



**PIONEERFOODS**

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**PIONEER FOOD GROUP LIMITED**

Notice and Proxy of Annual General Meeting  
and Condensed Consolidated Financial  
Statements for the year ended  
30 September 2013

## Salient features

Revenue	R20 551 million	+ 10%
Final gross dividend per listed ordinary share (2012: 70 cents)	86 cents	+ 23%
Operating profit (before items of a capital nature)	R1 057 million	+ 2%
Adjusted operating profit (before items of a capital nature)*	R1 271 million	+ 9%
Earnings per share	274 cents	- 18%
Earnings per share for continuing operations	384 cents	+ 13%
Headline earnings per share	389 cents	+ 15%
Adjusted headline earnings*	R826 million	+ 13%
Adjusted headline earnings per share*	456 cents	+ 12%
Net asset value per share	3 598 cents	+ 5%

\* *Headline earnings and operating profit (before items of a capital nature) adjusted for the once-off IFRS 2 share-based payment charge on the Phase II B-BBEE equity transaction (2012 only), the IFRS 2 share-based payment charge on the Phase I B-BBEE transaction (2013 and 2012) and re-organisation costs (2013 only). Furthermore, headline earnings for 2013 were adjusted for the recognition of a deferred income tax asset.*

**DIRECTORS:** ZL Combi (Chairman), PM Roux (CEO)\*, LR Cronjé\*, N Celliers, MM du Toit, AE Jacobs, 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:** 32 Market Street, Paarl, 7646, PO Box 20, Huguenot, 7645, South Africa

**TEL:** 021 807 5100 **FAX:** 021 807 5280 **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

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**Pioneer Food Group Ltd**

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

**11 December 2013**

Dear Shareholder

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

We are pleased to enclose herewith a detailed notice of the Pioneer Food Group Ltd Annual General Meeting to be held at 09:00 on Friday, 14 February 2014, at Lemoenkloof Guest House, 396a Main Street, Paarl ("the Annual General Meeting").

We have also included the following:

- condensed 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 itself; 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 full financials will only be mailed to shareholders on request from 13 January 2014. The full report (including full financial statements) will be available for download on our website at [www.pioneerfoods.co.za](http://www.pioneerfoods.co.za) towards the end of December 2013.

Therefore, should you require a printed copy of the integrated annual report, please contact Lynn van Niekerk at [Lynn.vanNiekerk@pioneerfoods.co.za](mailto:Lynn.vanNiekerk@pioneerfoods.co.za) or Jay-Ann Jacobs at [Jay-Ann.Jacobs@pioneerfoods.co.za](mailto:Jay-Ann.Jacobs@pioneerfoods.co.za) to request a copy.

Yours sincerely

**Jay-Ann Jacobs**

*Company Secretary*

## **Notice of Annual General Meeting for the year ended 30 September 2013**

Notice is hereby given to all shareholders recorded in the securities register of Pioneer Food Group Ltd ("Pioneer Foods" or "the Company") as at Friday, 29 November 2013, that the seventeenth Annual General Meeting of Pioneer Foods will be held on Friday, 14 February 2014, at 09:00 at Lemoenkloof Guest House, 396a Main Street, Paarl ("the Annual General Meeting").

### **Purpose**

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

### **Agenda**

- Presentation of the audited annual financial statements of the Company, including the reports of the directors and the audit and risk committee for the year ended 30 September 2013.
- Resolutions:
  - Ordinary Resolutions 1 – 11
  - Special Resolution 1 – 3

### **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 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 2014.

*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 5% of the ordinary shares in issue as at 30 September 2013, 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 5% 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 and to maintain a healthy capital adequacy ratio. This general authority is subject to the restriction that it is limited to 5% of the number of ordinary shares in issue as at 30 September 2013 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:** Abdus Salaam Mohammad Karaan

#### **3.2 Ordinary Resolution Number 4**

**Re-election of director:** Gerrit Pretorius

#### **3.3 Ordinary Resolution Number 5**

**Re-election of director:** Antonie Egbert Jacobs”

*Explanatory note to Ordinary Resolutions Numbers 3 – 5 (inclusive)*

*The reason and effect for 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**

“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 2015.”

### **5. Ordinary Resolution Number 7**

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

“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 2015.”

### **6. Ordinary Resolution Number 8**

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

Pending the result of Ordinary Resolution Number 5:

“Resolved that Mr Antonie Egbert Jacobs, 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 2015.”

### **7. Ordinary Resolution Number 9**

#### **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 2015.”

*Explanatory note to Ordinary Resolution Numbers 6 – 9 (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.*

## **8. Ordinary Resolution Number 10**

### **Approval of the amended Pioneer Food Group Ltd Equity Settled Phantom Share Plan**

“Resolved that the Board of Directors of the Company be and are hereby authorised to amend the rules of the Pioneer Food Group Ltd Equity Settled Phantom Share Plan, which was adopted by shareholders at the general meeting of the Company held on 9 April 2008 (“the Original Plan”) and that the amended Pioneer Food Group Ltd Equity Settled Phantom Share Plan, as set out in the accompanying document (“the Amended Plan”), replaces the Original Plan in its entirety with effect from the passing of this ordinary resolution.”

#### **Note:**

At least 75% of the shareholders present in person or by proxy and entitled to vote at the Annual General Meeting must cast their vote in favour of this resolution.

