By order of the Board

**J Jacobs**
Company Secretary

Pioneer Food Group Ltd
10 December 2014

## Independent auditor's report on summary financial statements to the shareholders of Pioneer Food Group Ltd

The summary consolidated financial statements of Pioneer Food Group Ltd, set out on pages 11 to 30 of the Notice and Proxy of Annual General Meeting and Summary Consolidated Financial Statements for the year ended 30 September 2014, which comprise the summary consolidated statement of financial position as at 30 September 2014, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Pioneer Food Group Ltd for the year ended 30 September 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 20 November 2014. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

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

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

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

### Auditor's responsibility

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

### Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Pioneer Food Group Ltd for the year ended 30 September 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Other Reports Required by the Companies Act

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 20 November 2014 states that as part of our audit of the consolidated financial statements for the year ended 30 September 2014, we have read the Directors' Report, the Report of the Audit and Risk Committee and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
Director: R Jacobs
Registered Auditor
Paarl
20 November 2014

# PIONEER FOOD GROUP LTD

**Summary consolidated financial statements for the year ended 30 September 2014**

## Group statement of comprehensive income

| | Audited Year ended 30 September 2014 R'm | Audited Year ended 30 September 2013 Restated R'm |
|---|---|---|
| **Continuing operations** | | |
| Revenue | **17 698.6** | 16 240.9 |
| Cost of goods sold | **(12 321.2)** | (11 527.5) |
| Gross profit | **5 377.4** | 4 713.4 |
| Other income and gains/(losses) – net | **115.9** | 135.8 |
| Other expenses | **(4 000.5)** | (3 842.5) |
| Excluding the following: | **(3 813.2)** | (3 696.6) |
| Phase I B-BBEE transaction share-based payment charge | **(187.3)** | (145.9) |
| Items of a capital nature | **(47.0)** | 10.7 |
| Operating profit | **1 445.8** | 1 017.4 |
| Investment income | **22.3** | 22.6 |
| Finance costs | **(138.0)** | (125.5) |
| Share of profit of investments accounted for using the equity method | **69.8** | 24.7 |
| Profit before income tax | **1 399.9** | 939.2 |
| Income tax expense | **(451.8)** | (238.7) |
| Profit for the year from continuing operations | **948.1** | 700.5 |
| Profit/(loss) for the year from discontinued operations (attributable to owners of the parent) | **18.2** | (200.4) |
| **Profit for the year** | **966.3** | 500.1 |
| **Other comprehensive income/(loss) for the year** | | |
| Items that will not subsequently be reclassified to profit or loss: | | |
| Remeasurement of post-employment benefit obligations | **0.6** | (1.5) |
| Items that may subsequently be reclassified to profit or loss: | **10.8** | 80.3 |
| Fair value adjustments to cash flow hedging reserve | **(9.3)** | 17.3 |
| For the year | **62.8** | (13.7) |
| Current income tax effect | **(18.4)** | 4.4 |
| Deferred income tax effect | **1.7** | (0.5) |
| Reclassified to profit or loss | **(75.8)** | 37.7 |
| Current income tax effect | **20.7** | (10.7) |
| Deferred income tax effect | **(0.3)** | 0.1 |
| Fair value adjustments on available-for-sale financial assets | **4.9** | 0.8 |
| For the year | **9.9** | 18.8 |
| Deferred income tax effect | **(1.2)** | (1.7) |
| Reclassified to profit or loss | **(3.8)** | (16.3) |
| Share of other comprehensive income of investments accounted for using the equity method | **3.1** | 6.5 |
| Movement on foreign currency translation reserve | **12.1** | 55.7 |
| **Total comprehensive income for the year** | **977.7** | 578.9 |
| **Profit/(loss) for the year attributable to:** | | |
| Owners of the parent | | |
| For continuing operations | **947.0** | 699.0 |
| For discontinued operations | **18.2** | (200.4) |
| Non-controlling interest | | |
| For continuing operations | **1.1** | 1.5 |
| | **966.3** | 500.1 |
| **Total comprehensive income/(loss) for the year attributable to:** | | |
| Owners of the parent | | |
| For continuing operations | **973.7** | 752.5 |
| For discontinued operations | **2.9** | (175.1) |
| Non-controlling interest | | |
| For continuing operations | **1.1** | 1.5 |
| | **977.7** | 578.9 |

## Headline earnings reconciliation

| | Audited Year ended 30 September 2014 R'm | Audited Year ended 30 September 2013 Restated R'm |
|---|---|---|
| **Reconciliation between profit/(loss) attributable to owners of the parent and headline earnings** | | |
| Profit/(loss) attributable to owners of the parent | | |
| For continuing operations | **947.0** | 699.0 |
| For discontinued operations | **18.2** | (200.4) |
| | **965.2** | 498.6 |
| Remeasurement of items of a capital nature – continuing operations | **47.0** | (10.7) |
| Net loss on disposal of property, plant and equipment and intangible assets | **1.3** | 4.9 |
| Net profit on disposal of available-for-sale financial assets | **(3.7)** | (16.4) |
| Impairment of property, plant and equipment and intangible assets | **49.4** | 0.8 |
| Tax effect on remeasurement of items of a capital nature | **(12.9)** | 1.7 |
| | **34.1** | (9.0) |
| Remeasurement of items of a capital nature – discontinued operations | **76.0** | 230.9 |
| Net profit on disposal of property, plant and equipment and intangible assets | **(1.7)** | (1.1) |
| Impairment of property, plant and equipment and intangible assets | **77.7** | 232.0 |
| Tax effect on remeasurement of items of a capital nature | **(20.3)** | (23.7) |
| | **55.7** | 207.2 |
| Remeasurement of items of a capital nature included in equity-accounted results | | |
| Effect on remeasurement of items of a capital nature | **0.1** | 13.0 |
| Tax effect on remeasurement of items of a capital nature | **–** | (3.1) |
| | **0.1** | 9.9 |
| **Headline earnings** | **1 055.1** | 706.7 |
| For continuing operations | **981.2** | 699.9 |
| For discontinued operations | **73.9** | 6.8 |
| Phase I B-BBEE transaction share-based payment charge | **187.3** | 145.9 |
| **Adjusted headline earnings (Note 1)** | **1 242.4** | 852.6 |
| For continuing operations | **1 168.5** | 845.8 |
| For discontinued operations | **73.9** | 6.8 |
| Number of issued ordinary shares (million) | **231.7** | 231.0 |
| Number of issued treasury shares: | | |
| – held by subsidiary (million) | **18.0** | 18.0 |
| – held by share incentive trust (million) | **1.1** | 1.4 |
| – held by B-BBEE equity transaction participants (million) | **18.1** | 18.1 |
| – held by BEE trust (million) | **10.6** | 10.6 |
| Number of issued class A ordinary shares (million) | **6.0** | 7.4 |
| Weighted average number of ordinary shares (million) | **183.3** | 181.3 |
| Weighted average number of ordinary shares – diluted (million) | **192.1** | 185.8 |
| Earnings per ordinary share (cents): | | |
| – basic | **526.5** | 275.0 |
| – diluted | **502.4** | 268.4 |
| – headline | **575.6** | 389.8 |
| – diluted headline | **549.2** | 380.4 |
| – adjusted headline (Note 1) | **677.8** | 470.3 |
| – diluted adjusted headline (Note 1) | **646.7** | 458.9 |
| – adjusted headline for continuing operations (Note 1) | **637.4** | 466.5 |
| – diluted adjusted headline for continuing operations (Note 1) | **608.2** | 455.2 |
| Gross dividend per ordinary share (cents) | **221.0** | 132.0 |
| Gross dividend per class A ordinary share (cents) | **66.3** | 39.6 |
| Net asset value per ordinary share (cents) | **3 318.2** | 3 598.1 |
| Debt to equity ratio (%) | **10.9** | 22.2 |

**Note 1:**
Headline earnings ("HE") is calculated based on Circular 2/2013 issued by the South African Institute of Chartered Accountants. Adjusted HE is defined as HE adjusted for the impact of the share-based payment charge on the B-BBEE Phase I transaction on profit or loss due to the volatility of this share-based payment charge.

## Group statement of financial position

| | Audited 30 September 2014 R'm | Audited 30 September 2013 Restated R'm |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | **4 229.1** | 4 162.6 |
| Goodwill | **220.8** | 217.7 |
| Other intangible assets | **457.2** | 470.7 |
| Biological assets | **16.0** | 16.0 |
| Investments in and loans to associates and joint ventures | **402.3** | 344.1 |
| Available-for-sale financial assets | **70.0** | 59.0 |
| Trade and other receivables | **23.4** | 20.7 |
| Deferred income tax | **3.7** | 74.1 |
| **Non-current assets** | **5 422.5** | 5 364.9 |
| **Current assets** | **5 420.9** | 4 416.1 |
| Inventories | **2 423.3** | 2 401.2 |
| Derivative financial instruments | **14.9** | 10.6 |
| Trade and other receivables | **1 873.8** | 1 624.6 |
| Current income tax | **1.3** | 0.7 |
| Cash and cash equivalents | **1 107.6** | 379.0 |
| Assets of disposal group classified as held for sale | **2 066.8** | 1 953.4 |
| **Total assets** | **12 910.2** | 11 734.4 |
| **Equity and liabilities** | | |
| Capital and reserves attributable to owners of the parent | **6 102.4** | 6 581.3 |
| Share capital | **23.2** | 23.1 |
| Share premium | **2 255.2** | 2 188.6 |
| Treasury shares | **(1 186.5)** | (1 190.9) |
| Other reserves | **428.5** | 426.2 |
| Retained earnings | **4 582.0** | 5 134.3 |
| Non-controlling interest | **10.4** | 9.3 |
| **Total equity** | **6 112.8** | 6 590.6 |
| **Non-current liabilities** | **2 308.6** | 2 304.6 |
| Borrowings | | |
| B-BBEE equity transaction third-party finance | **449.7** | 449.7 |
| Other | **1 063.8** | 1 007.6 |
| Provisions for other liabilities and charges | **101.5** | 120.3 |
| Share-based payment liability | **245.2** | 251.4 |
| Deferred income tax | **448.4** | 475.6 |
| **Current liabilities** | **3 920.7** | 2 357.2 |
| Trade and other payables | **2 258.2** | 1 926.1 |
| Current income tax | **18.1** | 28.1 |
| Derivative financial instruments | **9.7** | 6.2 |
| Borrowings | **260.7** | 381.8 |
| Loan from joint venture | **15.7** | 14.7 |
| Share-based payment liability | **115.8** | – |
| Dividends payable | **1 242.5** | 0.3 |
| Liabilities of disposal group classified as held for sale | **568.1** | 482.0 |
| **Total equity and liabilities** | **12 910.2** | 11 734.4 |

## Group statement of changes in equity

| | Audited Year ended 30 September 2014 R'm | Audited Year ended 30 September 2013 Restated R'm |
|---|---|---|
| **Share capital, share premium and treasury shares** | **1 091.9** | 1 020.8 |
| Opening balance | **1 020.8** | 987.3 |
| Movement in treasury shares | **4.4** | 16.7 |
| Ordinary shares issued – share appreciation rights | **66.8** | 49.6 |
| Employee share scheme – repurchase of shares | **(0.1)** | (32.8) |
| **Other reserves** | **428.5** | 426.2 |
| Opening balance | **426.2** | 350.3 |
| Equity compensation reserve transactions | **26.5** | 15.2 |
| Ordinary shares issued – share appreciation rights | **(66.8)** | (49.6) |
| Deferred income tax on share-based payments | **31.8** | 30.0 |
| Share of other comprehensive income of investments accounted for using the equity method | **3.1** | 6.5 |
| Other comprehensive income for the year | **7.7** | 73.8 |
| **Retained earnings** | **4 582.0** | 5 134.3 |
| Opening balance | **5 133.2** | 4 847.3 |
| Effect of changes in accounting policies | **1.1** | 0.7 |
| Restated opening balance | **5 134.3** | 4 848.0 |
| Profit for the year | **965.2** | 498.6 |
| Other comprehensive income/(loss) for the year | **0.6** | (1.5) |
| Dividends paid | **(1 519.2)** | (211.3) |
| Management share incentive scheme – disposal of shares | **1.7** | 0.8 |
| Employee share scheme – transfer tax on share transactions | **(0.6)** | (0.3) |
| **Non-controlling interest** | **10.4** | 9.3 |
| Opening balance | **9.3** | 8.2 |
| Dividend paid | **–** | (0.4) |
| Profit for the year | **1.1** | 1.5 |
| **Total equity** | **6 112.8** | 6 590.6 |

## Group statement of cash flows

| | Audited Year ended 30 September 2014 R'm | Audited Year ended 30 September 2013 Restated R'm |
|---|---|---|
| Net cash profit from operating activities | **2 133.9** | 1 556.3 |
| Cash effect from hedging activities | **(7.8)** | 22.7 |
| Working capital changes | **27.5** | 66.8 |
| Accrual for Competition Commission penalties paid | **–** | (216.7) |
| Net cash generated from operations | **2 153.6** | 1 429.1 |
| Income tax paid | **(386.4)** | (233.1) |
| **Net cash flow from operating activities** | **1 767.2** | 1 196.0 |
| **Net cash flow from investment activities** | **(392.7)** | (1 287.2) |
| Property, plant and equipment and intangible assets | | |
| – additions | **(269.7)** | (828.1) |
| – replacements | **(216.3)** | (235.0) |
| – proceeds on disposal | **55.7** | 26.7 |
| Business combinations | **–** | (315.0) |
| Proceeds on disposal of and changes in available-for-sale financial assets and loans | **(1.1)** | 26.4 |
| Interest received | **24.3** | 22.5 |
| Dividends received | **1.6** | 1.7 |
| Dividends received from joint ventures | **12.8** | 13.3 |
| Dividends received from associates | **–** | 0.3 |
| **Net cash flow from financing activities** | **(422.0)** | (200.2) |
| Proceeds from syndicated borrowings | **–** | 1 870.0 |
| Proceeds/(repayments) of other borrowings | **78.1** | (1 698.8) |
| Share schemes transactions | **(72.3)** | (17.1) |
| Interest paid | **(150.8)** | (142.8) |
| Dividends paid | **(277.0)** | (211.5) |
| Net increase/(decrease) in cash, cash equivalents and bank overdrafts | **952.5** | (291.4) |
| Net cash, cash equivalents and bank overdrafts at beginning of year | **65.6** | 357.0 |
| Net cash, cash equivalents and bank overdrafts at end of year | **1 018.1** | 65.6 |
| For continuing operations | **912.5** | 41.0 |
| For discontinued operations | **105.6** | 24.6 |

## Group segment report

| | Audited Year ended 30 September 2014 R'm | Audited Year ended 30 September 2013 Restated R'm |
|---|---|---|
| **Segment revenue (Note 1)** | | |
| Essential Foods (formerly Sasko) | **10 927.5** | 10 314.4 |
| Quantum Foods | **3 591.4** | 3 575.6 |
| Bokomo Foods | **3 728.3** | 3 148.4 |
| Ceres Beverages | **3 340.8** | 3 021.2 |
| | **21 588.0** | 20 059.6 |
| Less : Internal revenue | **(298.0)** | (248.5) |
| Total | **21 290.0** | 19 811.1 |
| **Segment results (Note 1)** | | |
| Essential Foods (formerly Sasko) | **1 074.9** | 784.3 |
| Quantum Foods | **21.6** | (18.9) |
| Bokomo Foods | **406.7** | 279.0 |
| Ceres Beverages | **328.7** | 263.8 |
| Other | **(115.7)** | (154.3) |
| | **1 716.2** | 1 153.9 |
| Reversal of depreciation charge in Quantum Foods legal entities (asset held for sale) | **54.7** | – |
| Phase I B-BBEE transaction share-based payment charge | **(187.3)** | (145.9) |
| Operating profit before items of a capital nature | **1 583.6** | 1 008.0 |
| **Reconciliation of operating profit (before items of a capital nature) to profit before income tax** | | |
| Operating profit before items of a capital nature | **1 583.6** | 1 008.0 |
| Adjusted for: | | |
| Remeasurement of items of a capital nature | **(123.0)** | (220.2) |
| Interest income | **24.3** | 22.5 |
| Dividends received | **1.6** | 1.7 |
| Finance costs | **(138.7)** | (126.3) |
| Share of profit of investments accounted for using the equity method | **70.4** | 24.8 |
| Profit before income tax (including discontinued operations) | **1 418.2** | 710.5 |

**Note 1**
Includes discontinued operations.

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

The summary consolidated financial statements of the Group for the year ended 30 September 2014 have been prepared in accordance with the requirements of the JSE for summary financial statements, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to summary financial statements. The Listings Requirements of the JSE require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by *IAS 34 – Interim Financial Reporting*. This summary report is an extract from audited information, but this summary report has not been audited.

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

## 2. Accounting policies

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of the following new standards, amendments to published standards and interpretations that became effective for the current reporting period beginning on 1 October 2013:

***IAS 19 – (revised) Employee Benefits***

IAS 19 (revised) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transitional provisions of the standard. The amended standard impacted the Group's treatment of the provision for post-retirement medical benefits. The financial effect thereof has been disclosed in Note 11.

***IFRS 10 – Consolidated Financial Statements***

Under IFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group has applied IFRS 10 retrospectively in accordance with the transitional provisions of IFRS 10. The adoption of this new standard did not have an effect on the financial position or results of the Group.

***IFRS 11 – Joint Arrangements***

Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Before 1 October 2013, the Group's interest in its jointly controlled entities was accounted for using proportionate consolidation. Under IFRS 11, these jointly controlled entities have been classified as joint ventures and have been accounted for using the equity method. The Group has applied the new policy for its interest in the joint ventures in accordance with the transitional provisions of IFRS 11. The financial effects of this change have been disclosed in Note 11.

***IFRS 13 – Fair Value Measurement***

IFRS 13 measurement and disclosure requirements are applicable for the 30 September 2014 financial year-end. The Group has included the disclosures required by IAS 34 paragraph 16A(j) in the summary consolidated financial statements (refer to Note 10). The adoption of this new standard did not have any material impact on the Group's results and cash flows for the year ended 30 September 2014 and the financial position at 30 September 2014.

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2013.

| | Audited Year ended 30 September 2014 R'm | Audited Year ended 30 September 2013 R'm |
|---|---|---|
| **3. Share capital** | | |
| During the period under review the following share transactions occurred: | | |
| Number of listed issued and fully paid ordinary shares | | |
| At beginning of year | **231 006 847** | 230 314 486 |
| Shares issued in terms of employee share appreciation rights scheme | **685 034** | 692 361 |
| At end of year | **231 691 881** | 231 006 847 |
| 685,034 (30 September 2013: 692,361) listed ordinary shares of 10 cents each were issued at an average of R97.47 (30 September 2013: R71.64) per share in terms of the share appreciation rights scheme. | | |
| Number of treasury shares held by the share incentive trust | | |
| At beginning of year | **1 422 116** | 2 545 933 |
| Movement in shares | **(311 903)** | (1 123 817) |
| At end of year | **1 110 213** | 1 422 116 |
| Proceeds on the sale of treasury shares by the share incentive trust (R'000) | **6 262** | 18 662 |
| Number of treasury shares held by B-BBEE transaction participants | | |
| At beginning and end of year | **18 091 661** | 18 091 661 |
| Number of treasury shares held by Pioneer Foods Broad-Based BEE Trust | | |
| At beginning and end of year | **10 599 988** | 10 599 988 |
| Number of treasury shares held by a subsidiary | | |
| At beginning and end of year | **17 982 056** | 17 982 056 |
| Number of unlisted class A ordinary shares | | |
| At beginning of year | **7 367 360** | 8 198 120 |
| Shares bought back and cancelled | **(1 323 420)** | (830 760) |
| At end of year | **6 043 940** | 7 367 360 |
| Purchase consideration paid for unlisted class A ordinary shares bought back (R'000) | **74 988** | 32 736 |

## 4. Impairment of property, plant and equipment and goodwill

### *4.1 Impairment losses due to the treatment of Quantum Foods as an asset held for sale*

Shareholders were advised on SENS on 5 September 2013 of the Board's intent to restructure the Company's interest in the Quantum Foods segment, which includes the South African subsidiaries and two foreign African subsidiaries (Bokomo Uganda (Pty) Ltd and Quantum Foods Zambia Ltd) that produce and sell eggs, chicken products, animal feeds and commercial laying hens. Further announcements on SENS in this regard were issued on 5 September 2014 and 18 September 2014.