*Reason for Ordinary Resolution Number 10*

*The reason for Ordinary Resolution Number 10 is to authorise the board of directors of the Company, in accordance with Schedule 14 of the Listings Requirements of the JSE, to amend the rules of the Pioneer Food Group Ltd Equity Settled Phantom Share Plan.*

## **9. Ordinary Resolution Number 11**

### **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 11*

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

## **Special Resolutions**

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

## 10. 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 2014 until 31 March 2015, on the basis set out below:

	Fees from 1 April 2013 until 31 March 2014	Fees from 1 April 2014 until 31 March 2015
	Rand	Rand
Chairman of the Board	588 500	623 810
Committee Chairman/Lead Independent Director/	334 375	354 438
Committee Member	240 750	255 195
Board Member (not serving on a committee)	181 900	192 814"

#### *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 2014 until 31 March 2015.*

*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 2015.*

## 11. 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.*

*Inasmuch 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.*

**12. Special Resolution Number 3**

**Financial assistance for the acquisition of securities (as defined below) 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 ("securities" will in this Special Resolution Number 3 be limited to loans), 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 authorise the Company to secure the loans of the Company and its subsidiaries 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.

#### *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, loans to the Company or to subsidiaries of the Company. Some of the funders of the Company interpret the term "security" as including a loan and require the Company to have this general authority in place in order for the Company to secure the borrowings of the Company and its subsidiaries for purposes of funding the activities of the Company and its group.*

### **13. And 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, 29 November 2013**.

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, 7 February 2014**, 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, 31 January 2014**.

#### **Approvals required for ordinary and special resolutions**

Ordinary Resolution Numbers 1 to 9 (inclusive) and 11 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 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.

Ordinary Resolution Number 10 and Special Resolution Numbers 1 to 3 (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, 12 February 2014, 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

11 December 2013

## **Report of the independent auditor on the condensed consolidated financial statements to the shareholders of Pioneer Food Group Ltd**

The condensed consolidated financial statements, which comprise the condensed consolidated statement of financial position as at 30 September 2013, and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, as set out on pages 11 to 29, are derived from the audited consolidated financial statements of Pioneer Food Group Ltd for the year ended 30 September 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 21 November 2013. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph (refer below).

The condensed 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 condensed consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Pioneer Food Group Ltd.

### **Directors' responsibility for the condensed consolidated financial statements**

The Company's 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 condensed financial statements, set out in note 1 to the condensed consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to condensed financial statements.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the condensed 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 condensed consolidated financial statements derived from the audited consolidated financial statements of Pioneer Food Group Ltd for the year ended 30 September 2013 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for condensed financial statements, set out in note 1 to the condensed consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to condensed financial statements.

The Other Matter paragraph in our audit report dated 21 November 2013 states that as part of our audit of the consolidated financial statements for the year ended 30 September 2013, we have read the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The Other Matter paragraph 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 Other Matter paragraph does not have an effect on the condensed consolidated financial statements or our opinion thereon.



### **PricewaterhouseCoopers Inc.**

Director: R Jacobs  
Registered Auditor  
Paarl  
21 November 2013

**Pioneer Food Group Ltd**

Condensed consolidated financial statements for the year ended 30 September 2013

**Group statement of comprehensive income**

	<b>Audited Year ended 30 September 2013 R'm</b>	Restated Audited Year ended 30 September 2012 R'm
<b>Continuing operations</b>		
Revenue	<b>16 992.3</b>	15 534.5
Cost of goods sold	<b>(11 985.8)</b>	(10 857.5)
Gross profit	<b>5 006.5</b>	4 677.0
Other income and gains/(losses) – net	<b>139.5</b>	134.8
Other expenses	<b>(4 090.7)</b>	(3 754.1)
Excluding the following:	<b>(3 876.3)</b>	(3 629.0)
Re-organisation costs	<b>(68.5)</b>	–
Phase I B-BBEE transaction share-based payment charge	<b>(145.9)</b>	35.6
Once-off Phase II B-BBEE equity transaction share-based payment charge	<b>–</b>	(160.7)
Items of a capital nature	<b>(2.2)</b>	(10.8)
Operating profit	<b>1 053.1</b>	1 046.9
Investment income	<b>18.3</b>	18.6
Finance costs	<b>(128.6)</b>	(136.1)
Share of profit of associated companies	<b>1.0</b>	0.6
Profit before income tax	<b>943.8</b>	930.0
Income tax expense	<b>(245.2)</b>	(318.3)
Profit for the year from continuing operations	<b>698.6</b>	611.7
Loss for the year from discontinued operations (attributable to owners of the parent)	<b>(200.4)</b>	(7.0)
<b>Profit for the year</b>	<b>498.2</b>	604.7

## Group statement of comprehensive income (continued)

	<b>Audited</b> <b>Year ended</b> <b>30 September</b> <b>2013</b> <b>R'm</b>	Restated Audited Year ended 30 September 2012 R'm
<b>Profit for the year</b>	<b>498.2</b>	604.7
<b>Other comprehensive income/(loss) for the year</b>		
Items that may subsequently be reclassified to profit or loss:	<b>80.3</b>	(5.5)
Fair value adjustments to cash flow hedging reserve	<b>17.3</b>	(16.4)
For the year	<b>(13.7)</b>	43.8
Current income tax effect	<b>4.4</b>	(12.1)
Deferred income tax effect	<b>(0.5)</b>	(0.2)
Reclassified to profit or loss	<b>37.7</b>	(66.5)
Current income tax effect	<b>(10.7)</b>	21.1
Deferred income tax effect	<b>0.1</b>	(2.5)
Fair value adjustments on available-for-sale financial assets	<b>0.8</b>	5.8
For the year	<b>18.8</b>	8.1
Deferred income tax effect	<b>(1.7)</b>	(1.2)
Reclassified to profit or loss	<b>(16.3)</b>	(1.1)
Movement on foreign currency translation reserve	<b>62.2</b>	5.1
<b>Total comprehensive income for the year</b>	<b>578.5</b>	599.2
<b>Profit for the year attributable to:</b>		
Owners of the parent		
For continuing operations	<b>697.1</b>	610.6
For discontinued operations	<b>(200.4)</b>	(7.0)
Non-controlling interest		
For continuing operations	<b>1.5</b>	1.1
	<b>498.2</b>	604.7
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the parent		
For continuing operations	<b>752.1</b>	605.5
For discontinued operations	<b>(175.1)</b>	(7.4)
Non-controlling interest		
For continuing operations	<b>1.5</b>	1.1
	<b>578.5</b>	599.2

## Headline earnings reconciliation

	<b>Audited</b>	Restated
	<b>Year ended</b>	Audited
	<b>30 September</b>	Year ended
	<b>2013</b>	30 September
	<b>R'm</b>	2012
		R'm
<b>Reconciliation between profit attributable to owners of the parent and headline earnings</b>		
Profit attributable to owners of the parent		
For continuing operations	<b>697.1</b>	610.6
For discontinued operations	<b>(200.4)</b>	(7.0)
	<b>496.7</b>	603.6
Remeasurement of items of a capital nature – continuing operations	<b>2.3</b>	10.8
Net loss on disposal of property, plant and equipment and intangible assets	<b>5.6</b>	11.9
Net profit on disposal of available-for-sale financial assets	<b>(16.3)</b>	(1.1)
Impairment of property, plant and equipment and intangible assets and loan	<b>13.0</b>	–
Tax effect on remeasurement of items of a capital nature	<b>(1.4)</b>	(2.2)
	<b>0.9</b>	8.6
Remeasurement of items of a capital nature – discontinued operations	<b>230.9</b>	(5.4)
Net profit on disposal of property, plant and equipment and intangible assets	<b>(1.1)</b>	(1.5)
Remeasurement profit on previously held interest in joint venture	<b>–</b>	(3.9)
Impairment of property, plant and equipment and intangible assets	<b>232.0</b>	–
Tax effect on remeasurement of items of a capital nature	<b>(23.7)</b>	(0.6)
	<b>207.2</b>	(6.0)
<b>Headline earnings</b>	<b>704.8</b>	606.2
For continuing operations	<b>698.0</b>	619.2
For discontinued operations	<b>6.8</b>	(13.0)
Phase I B-BBEE transaction share-based payment charge	<b>145.9</b>	(35.6)
Phase II B-BBEE equity transaction once-off share-based payment charge	<b>–</b>	160.7
Re-organisation costs	<b>49.3</b>	–
Recognition of deferred income tax asset	<b>(74.1)</b>	–
<b>Adjusted headline earnings (note 1)</b>	<b>825.9</b>	731.3
For continuing operations	<b>819.1</b>	744.3
For discontinued operations	<b>6.8</b>	(13.0)

## Headline earnings reconciliation (continued)

	<b>Audited</b>	Restated
	<b>Year ended</b>	Audited
	<b>30 September</b>	Year ended
	<b>2013</b>	30 September
	<b>R'm</b>	2012
		R'm
Number of issued ordinary shares (million)	<b>231.0</b>	230.3
Number of issued treasury shares:		
– held by subsidiary (million)	<b>18.0</b>	18.0
– held by share incentive trust (million)	<b>1.4</b>	2.5
– held by B-BBEE equity transaction participants (million)	<b>18.1</b>	18.1
– held by Pioneer Foods Broad-Based BEE Trust (million)	<b>10.6</b>	10.6
Number of issued class A ordinary shares (million)	<b>7.4</b>	8.2
Weighted average number of ordinary shares (million)	<b>181.3</b>	179.9
Weighted average number of ordinary shares – diluted (million)	<b>185.8</b>	182.3
Earnings per ordinary share (cents):		
– basic	<b>274.0</b>	335.6
– diluted	<b>267.3</b>	331.0
– headline	<b>388.8</b>	337.0
– diluted headline	<b>379.3</b>	332.5
– adjusted headline (note 1)	<b>455.5</b>	406.6
– diluted adjusted headline (note 1)	<b>444.5</b>	401.1
– adjusted headline for continuing operations (note 1)	<b>451.8</b>	413.7
Gross dividend per ordinary share (cents)	<b>132.0</b>	114.0
Gross dividend per class A ordinary share (cents)	<b>39.6</b>	34.2
Net asset value per ordinary share (cents)	<b>3 597.5</b>	3 415.3
Debt-to-equity ratio (%)	<b>22.6</b>	16.1

### 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 material once-off occurrences as well as 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. During the current reporting period HE was adjusted for the impact of once-off re-organisation costs and for the recognition of a deferred income tax asset. During the 2012 reporting period HE was adjusted for the effect of the once-off share-based payment charge recognised in terms of the Phase II B-BBEE equity transaction.