Pioneer Foods unbundled its interests in Quantum Foods to its shareholders and subsequently listed Quantum Foods as a separate legal entity on the JSE on 6 October 2014. Accordingly, Quantum Foods has been presented as an "asset held for sale" and as "discontinued operations" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* for the year ended 30 September 2014 and the year ended 30 September 2013.

In terms of IFRS 5, an entity shall measure a non-current disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The fair value less costs to sell was determined using the average results of an income valuation approach and different scenarios for a market valuation approach. These valuations were performed at 30 September 2013 and updated at 31 March 2014 and 30 September 2014.

In addition to the impairment charge of R232.0 million recognised in the results for the year ended 30 September 2013, a further impairment charge of R77.7 million is recognised in the line

## 4. Impairment of property, plant and equipment and goodwill (continued)

### *4.1 Impairment losses due to the treatment of Quantum Foods as an asset held for sale (continued)*

item "Items of a capital nature" for discontinued operations in the statement of comprehensive income for the year ended 30 September 2014. This impairment charge attributable to property, plant and equipment is as follows:

| Nature | Audited Year ended 30 September 2014 R'm | Audited Year ended 30 September 2013 R'm |
|---|---|---|
| Property, plant and equipment and other intangible assets | **77.7** | 155.1 |
| Goodwill | **–** | 76.9 |
| | **77.7** | 232.0 |
| Income tax effect | **(20.6)** | (23.9) |
| After income tax effect | **57.1** | 208.1 |

### *4.2 Carbonated soft drinks business*

During the current reporting period, the results of the carbonated soft drinks business of the Ceres Beverages segment were lower than expected with continued losses being incurred. Consequently, the carrying amounts of the related assets were impaired. The impairment loss for these assets was calculated by comparing the carrying amount of the assets to the fair value less costs to sell of the assets. The fair value less costs to sell was determined by an independent valuator with reference to the market value of similar used equipment.

The impairment charge of R47.8 million is recognised in the line item "Items of a capital nature" in the statement of comprehensive income. This impairment charge attributable to property, plant and equipment is as follows:

| Nature | Audited Year ended 30 September 2014 R'm | Audited Year ended 30 September 2013 R'm |
|---|---|---|
| Property, plant and equipment | **47.8** | – |
| Income tax effect | **(13.4)** | – |
| After income tax effect | **34.4** | – |

## 5. Borrowings

Pioneer Foods obtained a R300 million vehicle and asset finance facility during the year. This facility will be used to finance the replacement of the Group's bakery delivery vehicle fleet. The vehicles are acquired in terms of instalment sale agreements. These borrowings are secured by the vehicles acquired in terms of these agreements. At 30 September 2014, new borrowings obtained in terms of these facilities amounted to R40.7 million.

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

## 6. Events after the reporting date

### *6.1 Dividend*

The Board approved and declared a gross final dividend of 156.0 cents (2014: gross interim dividend of 65.0 cents and 2013: gross final dividend of 86.0 cents) per ordinary share. This will amount to approximately R344,903,353 (2014: interim of R143,601,201 and 2013: final of R189,727,441), depending on the exact number of ordinary shares issued at the record date. In addition, the 10,599,988 Pioneer Foods shares issued to the Pioneer Foods Broad-based BEE Trust will receive 20% of the dividend payable, i.e. 31.2 cents (2014: gross interim of 13.0 cents and 2013: gross final dividend of 17.2 cents) per share, amounting to R3,307,196 (2014: interim of R1,377,998 and 2013: final of R1,823,198).

## 6. Events after the reporting date (continued)

### *6.1 Dividend (continued)*

The Board approved a gross final dividend of 46.8 cents (2014: gross interim dividend of 19.5 cents and 2013: gross final dividend of 25.8 cents) per class A ordinary share, being 30% of the dividend payable to the other class ordinary shareholders in terms of the rules of the relevant employee scheme. This will amount to approximately R2,828,564 (2014: interim of R1,204,213 and 2013: final of R1,729,642), depending on the exact number of class A ordinary shares issued at the record date.

Additional information disclosed:
These dividends are declared from income reserves and qualify as a dividend as defined in the Income Tax Act, Act 58 of 1962.

Dividends will be paid net of dividends tax of 15%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as a result of the double taxation agreement between South Africa and the country of domicile of such owner.

The total credits for secondary tax on companies utilised as part of this declaration amount to Rnil. The net dividend amounts to 132.60 cents per ordinary share and 39.78 cents per class A ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 156.0 cents per ordinary share and 46.8 cents per class A ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares and issued class A ordinary shares is 231,691,881 and 5,702,620 respectively as at the date of this declaration.

### *6.2 Unbundling of interest in Quantum Foods*

Shareholders were advised on SENS on 5 September 2014 and 18 September 2014 that the Board resolved to proceed with the unbundling of its interest in Quantum Foods and to list Quantum Foods as a separate entity on the JSE. Quantum Foods was subsequently listed on the JSE on 6 October 2014.

### *6.3 Other material events*

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

## 7. Contingent liabilities

### *7.1 Dispute with egg contract producers – discontinued operations*

Pioneer Foods is defending contractual claims from its privatised egg contract producers. The matters were set down for arbitration during 2012. Since the hearings commenced in 2012, settlements were negotiated with the two egg contract producers that had the largest claims. These settlements had no adverse financial impact on Pioneer Foods.

The claims of the remaining three contract egg producers (being Flinkwink Properties (Pty) Ltd, KwaZulu Egg Producers (Pty) Ltd and Moerasrivier Boerdery (Pty) Ltd) are still unresolved. Pioneer Foods filed pleas to all these claims and, in respect of two of these claims, counterclaims have been filed to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producers.

No further legal action has been taken during the year under review. Based on legal opinion obtained, management is satisfied that these unresolved matters are low risk and pose no material financial risk to the Group.

Pioneer Foods unbundled its interests in Quantum Foods to its shareholders and, subsequently, Quantum Foods was listed on the JSE on 6 October 2014. Quantum Foods indemnified Pioneer Foods from any potential financial exposure to the claims from the egg contract producers.

### *7.2 Dispute with breeder farms and broiler farms – discontinued operations*

Several breeder farms (being Bergsig Breeders (Pty) Ltd and Mountainview Breeders CC) and broiler farms (being Claudewil Broilers (Pty) Ltd and Dassenberg Broilers (Pty) Ltd) (four in total) also filed claims against Pioneer Foods for the alleged breach of the terms of their supply agreements with Pioneer Foods. Claudewil Broilers (Pty) Ltd withdrew its claim in 2014.

## 7. Contingent liabilities (continued)

### *7.2 Dispute with breeder farms and broiler farms – discontinued operations (continued)*

No further action has transpired in the year under review. Based on legal opinion obtained, management is satisfied that these unresolved matters are low risk and pose no material financial risk to the Group.

Pioneer Foods unbundled its interests in Quantum Foods to its shareholders and, subsequently, Quantum Foods was listed on the JSE on 6 October 2014. Quantum Foods indemnified Pioneer Foods from any potential financial exposure to the claims from the breeder and broiler farms.

### *7.3 Guarantees*

The Group had guarantees in issue of R50.2 million (30 September 2013: R48.5 million) as at 30 September 2014, primarily for loans by third parties to contracted suppliers.

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

## 8. Future capital commitments

Capital expenditure approved by the Board and contracted for amounts to R299.8 million (30 September 2013: R265.0 million). Capital expenditure approved by the Board, but not contracted for yet, amounts to R351.6 million (30 September 2013: R242.4 million).

## 9. Non-current assets held for sale and discontinued operations

The assets and liabilities related to the Quantum Foods segment, which include the equity interests held in the wholly owned subsidiaries Quantum Foods Holdings Ltd, Quantum Foods (Pty) Ltd, Philadelphia Chick Breeders (Pty) Ltd, Lohmann Breeders SA (Pty) Ltd, Bokomo Uganda (Pty) Ltd, Quantum Foods Zambia Ltd and Bokomo Zambia Ltd (included with Quantum Foods until 31 July 2014), have been presented as an "asset held for sale" and as "discontinued operations" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* for the year ended 30 September 2014 and the year ended 30 September 2013, following the approval of the Board in September 2013 to restructure the Company's interest in the Quantum Foods segment.

Shareholders were advised on SENS on 5 September 2014 and 18 September 2014 that the Board resolved to proceed with the unbundling of its interest in Quantum Foods and to list Quantum Foods as a separate entity on the JSE. Quantum Foods was subsequently listed on the JSE on 6 October 2014.

The unbundling has been accounted for as a *dividend in specie* at fair value in accordance with *IFRIC 17 – Distributions of Non-cash Assets to Owners*. IFRIC 17 requires distributions within its scope to be measured at the fair value of the assets to be distributed at the date when the dividend is appropriately authorised and is no longer at the entity's discretion. Consequently, an amount of R1,242,220,000, representing the fair value of the interest in Quantum Foods attributable to external shareholders, has been accounted for as a dividend payable to shareholders at 30 September 2014. Refer to Note 10 for the methods and assumptions used to determine the fair value.