## Group statement of financial position

	Audited 30 September 2013 R'm	Audited 30 September 2012 R'm
<b>Assets</b>		
Property, plant and equipment	4 363.1	4 641.5
Goodwill	227.7	271.9
Other intangible assets	470.8	464.3
Biological assets	16.0	16.0
Investments in associates and loans to joint ventures	44.0	56.9
Available-for-sale financial assets	59.0	52.8
Trade and other receivables	20.9	20.4
Deferred income tax	74.3	2.7
<b>Non-current assets</b>	5 275.8	5 526.5
<b>Current assets</b>	4 641.4	5 079.6
Inventories	2 491.2	2 450.0
Biological assets	8.4	228.7
Derivative financial instruments	11.0	6.8
Trade and other receivables	1 730.9	2 014.3
Current income tax	1.3	4.2
Cash and cash equivalents	398.6	375.6
Assets of disposal group classified as held for sale	1 953.4	–
<b>Total assets</b>	11 870.6	10 606.1
<b>Equity and liabilities</b>		
Capital and reserves attributable to owners of the parent	6 580.2	6 184.9
Share capital	23.1	23.0
Share premium	2 188.6	2 171.8
Treasury shares	(1 190.9)	(1 207.5)
Other reserves	426.2	350.3
Retained earnings	5 133.2	4 847.3
Non-controlling interest	9.3	8.2
<b>Total equity</b>	6 589.5	6 193.1
<b>Non-current liabilities</b>	2 344.2	1 377.5
Borrowings		
B-BBEE equity transaction third-party finance	449.7	449.7
Other	1 034.4	48.0
Provisions for other liabilities and charges	121.8	119.2
Share-based payment liability	251.4	108.2
Deferred income tax	486.9	652.4
<b>Current liabilities</b>	2 454.9	3 035.5
Trade and other payables	2 010.3	1 933.0
Current income tax	29.4	4.7
Derivative financial instruments	6.2	3.1
Borrowings	401.3	871.7
Loan from joint venture	7.4	7.0
Accrual for Competition Commission penalties	–	215.5
Dividends payable	0.3	0.5
Liabilities of disposal group classified as held for sale	482.0	–
<b>Total equity and liabilities</b>	11 870.6	10 606.1

## Group statement of changes in equity

	<b>Audited</b> <b>Year ended</b> <b>30 September</b> <b>2013</b> <b>R'm</b>	Audited Year ended 30 September 2012 R'm
<b>Share capital, share premium and treasury shares</b>	<b>1 020.8</b>	987.3
Opening balance	<b>987.3</b>	986.5
Cost to issue ordinary shares to participants in B-BBEE equity transaction	–	(4.1)
Movement in treasury shares	<b>16.7</b>	13.1
Ordinary shares issued – share appreciation rights	<b>49.6</b>	22.8
Employee share scheme – repurchase of shares	<b>(32.8)</b>	(31.0)
<b>Other reserves</b>	<b>426.2</b>	350.3
Opening balance	<b>350.3</b>	115.2
Contribution by participants to B-BBEE equity transaction	–	96.4
Once-off share-based payment charge on B-BBEE equity transaction	–	160.7
Transfers to retained earnings	–	(4.5)
Equity compensation reserve transactions	<b>15.2</b>	13.8
Ordinary shares issued – share appreciation rights	<b>(49.6)</b>	(22.8)
Deferred income tax on share-based payments	<b>30.0</b>	(3.0)
Other comprehensive income/(loss) for the year	<b>80.3</b>	(5.5)
<b>Retained earnings</b>	<b>5 133.2</b>	4 847.3
Opening balance	<b>4 847.3</b>	4 386.6
Profit for the year	<b>496.7</b>	603.6
Dividends paid	<b>(211.3)</b>	(151.5)
Transfers from other reserves	–	4.5
Management share incentive scheme – disposal of shares	<b>0.8</b>	4.3
Employee share scheme – transfer tax on share transactions	<b>(0.3)</b>	(0.2)
<b>Non-controlling interest</b>	<b>9.3</b>	8.2
Opening balance	<b>8.2</b>	7.5
Dividend paid	<b>(0.4)</b>	(0.4)
Profit for the year	<b>1.5</b>	1.1
<b>Total equity</b>	<b>6 589.5</b>	6 193.1

## Group statement of cash flows

	<b>Audited</b>	Audited
	<b>Year ended</b>	Year ended
	<b>30 September</b>	30 September
	<b>2013</b>	2012
	<b>R'm</b>	R'm
Net cash profit from operating activities	<b>1 623.3</b>	1 514.9
Cash effect from hedging activities	<b>22.7</b>	(32.2)
Working capital changes	<b>53.1</b>	(266.2)
Accrual for Competition Commission penalties paid	<b>(216.7)</b>	(216.7)
Net cash generated from operations	<b>1 482.4</b>	999.8
Income tax paid	<b>(243.1)</b>	(257.7)
<b>Net cash flow from operating activities</b>	<b>1 239.3</b>	742.1
<b>Net cash flow from investment activities</b>	<b>(1 333.0)</b>	(753.0)
Property, plant and equipment and intangible assets		
– additions	<b>(842.6)</b>	(559.9)
– replacements	<b>(242.5)</b>	(174.1)
– proceeds on disposal	<b>28.4</b>	14.0
Business combinations	<b>(315.0)</b>	(25.5)
Proceeds on disposal of and changes in available-for-sale financial assets and loans	<b>18.5</b>	(28.0)
Interest received	<b>18.2</b>	19.1
Dividends received	<b>1.7</b>	1.4
Dividends received from associates	<b>0.3</b>	–
<b>Net cash flow from financing activities</b>	<b>(204.6)</b>	44.6
Proceeds from borrowings – third-party finance of B-BBEE equity transaction	<b>–</b>	449.7
Proceeds from new syndicated borrowings	<b>1 870.0</b>	–
Repayments of other borrowings	<b>(1 700.0)</b>	(211.4)
Net contribution by participants to B-BBEE equity transaction	<b>–</b>	92.3
Share schemes transactions	<b>(17.1)</b>	(14.9)
Interest paid	<b>(146.0)</b>	(119.7)
Dividends paid	<b>(211.5)</b>	(151.4)
Net cash, cash equivalents and bank overdrafts from business combinations	<b>–</b>	(11.3)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	<b>(298.3)</b>	22.4
Net cash, cash equivalents and bank overdrafts at beginning of year	<b>368.1</b>	345.7
Net cash, cash equivalents and bank overdrafts at end of year	<b>69.8</b>	368.1
For continuing operations	<b>45.2</b>	356.0
For discontinued operations	<b>24.6</b>	12.1

## Group segment report

	<b>Audited</b>	Restated
	<b>Year ended</b>	Audited
	<b>30 September</b>	Year ended
	<b>2013</b>	30 September
	<b>R'm</b>	2012
		R'm
<b>Segment revenue (note 1)</b>		
Sasko	<b>10 772.2</b>	9 940.4
Quantum Foods	<b>3 575.6</b>	3 097.6
Bokomo Foods	<b>3 526.7</b>	3 071.6
Ceres Beverages	<b>3 021.2</b>	2 798.2
	<b>20 895.7</b>	18 907.8
Less: Internal revenue	<b>(344.7)</b>	(298.0)
Total	<b>20 551.0</b>	18 609.8
<b>Segment results (note 1)</b>		
Sasko	<b>824.7</b>	941.6
Quantum Foods	<b>(18.9)</b>	(42.3)
Bokomo Foods	<b>289.3</b>	263.8
Ceres Beverages	<b>263.8</b>	88.3
Other	<b>(156.4)</b>	(89.5)
	<b>1 202.5</b>	1 161.9
Phase I B-BBEE transaction share-based payment charge	<b>(145.9)</b>	35.6
Phase II B-BBEE equity transaction once-off share-based payment charge	<b>–</b>	(160.7)
Operating profit before items of a capital nature	<b>1 056.6</b>	1 036.8
<b>Reconciliation of operating profit (before items of a capital nature) to profit before income tax</b>		
Operating profit before items of a capital nature	<b>1 056.6</b>	1 036.8
Adjusted for:		
Remeasurement of items of a capital nature	<b>(233.2)</b>	(5.4)
Interest income	<b>18.2</b>	19.1
Dividends received	<b>1.7</b>	1.4
Finance costs	<b>(129.4)</b>	(136.6)
Share of profit of associated companies	<b>1.2</b>	1.3
Profit before income tax (including discontinued operations)	<b>715.1</b>	916.6
<b>Note 1</b>		
Includes discontinued operations.		

# Notes to the condensed consolidated financial statements

## 1. Basis of preparation

These preliminary condensed financial statements are an extract from the audited financial statements of the Group for the year ended 30 September 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Listings Requirements of the JSE Ltd and the Companies Act of South Africa, Act 71 of 2008, as amended. These condensed financial statements comply with the requirements of *IAS 34 – Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. These condensed financial statements have not been audited.

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

## 2. Accounting policies

These condensed financial statements incorporate accounting policies that are consistent with those applied in the Group's financial statements for the year ended 30 September 2013 and with those of previous financial years, except for the adoption of the following amendments to published standards and interpretations that became effective for the current reporting period beginning on 1 October 2012:

*Amendment to IAS 1 – Presentation of Financial Statements*

*Amendment to IAS 12 – Amendment to IAS 12: Deferred Tax: Recovery of Underlying Assets*

The adoption of these amendments to standards and interpretations did not have any material impact on the Group's results and cash flows for the year ended 30 September 2013 and the financial position at 30 September 2013.