## 9. Non-current assets held for sale and discontinued operations (continued)

| | Audited 30 September 2014 R'm | Audited 30 September 2013 Restated R'm |
|---|---|---|
| **Assets of the disposal group classified as held for sale:** | | |
| Property, plant and equipment | **1 075.5** | 1 129.6 |
| Intangible assets | **7.2** | – |
| Investment in associates | **6.1** | 6.8 |
| Inventories | **232.5** | 235.9 |
| Biological assets | **292.4** | 276.7 |
| Trade and other receivables | **343.5** | 275.3 |
| Deferred income tax | **3.1** | 3.1 |
| Derivative financial instruments | **0.9** | 0.9 |
| Current income tax | **–** | 0.5 |
| Cash and cash equivalents | **105.6** | 24.6 |
| | **2 066.8** | 1 953.4 |
| **Liabilities of the disposal group classified as held for sale:** | | |
| Deferred income tax | **195.7** | 196.3 |
| Provision for other liabilities and charges | **15.6** | 9.3 |
| Trade and other payables | **355.3** | 274.8 |
| Current income tax | **1.5** | 1.6 |
| | **568.1** | 482.0 |
| **Hedging reserve** | **0.2** | – |
| **Currency translation reserve** | **7.3** | 22.9 |

**The results of discontinued operations and the results recognised on the remeasurement of the Quantum Foods disposal group are as follows:**

| | Audited year ended 30 September 2014 R'm | Audited year ended 30 September 2013 Restated R'm |
|---|---|---|
| Revenue | **3 591.3** | 3 570.1 |
| Operating profit before items of a capital nature | **90.8** | 1.3 |
| Items of a capital nature | **1.7** | 1.1 |
| Investment income | **3.6** | 1.6 |
| Finance costs | **(0.7)** | (0.8) |
| Share of profit of associated companies | **0.6** | 0.3 |
| Profit before income tax | **96.0** | 3.5 |
| Income tax | **(20.7)** | 4.2 |
| Profit after income tax | **75.3** | 7.7 |
| Loss after income tax recognised on the remeasurement of assets of the disposal group | **(57.1)** | (208.1) |
| Before income tax | **(77.7)** | (232.0) |
| Income tax | **20.6** | 23.9 |
| Profit/(loss) for the year from discontinued operations | **18.2** | (200.4) |
| Other comprehensive income/(loss) for the year from discontinued operations | | |
| Fair value adjustments to cash flow hedging reserve | | |
| For the year | **0.3** | – |
| Deferred income tax effect | **(0.1)** | – |
| Currency translation differences | **(15.5)** | 25.3 |
| Total comprehensive profit/(loss) for the year from discontinued operations | **2.9** | (175.1) |

## 9. Non-current assets held for sale and discontinued operations (continued)

| | Audited year ended 30 September 2014 R'm | Audited year ended 30 September 2013 Restated R'm |
|---|---|---|
| **Cash flows of the disposal group classified as held for sale:** | | |
| Net cash flow from operating activities | **93.0** | 90.8 |
| Net cash flow from investment activities | **(37.8)** | (469.6) |
| Net cash flow from financing activities | **25.8** | 391.3 |
| Net increase in cash, cash equivalents and bank overdrafts | **81.0** | 12.5 |
| Net cash, cash equivalents and bank overdrafts at beginning of year | **24.6** | 12.1 |
| Net cash, cash equivalents and bank overdrafts at end of year | **105.6** | 24.6 |

## 10. Fair value measurement

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

| | Audited fair value measurements at 30 September 2014 using: | | |
|---|---|---|---|
| | Quoted prices in active markets for identical assets and liabilities (Level 1) R'm | Significant other observable input (Level 2) R'm | Significant unobservable input (Level 3) R'm |
| **Assets measured at fair value** | | | |
| Available-for-sale financial assets | | | |
| – Listed securities | **68.6** | **–** | **–** |
| – Unlisted securities | **–** | **1.4** | **–** |
| Derivative financial instruments | | | |
| – Foreign exchange contracts | **–** | **14.3** | **–** |
| – Embedded derivative | **–** | **0.7** | **–** |
| Biological assets | | | |
| – Vineyards | **–** | **–** | **16.0** |
| Assets of disposal group classified as held for sale | **–** | **–** | **2 066.8** |
| | | | |
| **Liabilities measured at fair value** | | | |
| Derivative financial instruments | | | |
| – Foreign exchange contracts | **–** | **9.7** | **–** |
| Liabilities of disposal group classified as held for sale | **–** | **–** | **568.1** |
| *Dividend in specie* – unbundling of Quantum Foods | **–** | **–** | **1 242.2** |

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

***Financial assets and liabilities***

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

## 10. Fair value measurement (continued)

***Financial assets and liabilities (continued)***

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant input required to fair value an instrument were 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 carrying amounts of cash, trade and other receivables less provision for impairment, trade and other payables and short-term borrowings are assumed to approximate their fair values due to the short term until maturity of these assets and liabilities.

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

***Biological assets***

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

***Assets and liabilities of disposal group classified as held for sale***

The assets and liabilities related to the Quantum Foods segment have been presented as an "asset held for sale" and as "discontinued operations" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* for the year ended 30 September 2014 and the year ended 30 September 2013. Refer to Note 9 for further detail.

In terms of IFRS 5, an entity shall measure a non-current disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The fair value less costs to sell was determined using the average results of an income valuation approach and different scenarios for a market valuation approach.

In terms of the income 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 discount rate used to arrive at the present value of future cash flows represents the weighted average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners. Its determination requires separate analysis of the cost of equity and debt and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU.

The South African businesses consist of a number of CGUs. Bokomo Uganda (Pty) Ltd and Quantum Foods Zambia Ltd are two separate CGUs. The market approach assumes that companies operating in the same industry will share similar characteristics and that company values will correlate to these characteristics. The publicly available financial information of similar listed entities have been used to estimate two scenarios of fair value based on EBITDA multiples of these benchmark entities.

## 10. Fair value measurement (continued)

***Assets and liabilities of disposal group classified as held for sale (continued)***

The key assumptions used in performing the impairment tests, by CGU, were as follows:

| | 30 September 2014 | 31 March 2014 | 30 September 2013 |
|---|---|---|---|
| **Discount rate** | | | |
| South Africa | **17.4%** | **17.0%** | 17.6% |
| Uganda | **27.1%** | **28.6%** | 28.6% |
| Zambia | **25.1%** | **23.1%** | 23.1% |
| **Perpetual growth rate** | | | |
| South Africa | **5.5%** | **5.5%** | 5.5% |
| Uganda | **5.5%** | **5.5%** | 5.5% |
| Zambia | **6.5%** | **6.5%** | 6.5% |
| **Income tax rate** | | | |
| South Africa | **28.0%** | **28.0%** | 28.0% |
| Uganda | **30.0%** | **30.0%** | 30.0% |
| Zambia | **12.5%** | **12.5%** | 12.5% |

## 11. Restatement of financial information for comparative periods

### *11.1 Impact of the application of IFRS 11*

In terms of *IFRS 11 – Joint Arrangements*, the Group ceased proportionate consolidation of its investments in joint ventures and now accounts for these investments using the equity method in accordance with *IAS 28 – Investments in Associates and Joint Ventures*.

The Group applied the change in accounting policy in accordance with the transitional provisions of IFRS 11 from the beginning of the earliest period presented (1 October 2012). The Group recognised the investment in joint ventures as at 1 October 2012 as the aggregate of the carrying amounts of the assets and liabilities that were previously proportionately consolidated. This is the deemed cost of the Group's investment in its joint ventures at initial recognition for purposes of applying equity accounting.

As per the requirements of *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors,* the relevant comparative information has been restated.

### *11.2 Impact of the application of IAS 19 (revised)*

IAS 19 (revised) makes a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans.

IAS 19 (revised):

- eliminates the "corridor method" and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest cost based on the net defined benefit asset or liability;
- enhances disclosures, including more information about the characteristics of defined benefit plans and related risks.

IAS 19 (revised) has been applied retrospectively in accordance with its transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at 1 October 2012 as an adjustment to opening equity.

The effects of the application of IFRS 11 and IAS 19 (revised) are reflected below.

### *11.3 Reclassification of line items of statement of comprehensive income*

During the current year, the Group has reallocated certain customer advertising expenditure from marketing costs to revenue. The reason for the reclassification is to reflect more appropriately the way in which economic benefits are derived from customer advertising expenditure.

## Group statement of comprehensive income

**Year ended 30 September 2013**

| | Previously reported R'm | Change in accounting policy IFRS 11 R'm | Change in accounting policy IAS 19 R'm | Discontinued Operations IFRS 5 R'm | Reclassification R'm | **Restated R'm** |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| Revenue | 16 992.3 | (675.0) | – | (11.2) | (65.2) | **16 240.9** |
| Cost of goods sold | (11 985.8) | 447.1 | – | 11.2 | – | **(11 527.5)** |
| Gross profit | 5 006.5 | (227.9) | – | – | (65.2) | **4 713.4** |
| Other income and gains/(losses) – net | 139.5 | (3.7) | – | – | – | **135.8** |
| Other expenses | (4 090.7) | 180.9 | 2.1 | – | 65.2 | **(3 842.5)** |
| Excluding the following: | (3 944.8) | 180.9 | 2.1 | – | 65.2 | **(3 696.6)** |
| Phase I B-BBEE transaction share-based payment charge | (145.9) | – | – | – | – | **(145.9)** |
| Items of a capital nature | (2.2) | 12.9 | – | – | – | **10.7** |
| Operating profit | 1 053.1 | (37.8) | 2.1 | – | – | **1 017.4** |
| Investment income | 18.3 | 4.3 | – | – | – | **22.6** |
| Finance costs | (128.6) | 3.1 | – | – | – | **(125.5)** |
| Share of profit of investments accounted for using the equity method | 1.0 | 23.7 | – | – | – | **24.7** |
| Profit before income tax | 943.8 | (6.7) | 2.1 | – | – | **939.2** |
| Income tax expense | (245.2) | 6.7 | (0.2) | – | – | **(238.7)** |
| Profit for the year from continuing operations | 698.6 | – | 1.9 | – | – | **700.5** |
| Loss for the year from discontinued operations (attributable to owners of the parent) | (200.4) | – | – | – | – | **(200.4)** |
| **Profit for the year** | 498.2 | – | 1.9 | – | – | **500.1** |
| **Other comprehensive income/(loss) for the year** | | | | | | |
| Items that will not subsequently be reclassified to profit or loss: | | | | | | |
| Remeasurement of post-employment benefit obligations | – | – | (1.5) | – | – | **(1.5)** |
| Items that may subsequently be reclassified to profit or loss: | 80.3 | – | – | – | – | **80.3** |
| Fair value adjustments to cash flow hedging reserve | 17.3 | – | – | – | – | **17.3** |
| For the year | (13.7) | – | – | – | – | **(13.7)** |
| Current income tax effect | 4.4 | – | – | – | – | **4.4** |
| Deferred income tax effect | (0.5) | – | – | – | – | **(0.5)** |
| Reclassified to profit or loss | 37.7 | – | – | – | – | **37.7** |
| Current income tax effect | (10.7) | – | – | – | – | **(10.7)** |
| Deferred income tax effect | 0.1 | – | – | – | – | **0.1** |
| Fair value adjustments on available-for-sale financial assets | 0.8 | – | – | – | – | **0.8** |
| For the year | 18.8 | – | – | – | – | **18.8** |
| Deferred income tax effect | (1.7) | – | – | – | – | **(1.7)** |
| Reclassified to profit or loss | (16.3) | – | – | – | – | **(16.3)** |
| Share of other comprehensive income of investments accounted for using the equity method | – | 6.5 | – | – | – | **6.5** |
| Movement on foreign currency translation reserve | 62.2 | (6.5) | – | – | – | **55.7** |
| **Total comprehensive income for the year** | 578.5 | – | 0.4 | – | – | **578.9** |
| **Profit for the year attributable to:** | | | | | | |
| Owners of the parent | | | | | | |
| For continuing operations | 697.1 | – | 1.9 | – | – | **699.0** |
| For discontinued operations | (200.4) | – | – | – | – | **(200.4)** |
| Non-controlling interest | | | | | | |
| For continuing operations | 1.5 | – | – | – | – | **1.5** |
| | 498.2 | – | 1.9 | – | – | **500.1** |
| **Total comprehensive income for the year attributable to:** | | | | | | |
| Owners of the parent | | | | | | |
| For continuing operations | 752.1 | – | 0.4 | – | – | **752.5** |
| For discontinued operations | (175.1) | – | – | – | – | **(175.1)** |
| Non-controlling interest | | | | | | |
| For continuing operations | 1.5 | – | – | – | – | **1.5** |
| | 578.5 | – | 0.4 | – | – | **578.9** |