	<b>Audited Year ended 30 September 2013</b>	Audited Year ended 30 September 2012
<b>3. Share capital</b>		
During the year under review the following share transactions occurred:		
Number of listed issued and fully paid ordinary shares		
At beginning of year	<b>230 314 486</b>	201 236 929
Shares issued in terms of management share appreciation rights scheme	<b>692 361</b>	385 908
Shares issued to participants of the B-BBEE equity transaction	–	18 091 661
Shares issued to the Pioneer Foods Broad-Based BEE Trust	–	10 599 988
At end of year	<b>231 006 847</b>	230 314 486
692,361 (30 September 2012: 385,908) listed ordinary shares of 10 cents each were issued at an average of R71.64 (30 September 2012: R59.20) per share in terms of the share appreciation rights scheme.		
Number of treasury shares held by the share incentive trust		
At beginning of year	<b>2 545 933</b>	3 881 401
Movement in shares	<b>(1 123 817)</b>	(1 335 468)
At end of year	<b>1 422 116</b>	2 545 933
Proceeds on the sale of treasury shares by the share incentive trust (R'000)	<b>18 662</b>	18 536
Number of treasury shares held by B-BBEE transaction participants		
At beginning of year	<b>18 091 661</b>	–
Shares issued to participants of the B-BBEE equity transaction	–	18 091 661
At end of year	<b>18 091 661</b>	18 091 661
Number of treasury shares held by Pioneer Foods Broad-Based BEE Trust		
At beginning of year	<b>10 599 988</b>	–
Shares issued to Pioneer Foods Broad-Based BEE Trust in terms of the B-BBEE equity transaction	–	10 599 988
At end of year	<b>10 599 988</b>	10 599 988
Number of treasury shares held by a subsidiary		
At beginning and end of year	<b>17 982 056</b>	17 982 056
Number of unlisted class A ordinary shares		
At beginning of year	<b>8 198 120</b>	9 294 530
Shares bought back and cancelled	<b>(830 760)</b>	(1 096 410)
At end of year	<b>7 367 360</b>	8 198 120
Purchase consideration paid for unlisted class A ordinary shares bought back (R'000)	<b>32 736</b>	30 967

#### 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 business units and two foreign African subsidiaries (Bokomo Uganda (Pty) Ltd and Bokomo Zambia Ltd) that produce and sell eggs, chicken products, animal feed and commercial laying hens.

It is Pioneer Foods' intention to unbundle its interests in Quantum Foods to its shareholders and subsequently list Quantum Foods as a separate legal entity on the JSE subject to market conditions and regulatory requirements, or any other acceptable corporate action, within approximately 12 months. 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 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.

The impairment charge of R232.0 million is recognised in the line item “Items of a capital nature” for discontinued operations in the statement of comprehensive income. The impairment charge attributable to property, plant and equipment and goodwill is as follows:

<b>Nature</b>	<b>R'm</b>
Property, plant and equipment	<b>155.1</b>
Goodwill	<b>76.9</b>
Subtotal	<b>232.0</b>
Income tax effect	<b>(23.9)</b>
After income tax effect	<b>208.1</b>

##### 4.2 Heinz Foods SA (Pty) Ltd

During the reporting period Heinz Foods SA (Pty) Ltd, a joint venture of the Group, closed its Spartan factory. As a result of this closure the carrying values of property, plant and equipment and of goodwill were impaired to its fair value less costs to sell. The recoverable amount of a cash-generating unit (“CGU”) is the higher of its fair value less costs to sell and value-in-use. The impairment loss for this business was calculated by comparing the carrying amount of the CGU to the fair value less costs to sell of this CGU. The fair value less costs to sell is based on management's best estimate of the amount that can be obtained in an arm's length transaction.

The impairment charge of R11.6 million is recognised in the line item “Items of a capital nature” in the statement of comprehensive income. The impairment charge attributable to property, plant and equipment and goodwill is as follows:

<b>Nature</b>	<b>R'm</b>
Property, plant and equipment	<b>9.6</b>
Goodwill	<b>2.0</b>
Subtotal	<b>11.6</b>
Income tax effect	<b>(2.6)</b>
After income tax effect	<b>9.0</b>

##### 4.3 Bowman Ingredients (SA) Pty Ltd

A rotary drier at Bowman Ingredients (SA) Pty Ltd was replaced and the old one became idle and there is no prospect of use thereof within a reasonable period of time. Consequently, the carrying amount of this asset was impaired. The impairment loss for this asset was calculated by comparing the carrying amount of the asset to the fair value less costs to sell of the asset. The fair value less costs to sell is based on management's best estimate of the amount that can be obtained in an arm's length transaction.

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

##### 4.3 Bowman Ingredients (SA) Pty Ltd (continued)

The impairment charge of R0.6 million is recognised in the line item "Items of a capital nature" in the statement of comprehensive income. The impairment charge attributable to property, plant and equipment is as follows:

Nature	R'm
Property, plant and equipment	0.6
Income tax effect	(0.2)
After income tax effect	0.4

#### 5. Borrowings

The Group's syndicated financing facilities matured in September 2013. New syndicated facilities of R3.5 billion were obtained in September 2013, consisting of bullet loans, revolving loans, overnight loans and general banking facilities. The existing security arrangements are used to provide security to the lenders in the form of bonds over land and buildings of specific sites, special notarial bonds over specific items of plant and equipment and general notarial bonds over all movable assets of specific Group subsidiaries.

These borrowings were obtained to refinance existing borrowings, to fund working capital and to fund expansions at Group legal entities.

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

#### 6. Events after the reporting date

##### 6.1 Dividend

The Board approved and declared a gross final dividend of 86.0 cents (2013: gross interim dividend of 46.0 cents and 2012: gross final dividend of 70.0 cents) per ordinary share. This will approximately amount to R189,549,899 (2013: interim of R101,352,454 and 2012: final of R153,941,885) 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. 17.2 cents (2013: gross interim of 9.2 cents and 2012: gross final dividend of 14.0 cents) per share, amounting to R1,823,198 (2013: interim of R975,199 and 2012: final of R1,483,998).

The Board approved a gross final dividend of 25.8 cents (2013: gross interim dividend of 13.8 cents and 2012: gross final dividend of 21.0 cents) per class A ordinary share, being 30% of the dividend payable to the other class ordinary shareholders in terms of the rules of the relevant employee scheme. This will approximately amount to R1,900,779 (2013: interim of R1,047,579 and 2012: final of R1,665,819) depending on the exact number of class A ordinary shares issued at the record date.

Additional information disclosed:

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

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

The total credits for secondary tax on companies utilised as part of this declaration amount to Rnil. The net dividend amounts to 73.10 cents per ordinary share and 21.93 cents per class A ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 86.0 cents per ordinary share and 25.8 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 231,094,143 and 7,005,110 respectively as at the date of this declaration.



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

### 6.2 Other material events

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

### 7. Business combinations

During the year under review the following businesses were acquired and all assets and liabilities relating to these acquisitions have been accounted for on an acquisition basis:

	<b>Audited Year ended 30 September</b>
	<b>2013 R'm</b>
<b>Darling Fresh Chickens – Kikoosvlei Broiler Farm (on 8 January 2013)</b>	
Purchase consideration – settled in cash	<b>75.8</b>
<b>Reason for acquisition</b>	
To increase own production capacity and to increase abattoir throughput	
<b>Darling Fresh Chickens – Langspruit Breeder Farm (on 23 October 2012)</b>	
Purchase consideration – settled in cash	<b>44.3</b>
<b>Reason for acquisition</b>	
To increase own production capacity and to increase abattoir throughput	
<b>Lemoenkloof Layer Farm (on 1 February 2013)</b>	
Purchase consideration – settled in cash	<b>51.1</b>
<b>Reason for acquisition</b>	
Additional laying capacity in the Western Cape region	
<b>Mega Eggs (on 20 March 2013)</b>	
Purchase consideration – settled in cash	<b>143.8</b>
<b>Reason for acquisition</b>	
Expansion of Zambian business to extend the value chain from day-old-chicks to rearing of commercial layers to produce commercial eggs for sale	
<b>Reason for goodwill recognised on acquisitions</b>	
The purchase price paid for the businesses corresponded to the fair value of the tangible and intangible assets acquired. However, in terms of the requirements of <i>IAS 12 – Income Taxes</i> , deferred income tax was raised on the difference between the fair values of individual assets and liabilities and the tax bases of those assets and liabilities recognised on acquisition date of the business combinations. Consequently, the recognition of deferred income tax liabilities resulted in a corresponding amount of R30.0 million accounted for as goodwill.	
The assets and liabilities acquired of these businesses can be summarised as follows:	
<b>Fair value</b>	
Property, plant and equipment	<b>293.4</b>
Goodwill	<b>30.0</b>
Inventories	<b>1.1</b>
Current biological assets	<b>22.5</b>
Trade and other payables	<b>(2.0)</b>
Deferred income tax	<b>(30.0)</b>
Purchase consideration – settled in cash	<b>315.0</b>

<b>7. Business combinations (continued)</b>	<b>2013 R'm</b>
<b>Carrying values</b>	
As the Group acquired the assets and liabilities of these businesses rather than the shares of the legal entities that previously owned such assets and liabilities, it is impracticable to disclose the carrying amounts in the accounting records of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.	
<b>The contributions of these businesses since acquisition (R'm):</b>	
Revenue	<b>186.6</b>
Operating profit before impairment of Quantum Foods	<b>12.3</b>
<b>The contributions of these businesses assuming the acquisitions were at the beginning of the year (R'm):</b>	
Revenue	<b>288.9</b>
Operating profit before impairment of Quantum Foods	<b>23.4</b>

## **8. Contingent liabilities**

### **8.1 Land claims – discontinued operations**

Regional Land Claim Commissioners acknowledged claims against two farms (three portions) of a Group company in terms of the provisions of sections 2 and 11 of the Restitution of Land Rights Act, Act 22 of 1994 (as amended), during 2007.

During the current reporting period, sale agreements were concluded for these two farms of which the total value was R5.3 million.

It is not anticipated that any material transactions will arise from these land claims.

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

As previously reported, the claims from four contract egg producers are still unresolved.

Pioneer Foods is defending contractual claims from its privatised egg contract producers and 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 from the remaining four contract egg producers are still unresolved.

Pioneer Foods filed pleas to all these claims and in 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.

Management is of the view, based on legal advice regarding the merits of the claims against the Group, that the Group will not incur any material liability in respect of this matter.

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

Several breeder farms and broiler farms (four in total) also filed claims against Pioneer Foods for the alleged breach of the terms of their supply agreements with Pioneer Foods.

Only letters of demand have been received thus far and these claims should eventually be finalised by means of arbitration. No date has been set for the arbitration proceedings.

## **8. Contingent liabilities (continued)**

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

A further breeder farm has filed a claim against Pioneer Foods for the alleged breach of the terms of a shareholder agreement. A preliminary hearing on the matter was held in March 2013 and the court case had been postponed until August 2013 for hearing. Final argument by counsel was heard on 14 November 2013 and it is anticipated that judgement may be handed down early in 2014.

Based on legal advice regarding the merits of these claims management is of the view that the Group will not incur any material liability in respect of these matters.