## Group statement of financial position

**As at 30 September 2013**

| | Previously reported R'm | Change in accounting policy IFRS 11 R'm | Change in accounting policy IAS 19 R'm | **Restated R'm** |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 4 363.1 | (200.5) | – | **4 162.6** |
| Goodwill | 227.7 | (10.0) | – | **217.7** |
| Other intangible assets | 470.8 | (0.1) | – | **470.7** |
| Biological assets | 16.0 | – | – | **16.0** |
| Investments in associates and joint ventures | 44.0 | 300.1 | – | **344.1** |
| Available-for-sale financial assets | 59.0 | – | – | **59.0** |
| Trade and other receivables | 20.9 | (0.2) | – | **20.7** |
| Deferred income tax | 74.3 | (0.2) | – | **74.1** |
| **Non-current assets** | 5 275.8 | 89.1 | – | **5 364.9** |
| **Current assets** | 4 641.4 | (225.3) | – | **4 416.1** |
| Inventories | 2 491.2 | (90.0) | – | **2 401.2** |
| Biological assets | 8.4 | (8.4) | – | **–** |
| Derivative financial instruments | 11.0 | (0.4) | – | **10.6** |
| Trade and other receivables | 1 730.9 | (106.3) | – | **1 624.6** |
| Current income tax | 1.3 | (0.6) | – | **0.7** |
| Cash and cash equivalents | 398.6 | (19.6) | – | **379.0** |
| Assets of disposal group classified as held for sale | 1 953.4 | – | – | **1 953.4** |
| **Total assets** | 11 870.6 | (136.2) | – | **11 734.4** |
| | | | | |
| **Equity and liabilities** | | | | |
| Capital and reserves attributable to owners of the parent | 6 580.2 | – | 1.1 | **6 581.3** |
| Share capital | 23.1 | – | – | **23.1** |
| Share premium | 2 188.6 | – | – | **2 188.6** |
| Treasury shares | (1 190.9) | – | – | **(1 190.9)** |
| Other reserves | 426.2 | – | – | **426.2** |
| Retained earnings | 5 133.2 | – | 1.1 | **5 134.3** |
| Non-controlling interest | 9.3 | – | – | **9.3** |
| **Total equity** | 6 589.5 | – | 1.1 | **6 590.6** |
| **Non-current liabilities** | 2 344.2 | (38.5) | (1.1) | **2 304.6** |
| Borrowings | | | | |
| B-BBEE equity transaction third-party finance | 449.7 | – | – | **449.7** |
| Other | 1 034.4 | (26.8) | – | **1 007.6** |
| Provisions for other liabilities and charges | 121.8 | – | (1.5) | **120.3** |
| Share-based payment liability | 251.4 | – | – | **251.4** |
| Deferred income tax | 486.9 | (11.7) | 0.4 | **475.6** |
| | | | | |
| **Current liabilities** | 2 454.9 | (97.7) | – | **2 357.2** |
| Trade and other payables | 2 010.3 | (84.2) | – | **1 926.1** |
| Current income tax | 29.4 | (1.3) | – | **28.1** |
| Derivative financial instruments | 6.2 | – | – | **6.2** |
| Borrowings | 401.3 | (19.5) | – | **381.8** |
| Loan from joint venture | 7.4 | 7.3 | – | **14.7** |
| Dividends payable | 0.3 | – | – | **0.3** |
| Liabilities of disposal group classified as held for sale | 482.0 | – | – | **482.0** |
| **Total equity and liabilities** | 11 870.6 | (136.2) | – | **11 734.4** |

## Group statement of cash flows

**Year ended 30 September 2013**

| | Previously reported R'm | Change in accounting policy IFRS 11 R'm | **Restated R'm** |
|---|---|---|---|
| Net cash profit from operating activities | 1 623.3 | (67.0) | **1 556.3** |
| Cash effect from hedging activities | 22.7 | – | **22.7** |
| Working capital changes | 53.1 | 13.7 | **66.8** |
| Accrual for Competition Commission penalties paid | (216.7) | – | **(216.7)** |
| Net cash generated from operations | 1 482.4 | (53.3) | **1 429.1** |
| Income tax paid | (243.1) | 10.0 | **(233.1)** |
| **Net cash flow from operating activities** | 1 239.3 | (43.3) | **1 196.0** |
| **Net cash flow from investment activities** | (1 333.0) | 45.8 | **(1 287.2)** |
| Property, plant and equipment and intangible assets | | | |
| – additions | (842.6) | 14.5 | **(828.1)** |
| – replacements | (242.5) | 7.5 | **(235.0)** |
| – proceeds on disposal | 28.4 | (1.7) | **26.7** |
| Business combinations | (315.0) | – | **(315.0)** |
| Proceeds on disposal of and changes in available-for-sale financial assets and loans | 18.5 | 7.9 | **26.4** |
| Interest received | 18.2 | 4.3 | **22.5** |
| Dividends received | 1.7 | – | **1.7** |
| Dividends received from joint ventures | – | 13.3 | **13.3** |
| Dividends received from associates | 0.3 | – | **0.3** |
| **Net cash flow from financing activities** | (204.6) | 4.4 | **(200.2)** |
| Proceeds from new syndicated borrowings | 1 870.0 | – | **1 870.0** |
| Repayments of other borrowings | (1 700.0) | 1.2 | **(1 698.8)** |
| Share schemes transactions | (17.1) | – | **(17.1)** |
| Interest paid | (146.0) | 3.2 | **(142.8)** |
| Dividends paid | (211.5) | – | **(211.5)** |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | (298.3) | 6.9 | **(291.4)** |
| Net cash, cash equivalents and bank overdrafts at beginning of year | 368.1 | (11.1) | **357.0** |
| Net cash, cash equivalents and bank overdrafts at end of year | 69.8 | (4.2) | **65.6** |
| For continuing operations | 45.2 | (4.2) | **41.0** |
| For discontinued operations | 24.6 | – | **24.6** |

## Group statement of financial position

**As at 30 September 2012**

| | Previously reported R'm | Change in accounting policy IFRS 11 R'm | Change in accounting policy IAS 19 R'm | **Restated R'm** |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 4 641.5 | (201.3) | – | 4 440.2 |
| Goodwill | 271.9 | (11.9) | – | 260.0 |
| Other intangible assets | 464.3 | (0.2) | – | 464.1 |
| Biological assets | 16.0 | – | – | 16.0 |
| Investments in associates and joint ventures | 56.9 | 290.8 | – | 347.7 |
| Available-for-sale financial assets | 52.8 | – | – | 52.8 |
| Trade and other receivables | 20.4 | (0.1) | – | 20.3 |
| Deferred income tax | 2.7 | – | – | 2.7 |
| **Non-current assets** | 5 526.5 | 77.3 | – | 5 603.8 |
| **Current assets** | 5 079.6 | (193.9) | – | 4 885.7 |
| Inventories | 2 450.0 | (89.9) | – | 2 360.1 |
| Biological assets | 228.7 | (7.1) | – | 221.6 |
| Derivative financial instruments | 6.8 | (0.5) | – | 6.3 |
| Trade and other receivables | 2 014.3 | (77.6) | – | 1 936.7 |
| Current income tax | 4.2 | (0.2) | – | 4.0 |
| Cash and cash equivalents | 375.6 | (18.6) | – | 357.0 |
| **Total assets** | 10 606.1 | (116.6) | – | 10 489.5 |
| **Equity and liabilities** | | | | |
| Capital and reserves attributable to owners of the parent | 6 184.9 | – | 0.7 | 6 185.6 |
| Share capital | 23.0 | – | – | 23.0 |
| Share premium | 2 171.8 | – | – | 2 171.8 |
| Treasury shares | (1 207.5) | – | – | (1 207.5) |
| Other reserves | 350.3 | 0.1 | – | 350.4 |
| Retained earnings | 4 847.3 | (0.1) | 0.7 | 4 847.9 |
| Non-controlling interest | 8.2 | – | – | 8.2 |
| **Total equity** | 6 193.1 | – | 0.7 | 6 193.8 |
| **Non-current liabilities** | 1 377.5 | (34.1) | (0.7) | 1 342.7 |
| Borrowings | | | | |
| B-BBEE equity transaction third-party finance | 449.7 | – | – | 449.7 |
| Other | 48.0 | (19.8) | – | 28.2 |
| Provisions for other liabilities and charges | 119.2 | – | (1.0) | 118.2 |
| Share-based payment liability | 108.2 | – | – | 108.2 |
| Deferred income tax | 652.4 | (14.3) | 0.3 | 638.4 |
| **Current liabilities** | 3 035.5 | (82.5) | – | 2 953.0 |
| Trade and other payables | 1 933.0 | (68.6) | – | 1 864.4 |
| Current income tax | 4.7 | (1.2) | – | 3.5 |
| Derivative financial instruments | 3.1 | – | – | 3.1 |
| Borrowings | 871.7 | (19.7) | – | 852.0 |
| Loan from joint venture | 7.0 | 7.0 | – | 14.0 |
| Accrual for Competition Commission penalties | 215.5 | – | – | 215.5 |
| Dividends payable | 0.5 | – | – | 0.5 |
| **Total equity and liabilities** | 10 606.1 | (116.6) | – | 10 489.5 |

## 12. Preparation of financial statements

These summary consolidated financial statements have been prepared under the supervision of LR Cronjé, CA(SA), Group financial director.

## 13. Audit

The external auditors, PricewaterhouseCoopers Inc., have audited the Group's financial statements for the year ended 30 September 2014 and their unqualified auditor's report is available for inspection at the registered office of the Company.

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

## COMMENTARY

### Introduction

2014 has been a defining year for Pioneer Foods in respect of the twin objectives set, namely strengthening of brands and expanding margins. Notwithstanding the difficult trading environment and strong economic headwinds, the business navigated its way with precision, and delivered a pleasing set of results for the 12 months ending 30 September 2014.

The One Pioneer business model has been institutionalised and Pioneer Foods has emerged a more streamlined, agile and resilient business, thereby enhancing its ability to create value on a sustainable basis. The clear and coherent corporate strategy has been embraced throughout the Group yielding positive results within our local, international and joint venture businesses.

The following salient features underpinned the Group's performance:

- Beverage and cereal volume growth
- Normalisation of maize profitability
- Traction in bakeries across the value chain
- Power brands' share recovery and gains
- Robust Africa and international performance
- Significant benefits from cost and efficiency efforts
- Quantum Foods' turnaround and unbundling

### Financial

Revenue from continuing operations increased by 9% to R17.7 billion for the period under review. This is largely attributable to increased selling prices, exports and sales mix. There was a strong recovery in both maize and bread sales volume and market shares in the second half. Group revenue, including Quantum Foods, increased by 7.5% to R21.3 billion.

Cost of goods sold from continuing operations increased by 7%. The gross margin expanded from 29.0% to 30.4% as a result of effective procurement and containment of conversion costs. Growth in cash operating expenses was well contained yielding exceptional operating leverage.

The financial results for 2014 and 2013 have been impacted by the non-operational charge relating to the Phase I B-BBEE transaction. The table below provides the results on a statutory and adjusted basis in order to provide clarity on the comparable operating performance.

### Summary of performance from continuing operations

| | | |
|---|---|---|
| Revenue | R17 699 million | +9% |
| Operating profit (before items of a capital nature) | R1 493 million | +48% |
| Adjusted operating profit* | R1 680 million | +46% |
| Adjusted operating margin* | 9.5% (F13: 7.1%) | +34% |
| Headline earnings | R981 million | +40% |
| Adjusted headline earnings* | R1 169 million | +38% |
| Headline earnings per share | 535 cents | +39% |
| Adjusted headline earnings per share* | 637 cents | +37% |

* Operating profit and headline earnings (2014 and 2013) have been adjusted for the effect of the Phase I (2006) B-BBEE transaction. This charge results from the share price movement and number of scheme participants at each reporting date. The current year charge of R187 million (2013: R146 million) was further exacerbated by the accelerated vesting of the Quantum Foods' participants leaving the Group's employment in the new financial year.

**Adjusted headline earnings** for the Group, including Quantum Foods, increased by **46%** to R1 242 million and represents 678 cents per share.

**Earnings** for the Group, including Quantum Foods, increased by **93%** to R965 million and represents 527 cents per share, impacted by the year-on-year difference in the level of impairments discussed below.

**Net cash profit** increased by **37%** to R2 134 million and net cash flow from operating activities amounted to R1 767 million, after a decrease in working capital of R28 million and income tax paid of R386 million.

**Total capital invested** for the Group amounted to **R486 million** (2013: R1 378 million). Expansion capital for the year was R270 million, with the Malmesbury/Paarl mill consolidation project being the main beneficiary. The balance of R216 million was spent on replacement capital.

Net interest-bearing debt (excluding third-party funding relating to the 2012 Phase II B-BBEE transaction) decreased by R812 million to R166 million, yielding a **net debt to equity ratio of 3%** (2013: 15%).

### Essential Foods (Sasko)

Essential Foods posted good results in a challenging, low-growth environment. Maize profitability improved to normalised levels through judicious price/volume management in a difficult procurement season. Wheat posted pleasing results, while bakeries made exceptional progress on clear value drivers, resulting in significantly improved profitability. Rice profitability improved and pasta continued to contribute positively.

### Groceries (Bokomo Foods and Ceres Beverages)

Bokomo Foods' performance was bolstered by a large fruit crop and solid performance from the cereals business. Corn flake volumes grew significantly, given favourable product acceptance by consumers. Biscuits achieved targeted volume growth, albeit at lower margins. The beverage business performed well as a result of strong volume growth, both locally and internationally, and improved operational efficiencies.

The merger of Bokomo Foods and Ceres Beverages was successfully concluded, and overall costs were particularly well managed throughout the year.

### Quantum Foods

The business returned to profitability after significant re-engineering efforts. A good performance from the feeds business, price recovery in the egg category, the downscaling of the Western Cape broiler operations and a pleasing performance from Mega Eggs (Zambia) were the main contributors to the business turnaround.

### Unbundling of Quantum Foods, impairments, joint venture accounting and other restatements

In September 2013, Pioneer Foods announced its intention to unbundle Quantum Foods and to list the business as a separate legal entity on the JSE Ltd ("JSE") during 2014. The listing was successfully completed on 6 October 2014. Accordingly, as at 30 September 2014 and for the comparative period, Quantum Foods has been accounted for as an "asset held for sale" and treated as a "discontinued operation" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*.

The net assets of Quantum Foods therefore have to be recognised at the lower of its carrying value or fair value less costs to sell. An independent valuation reflected the continued macro challenges in the broiler industry and resulted in a further impairment of R57 million after tax (2013: R208 million).

By mutual agreement between Pioneer Foods and PepsiCo Inc., the Pepsi bottling agreement will not be renewed. The Pepsi brand portfolio will however remain in South Africa. A controlled exit by Pioneer Foods will take place by no later than July 2015. Due to sustained losses, the investment in the Pepsi business was impaired in the year under review by an after tax amount of R34 million. These impairments are included in items of a capital nature.

In terms of *IFRS 11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures*, results from joint ventures are now equity accounted and no longer proportionately consolidated as in previous reporting periods. The revised requirements of *IAS 19 – (revised) Employee Benefits* were applied during the year under review, with a marginal effect on the results. Comparative numbers in this respect have been restated accordingly.

## Prospects

Whilst the South African economy remains vulnerable and is unlikely to recover in the short term, Pioneer Foods has been competitively repositioned to defend and grow its brands. The corporate portfolio will continue to be honed in an effort to sharpen the focus, appropriately direct capital allocations and, in so doing, enhance shareholder returns.

## Dividend

Shareholders' attention should be drawn to the fact that, consequent to the unbundling of Quantum Foods, a *dividend in specie* of one Quantum Foods' share for every Pioneer Foods' share was declared. The resulting dividend is reflected as a dividend payable to shareholders as at 30 September 2014.

Furthermore, a gross final dividend of 156 cents (2013: 86 cents) per share has been approved and declared by the Board for the year ended 30 September 2014 from income reserves. The applicable dates for the final dividend are as follows:

| | |
|---|---|
| Last date of trading cum dividend | Friday, 23 January 2015 |
| Trading ex dividend commences | Monday, 26 January 2015 |
| Record date | Friday, 30 January 2015 |
| Dividend payable | Monday, 2 February 2015 |

The total dividend for the year under review, excluding the above *dividend in specie*, increased to 221 cents per share, up 67% from 132 cents per share in the prior year.

A gross final dividend of 46.8 cents (2013: 25.8 cents) per class A ordinary share, being 30% of the gross final dividend payable to ordinary shareholders in terms of the rules of the relevant employee scheme, will be paid during February 2015.

It is the stated intention of the Company to move towards a dividend cover which is more reflective of fast-moving consumer goods ("FMCG") industry norms.

Share certificates may not be dematerialised or materialised between Monday, 26 January 2015 and Friday, 30 January 2015, both days inclusive.

By order of the Board

**ZL Combi**
*Chairman*

**PM Roux**
*Chief Executive Officer*

Bellville
20 November 2014

## ANNEXURE 2

### Shareholder analysis

| | GROUP | | | |
|---|---|---|---|---|
| **Shareholder spread** | | | | |
| **Category** | **Number of ordinary shareholders** | **% of shareholders** | **Number of ordinary shares** | **% of total ordinary shares** |
| *Ordinary shares* | | | | |
| Individuals | 3 865 | 75.4 | 21 200 833 | 9.2 |
| Nominees and trusts | 659 | 12.8 | 12 917 687 | 5.6 |
| Investment companies and corporate bodies | 607 | 11.8 | 197 573 361 | 85.2 |
| | 5 131 | 100.0 | 231 691 881 | 100.0 |
| **Non-public/public shareholders** | | | | |
| Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2014, is as follows: | | | | |
| **Analysis of shareholding – ordinary shares** | | | | |
| **Public shareholding** | | | | |
| *Major shareholders* | | | | |
| Government Employees Pension Fund | 1 | – | 22 990 261 | 9.9 |
| Thembeka Capital Ltd | 1 | – | 9 326 640 | 4.0 |
| Other shareholders | 5 119 | 99.9 | 113 194 280 | 48.8 |
| **Non-public shareholding** | | | | |
| *Major shareholders* | | | | |
| Zeder Investments Ltd (note) | 1 | – | 55 627 707 | 24.0 |
| Pioneer Foods (Pty) Ltd | 1 | – | 17 982 056 | 7.8 |
| *Other shareholders* | | | | |
| Pioneer Foods Broad-Based BEE Trust | 1 | – | 10 599 988 | 4.6 |
| Pioneer Foods Share Incentive Trust | 1 | – | 1 110 213 | 0.5 |
| Directors (including subsidiary directors) | 6 | 0.1 | 860 736 | 0.4 |
| | 5 131 | 100.0 | 231 691 881 | 100.0 |
| **Distribution of ordinary shareholders** | | | | |
| Number of shares | | | | |
| 1 – 1 000 shares | 2 668 | 52.0 | 873 718 | 0.4 |
| 1 001 – 10 000 shares | 1 583 | 30.9 | 5 902 879 | 2.5 |
| 10 001 – 50 000 shares | 580 | 11.3 | 13 303 803 | 5.7 |
| 50 001 – 100 000 shares | 120 | 2.3 | 8 607 739 | 3.7 |
| 100 001 – 500 000 shares | 130 | 2.5 | 28 087 491 | 12.1 |
| 500 001 shares and over | 50 | 1.0 | 174 916 251 | 75.6 |
| | 5 131 | 100.0 | 231 691 881 | 100.0 |

Note:
The ultimate holding company, after the Agri Voedsel transaction was approved in September 2014 and finally implemented in October 2014.

## Curriculum vitae of directors up for re-election

### AH (Andile) Sangqu

**BCom (Acc) (Rhodes), BCompt (Hons), CTA (WSU), H Dip Tax Law (UJ), MBL (Unisa SBL), Advanced Management Programme (AMP) (INSEAD)**

Drawing on 14 years of financial management experience at some of South Africa's revered corporations, Mr Sangqu has garnered a deep understanding of the commercial market and business landscape. He has recently completed a High Performance Board (HPB) programme at IMD Lausanne campus in Switzerland in October 2013. Mr Sangqu served as deputy director-general (Finance and Corporate Services) of the National Department of Public Works. He currently serves as executive director of Glencore South Africa, having been the former CEO of Prodigy-Coris Asset Management and managing director of Budget Foods (Pty) Ltd.

### LP (Lambert) Retief

**BCom Hons, CA(SA), OPM (HBS)**

Mr Retief is a qualified chartered accountant and a former director of Naspers and Zeder Investments. He is the chairperson and former CEO of the Paarl Media Group.

### N (Norman) Celliers

**BEng (Civil) (Stell), MBA (Oxford)**

Mr Celliers' professional experience includes engineering, management consulting and private equity in South Africa and abroad. Currently he is the CEO of Zeder Investments Ltd.

## Members of the Audit and Risk Committee

**Current and re-appointment:**

**AH (Andile) Sangqu**

**BCom (Acc) (Rhodes), BCompt (Hons), CTA (WSU), H Dip Tax Law (UJ), MBL (Unisa SBL), Advanced Management Programme (AMP) (INSEAD)**

Drawing on 14 years of financial management experience at some of South Africa's revered corporations, Mr Sangqu has garnered a deep understanding of the commercial market and business landscape. He has recently completed a High Performance Board (HPB) programme at IMD Lausanne campus in Switzerland in October 2013. Mr Sangqu served as deputy director-general (Finance and Corporate Services) of the National Department of Public Works. He currently serves as executive director of Glencore South Africa, having been the former CEO of Prodigy-Coris Asset Management and managing director of Budget Foods (Pty) Ltd.

**LP (Lambert) Retief**

**BCom Hons, CA(SA), OPM (HBS)**

Mr Retief is a qualified chartered accountant and a former director of Naspers and Zeder Investments. He is the chairperson and former CEO of the Paarl Media Group.

**NS (Nonhlanhla) Mjoli-Mncube**

**MA (City and Regional Planning), Executive leadership qualifications (Harvard and Wharton universities, USA), postgraduate certificate in technology management (Warwick, UK).**

Ms Mjoli-Mncube is a fellow of the Massachusetts Institute of Technology and Aspen Global Leadership Institute, USA. She is the former economic advisor to the Presidency and former deputy chair of the Construction Industry Development Board. Ms Mjoli-Mncube serves on the boards of several listed companies and held executive positions in construction, housing, finance and policy. She is also a recipient of the SABC Businesswoman of the Year Award and currently manages her own construction company.

# ANNEXURE 5

## Remuneration principles and policy

### Introduction

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

- strengthening the brands; and
- expanding the margins.

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

### Group strategy alignment

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

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

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

### CEO, Executive Team, and Senior Management Remuneration

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

### Guaranteed remuneration

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

- Membership of Group Retirement Fund is compulsory
- Membership of medical aid is voluntary
- Travel allowance in accordance with the South African Revenue Services regulations, where applicable

### TGP Surveys/Benchmarking

The company will from time to time use external benchmarking and survey data as is deemed necessary. The organisation will select appropriate peer organisations for benchmarking based upon: industry, organisation size, specific job that is being benchmarked (some roles are industry specific whereas other roles are generic to business) and any other parameters that are considered valid. As a rule, the benchmarking will be by job family.

### Variable remuneration

Variable Remuneration refers to the STI and LTI schemes.

### STI

The STI is based on two elements of performance measurement:

- growth in headline earnings before tax (HEBT) for group performance and operating profit (EBIT) for business unit performance (50 % potential); and
- growth on previous year's economic profit (EP) for group and business unit performance respectively (50% potential).

The bonus payment is dependent on the following hurdle rates:

- HEBT or EBIT growth element; CPI plus % growth in GDP; and,
- EP element the hurdle rate is to match the previous year's Economic Profit.

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

Depending on seniority, payment at achieving the entry target point (based on TGP) is between 0 and 20 percent, and payment is capped varying between 15 to 150 percent of TGP, on achieving the maximum hurdle rate. The STI for the 2014 FY had a range of CPI plus GDP up to 25%.

### LTI

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

Vesting conditions of the SARs:

- Compounded Average Growth (CAGR) in Headline Earnings per Share (HEPS) of CPI plus 1 percent real growth will trigger vesting of 1/3 of the allocation at 3rd, 4th, and 5th anniversary dates of allocation.
- 100 percent vesting will be achieved at CAGR growth of CPI plus 5 percent real growth for each relevant period.

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

The total value of ordinary shares that may be transferred to employees under the SAR is limited to 14.5 million shares and represented approximately 7.5 percent of the issued ordinary shares at the date of approval of the scheme by shareholders granted in 2006.

An additional allocation was made to senior black management in February 2013 and any exercise of these allocations will only be possible after 5 years of the date of allocation. Depending on seniority, the cumulative value of these additional allocations varies between 75 and 100 percent of a year's TGP.

### Group benefits

The company has benefit schemes that everyone qualifies for participation in. These are:

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

### Other remuneration points

Average notice period for CEO, Group Executive Management, and Senior Management is three months.

### Non-executive directors

The over-riding principle governing payments to directors is that they will be made in the context of good governance. The amounts will be determined by the Human Capital Committee and approved by the Board.

Non-executive remuneration will primarily be based on a market related fee and attendance of directors.

Where appropriate, independent benchmark advice will be sought as to levels of remuneration for non-executive directors.

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

The fees paid to different roles such as chairman may vary from the fees paid to other non-executive directors.

Non-executive directors will not participate in any share based incentive scheme or any other incentive scheme that the group may implement, to avoid any potential conflict of interest.

# ANNEXURE 6

## Going concern statement

The Audit and Risk Committee ("the committee") has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Company and has made recommendations to the Board in accordance. The Board's statement regarding the going concern status of the Company, as supported by the committee, is included in the directors' responsibility report included in the Integrated Report.

## ANNEXURE 7

### Directors' responsibility

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

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

The Board is ultimately responsible for the internal control processes. Management enables the Board to meet its responsibilities in this regard. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the Group's financial records and its financial statements. The Board and management are, furthermore, also committed to adequately safeguarding, verifying and maintaining accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and reasoning provided by management as well as the internal and external auditors, the Board is of the opinion that the accounting controls are sufficient and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities. During the year under review, and up to the date of this report, nothing has come to the Board's attention that indicates or implies a breakdown in the functioning of these controls, resulting in a material loss to the Group. The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

The annual financial statements, which appear in the Integrated Report, were approved by the Board on 20 November 2014 and are herewith signed on behalf of the Board by:

**ZL Combi**
*Chairman*

**PM Roux**
*Chief Executive Officer*

Bellville
20 November 2014

## ANNEXURE 8

### Directors' interest in shares

As at 30 September 2014 the aggregate of the direct and beneficial interest of directors was 0.38% (2013: 0.37%) of the issued share capital of the Company. Indirect interest through listed public companies have not been taken into account. Individual directors' interest in the issued share capital of the Company is reflected below.

Since the end of the financial year and until the date of the annual report there were no changes in the interest of the directors.

| | GROUP | | | |
|---|---|---|---|---|
| | Number of shares # | | | % of issued ordinary share capital |
| | Direct | Indirect ◊ | Total | |
| **30 September 2014** | | | | |
| PM Roux | **9 631** | **–** | **9 631** | **–** |
| LR Cronjé | **345 000** | **55 000** | **400 000** | **0.17** |
| ZL Combi | **–** | **172 295** | **172 295** | **0.08** |
| N Celliers | **–** | **–** | **–** | **–** |
| MM du Toit | **–** | **–** | **–** | **–** |
| AE Jacobs (13 February 2014)* | **–** | **–** | **–** | **–** |
| 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** |
| LP Retief | **–** | **–** | **–** | **–** |
| AH Sangqu | **–** | **86 147** | **86 147** | **0.04** |
| | **354 631** | **515 736** | **870 367** | **0.38** |
| **30 September 2013** | | | | |
| PM Roux (1 April 2013)** | – | – | – | – |
| WA Hanekom (31 March 2013)*** | – | – | – | – |
| LR Cronjé | 345 000 | 55 000 | 400 000 | 0.17 |
| TA Carstens (16 May 2013)**** | – | – | – | – |
| ZL Combi | – | 172 295 | 172 295 | 0.07 |
| N Celliers (1 October 2012)** | – | – | – | – |
| MM du Toit | – | – | – | – |
| AE Jacobs | – | – | – | – |
| 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 |
| LP Retief | – | – | – | – |
| AH Sangqu | – | 86 147 | 86 147 | 0.04 |
| | 345 000 | 515 736 | 860 736 | 0.37 |

Note:

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

* Resigned during the year.
** Appointed during the year.
*** Retired during the year
**** Stepped down as director during the year.

# There has been no change in the directors' interest in shares from the end of the financial year to the date of the approval of the annual financial statements.

## ANNEXURE 9

### Share capital

| | GROUP | |
|---|---|---|
| | 2014 R'000 | 2013 Restated R'000 |
| **Share capital** | | |
| ***Authorised – ordinary shares of 10 cents each*** | | |
| 400,000,000 (2013: 400,000,000) ordinary shares | **40 000** | 40 000 |
| ***Authorised – class A ordinary shares of 10 cents each*** | | |
| 18,130,000 (2013: 18,130,000) class A ordinary shares | **1 813** | 1 813 |
| ***Total issued and fully paid – ordinary shares of 10 cents each*** | | |
| At beginning of year: 231,006,847 (2013: 230,314,486) ordinary shares | **23 101** | 23 031 |
| Issued to management in terms of share appreciation rights scheme: 685,034 (2013: 692,361) ordinary shares | **69** | 70 |
| At end of year: 231,691,881 (2013: 231,006,847) ordinary shares | **23 170** | 23 101 |

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

During the year the Company issued 685,034 (2013: 692,361) ordinary shares of 10 cents each at an average of R97.47 (2013: R71.64) per share in terms of the share appreciation rights scheme.

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

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 at a subscription price of R0.10 per share.

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.

| | | |
|---|---|---|
| ***Treasury shares of 10 cents each – nominal value*** | | |
| ***Treasury shares held by management share incentive trust*** | | |
| At beginning of year: 1,422,116 (2013: 2,545,933) ordinary shares | **142** | 255 |
| Net treasury shares sold: 311,903 (2013: 1,123,817) ordinary shares | **(31)** | (113) |
| At end of year: 1,110,213 (2013: 1,422,116) ordinary shares | **111** | 142 |

## Share capital (continued)

| | GROUP | |
|---|---|---|
| | 2014<br>R'000 | 2013<br>Restated<br>R'000 |
| **Share capital (continued)** | | |
| ***Treasury shares of 10 cents each – nominal value (continued)*** | | |
| ***Treasury shares held by B-BBEE equity transaction participants*** | | |
| At beginning and end of year: 18,091,661 (2013: 18,091,661) ordinary shares | **1 809** | 1 809 |
| ***Treasury shares held by Pioneer Foods Broad-Based BEE Trust*** | | |
| At beginning and end of year: 10,599,988 (2013: 10,599,988) ordinary shares | **1 060** | 1 060 |
| ***Treasury shares held by subsidiary*** | | |
| At beginning and at end of year: 17,982,056 (2013: 17,982,056) ordinary shares | **1 798** | 1 798 |
| ***Total treasury shares – nominal value*** | | |
| At beginning of year | **4 809** | 4 922 |
| Ordinary shares sold by management share incentive trust (at strike price) | **(31)** | (113) |
| At end of year | **4 778** | 4 809 |
| ***Net listed ordinary share capital – nominal value*** | | |
| Total issued and fully paid ordinary shares | **23 170** | 23 101 |
| Treasury shares held by management share incentive trust | **(111)** | (142) |
| Treasury shares held by B-BBEE equity transaction participants | **(1 809)** | (1 809) |
| Treasury shares held by Pioneer Foods Broad-Based BEE Trust | **(1 060)** | (1 060) |
| Treasury shares held by subsidiary | **(1 798)** | (1 798) |
| | **18 392** | 18 292 |
| 20,000,000 (2013: 20,000,000) unissued ordinary shares are under control of the directors until the next annual general meeting. | | |
| ***Treasury shares – carrying amount*** | | |
| Consist of: | | |
| Treasury shares held by management share incentive trust | **23 036** | 27 391 |
| Treasury shares held by B-BBEE equity transaction participants | **999 288** | 999 288 |
| Treasury shares held by Pioneer Foods Broad-Based BEE Trust | **1 060** | 1 060 |
| Treasury shares held by subsidiary | **163 113** | 163 113 |
| | **1 186 497** | 1 190 852 |

## Share capital (continued)

| | GROUP | |
|---|---|---|
| | 2014<br>R'000 | 2013 Restated<br>R'000 |
| **Share capital (continued)** | | |
| ***Issued and fully paid – unlisted class A ordinary shares of 10 cents each held by employee share scheme trust*** | | |
| At beginning of year: 7,367,360 (2013: 8,198,120) class A ordinary shares | **737** | 820 |
| Bought back and cancelled: 1,323,420 (2013: 830,760) class A ordinary shares | **(132)** | (83) |
| At end of year: 6,043,940 (2013: 7,367,360) class A ordinary shares held by employee share scheme trust | **605** | 737 |
| During the year the Company issued Nil (2013: Nil) class A ordinary shares. | | |
| Class A ordinary shares are not listed on the JSE. These shares have full voting rights, similar to those of ordinary shares. | | |

## Social and Ethics Committee AGM Report

The Social and Ethics Committee (SEC) was formed in May 2012 in accordance with the Companies Act, 71 of 2008, as amended ("the Companies Act"). The SEC, comprising two non-executive directors, Prof ASM Karaan (Chairman), Mr N Celliers and Ms L Khumalo, Corporate Affairs and Sustainability, as members. The CEO, Mr Phil Roux, and Ms J Jacobs, Legal Executive and Company Secretary, are permanent invitees at all committee meetings.

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

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

The SEC is also required to report through one of its members to the Company's shareholders on the matters within its mandate at the Company's annual general meeting. Shareholders will be referred to this report by the SEC, read with the Sustainability section of the Integrated Report, at the Company's annual general meeting on 13 February 2015. Any specific questions to the SEC will be sent to the Company Secretary prior to the meeting.

**Report-back from meetings in 2014:**

### Resolutions

*Resolution 1*

It had been resolved that key sustainability issues will form part of the KPAs of executive management.

*Resolution 2*

It was resolved that the Conflict of Interest Policy be approved by the SEC and recommended to the Board for their review and ratification.

*Resolution 3*

It was resolved that the first revision of the Group Environmental Policy be approved by the SEC and recommended to the Board for their review and ratification.

*Resolution 4*

It was resolved that the Group Health and Safety Policy be approved by the SEC and recommended to the Board for their review and ratification.

## 1. SUSTAINABILITY REPORTING

The Group's reduction of its direct energy consumption (i.e. diesel, coal, LPG, etc.) was 15.8%, an improvement was well above the 2% reduction target set for 2013 and the 15% reduction target for 2016. As a result, the overall sustainability targets had been increased as follows:

- 25% reduction for direct energy
- 25% for electricity and steam
- 20% on water reduction

*Energy optimisation*

SEC noted that Energy Partners had been selected as the preferred vendor to drive energy efficiency improvements together with PFG. Energy Partners' work plan will incorporate recommendations to reduce costs made by the National Cleaner Production Centre (NCPC). The project's commencement date was brought forward from the planned October 2014 dates to 1 July 2014.

At subsequent meetings, the following reports were presented and noted: Energy, Water Consumption, Safety and Health; CDP reporting (Carbon and Forestry); Energy optimisation projects (NCPC and Energy Partners) and Environmental life cycle analysis of three Power Brands. An update on the Strategy on Assurance of Non-financial Information (limited assurance for 2014) was also presented as was the draft report thereof.

## 2. TRANSFORMATION

### B-BBEE SCORECARD

While noting that the current scorecard (YTD) indicates that PFG remains a Level 4 (inclusive and exclusive of Quantum Foods), underperformance in skills development is a concern especially in light of the Revised Codes increasing the weighting of this element and demanding that spend increases from 3% of the leviable amount to 6%. Subsequent discussions indicated that the quantum of the underspend of 0.9%, while less than desired, was way below the industry norm. Similarly noted was the 2015 budget of R22 million, which although ratified by management would not contribute anything further to the scorecard. In light of this, a proposal of an increase to 2.4% (against the new required target of 6%), while also accepted in principle, will be finalised upon a substantive presentation of the impact.

For employment equity (EE), it was agreed that attempts would be made that any appointments above a certain level would be designated appointments and would be signed off by the CEO. The Social and Ethics Committee (SEC) noted that the Group's plan to switch to the Revised Codes as of October 2014 was executed and that new targets have been set accordingly.

### EE STATUTORY COMPLIANCE

The SEC had requested at the March meeting that an analysis be conducted to determine if any transgressions in relation to 'same work, same pay' existed within the business. It was reported back to the SEC that the Group has no discriminatory policies of this nature. A strategic framework for EE was presented and discussed at the meeting.

## 3. STAKEHOLDER RELATIONS

The stakeholder matrix was presented and noted by the SEC. There was an observation that there is an increased prevalence of incidents where regulatory compliance is trumped by consumer activism, and the inordinate executive time spent on such issues. It was concluded that it would be quite impossible for the Company to cover all bases in relation to these issues but can only remain vigilant and handling them as best as realistically possible. Corporate Image was appointed as external communications advisors to the Group effective from August 2014.

## 4. HUMAN RIGHTS

While the Group makes all efforts to ensure that human rights are upheld throughout the value chain, it was also noted that it is sometimes impossible to know what goes on, especially in relation to foreign suppliers. As is required in the integrated report that a statement is made with regard to an organisation's subscription to, for example, the UN Guiding Principles on Business and Human Rights, the UN Declaration of Human Rights, and so forth, it was confirmed that while the company is not a signatory to these and is currently not in a financial position to join the UN Global Compact, these issues remain critical and PFG will ensure that the guidelines are followed.

## 5. CORPORATE GIVING

### Pioneer Foods Education and Community Trust (PFECT)

The trust is functioning well. Bursaries for 15 students were in place in 2014, and an application process for the 2015 intake included the beneficiaries of the Group's employees. The Mbekweni Youth Centre, the second anchor project for the trust has also progressed well and the refurbishment and building of the new wing are set to commence within the month.

### Socio-economic development and enterprise development

All 20 points in these elements were achieved. Notably, the impact assessment review conducted on programmes highlighted the 73% return on investment achieved on social projects and provided solid recommendations in the areas that require improvement.

## 6. ETHICS MANAGEMENT

### Assessment of the ethics management programme by internal audit

Following the ethics risk assessment conducted on the Group by KPMG, an internal assessment of the ethics management programme was facilitated by Group internal audit early in the financial year. On the whole, the programme was found to be compliant. A significant recommendation was made, involving the appointment of the Business HR executives and HR managers as ethics champions. The champions' role is to assist with various ethics activities to ensure the Group's ethical culture improvement.

The roles and responsibilities of the ethics champions have been finalised. A session was conducted with the ethics champions during which the following areas were addressed:

- Agree on ethics drivers
- Overview of the Group Ethics Programme
- Sign-off on the framework for managing ethics in the Group
- Ethics champions' roles and responsibilities
- Propose and adopt an ethics work plan

### Updating of the code of ethics

In line with the new business model, the code of ethics was reviewed and updated to also reflect the Group values. The code was also checked for alignment with the dti's Business Practice Guidelines.

### Ethics Awareness Programme

Themed monthly awareness campaigns delivered through the internal portal, screensavers, and on sites, as well as a modular ethics training programme via the SAP productivity tool, are parts of an established continuous programme. The programme has been approved and is monitored by both the SEC and the audit and risk committee of the Board.

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