### **8.4 Class action – continuing operations**

Stemming from the Competition Commission investigation into collusion among the bread producers in 2006, Pioneer Foods, Tiger Brands and Premier Foods (“the Producers”) were sued by the consumers (members of the public who consumed bread during that period) and the independent distributors that had been contracted by the Producers. They claimed that the Competition Act, Act 89 of 1998, paved the way for class actions against the Producers if they could each have their classes certified. After judgement was handed down by Judge van Zyl in the Cape High Court on 29 August 2011, dismissing the consumers and distributors applications for leave to appeal, both parties have since decided to petition the Supreme Court of Appeal (“SCA”). The consumers’ petition papers were served on Pioneer Foods on 22 September 2011 and those of the distributors were served on 28 September 2011.

The SCA held hearings on 6 November 2012 on the distributor matter and on 7 November 2012 on the consumer matter. These proceedings are a result of the appeals launched by the distributors and the consumers in their applications for class certification. The certification applications are a preliminary means for instituting class actions for damages against Pioneer Foods (Pty) Ltd, Tiger Brands Ltd and Premier Foods (Pty) Ltd relating to previous conduct of these firms in relation to bread, in contravention of the Competition Act, Act 89 of 1998.

Pioneer Foods successfully defended the class actions by the consumers and distributors during November 2012 resulting in a judgement where the distributors’ appeal was dismissed by the SCA. The appeal by the consumers for a “national class” certification was also dismissed by the SCA. The only remaining issue that was remitted back to the Western Cape High Court was whether the consumers would be able to argue for a “Western Cape Class”. However, the papers before the SCA did not support such a finding. They were given an opportunity to supplement their papers, which they have done and the quantum of their claim is R2 million as against (and to be shared by) the three respondents.

At the time of reporting, the latter matter was still pending before the Western Cape High Court for the consumers. The distributors subsequently filed an appeal with the Constitutional Court against the SCA’s judgement that had dismissed their claim. At the time of reporting, there was no quantum to their claim.

The distributors’ Constitutional Court matter was heard in May 2013 and judgement handed down in June 2013. The distributors’ appeal was upheld by the Constitutional Court and their matter remitted back to the Western Cape High Court in a similar manner as those of the consumers. They have two months to supplement their papers in the interim, to which Pioneer Foods (together with Tiger Brands and Premier Foods) will have to reply. As at the time of reporting, no papers had yet been filed by them.

Based on legal advice, no provision has been raised for potential damages in these matters as management is of the view that no material liability will arise from these claims.

### **8.5 Guarantees**

The Group had guarantees in issue of R48.5 million (30 September 2012: R50.0 million) as at 30 September 2013, 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.

## 9. Future capital commitments

Capital expenditure approved by the Board and contracted for amount to R265.0 million (30 September 2012: R818.4 million). Capital expenditure approved by the Board, but not contracted for yet, amount to R242.4 million (30 September 2012: R471.0 million). Capital commitments of joint ventures amount to R25.9 million (30 September 2012: R45.3 million).

## 10. 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 Philadelphia Chick Breeders (Pty) Ltd, Lohmann Breeders SA (Pty) Ltd, Bokomo Uganda (Pty) Ltd and Bokomo Zambia Ltd and the Quantum Foods division of Pioneer Foods (Pty) Ltd, 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 2013 following the approval of the Board in September 2013 to restructure the Company's interest in the Quantum Foods segment.

It is Pioneer Foods' intention to unbundle its interests in Quantum Foods to its shareholders and subsequently list Quantum Foods as a separate legal entity on the JSE subject to market conditions and regulatory requirements, or any other acceptable corporate action, within approximately 12 months.

	<b>Audited</b> <b>30 September</b> <b>2013</b> <b>R'm</b>	Audited 30 September 2012 R'm
<b>Assets of the disposal group classified as held for sale:</b>		
Property, plant and equipment	<b>1 129.6</b>	–
Investment in associates	<b>6.8</b>	–
Inventories	<b>235.9</b>	–
Biological assets	<b>276.7</b>	–
Trade and other receivables	<b>275.3</b>	–
Deferred income tax	<b>3.1</b>	–
Derivative financial instruments	<b>0.9</b>	–
Current income tax	<b>0.5</b>	–
Cash and cash equivalents	<b>24.6</b>	–
	<b>1 953.4</b>	–
<b>Liabilities of the disposal group classified as held for sale:</b>		
Deferred income tax	<b>196.3</b>	–
Provision for other liabilities and charges	<b>9.3</b>	–
Trade and other payables	<b>274.8</b>	–
Current income tax	<b>1.6</b>	–
	<b>482.0</b>	–
<b>Currency translation reserve</b>	<b>22.9</b>	–

	<b>Audited Year ended 30 September 2013 R'm</b>	Audited Year ended 30 September 2012 R'm
<b>10. Non-current assets held for sale and discontinued operations (continued)</b>		
<b>The results of discontinued operations and the results recognised on the remeasurement of the Quantum Foods disposal group is as follows:</b>		
Revenue	<b>3 558.7</b>	3 075.3
Operating profit/(loss) before items of a capital nature	<b>1.3</b>	(20.9)
Items of a capital nature	<b>1.1</b>	5.4
Investment income	<b>1.6</b>	1.9
Finance costs	<b>(0.8)</b>	(0.5)
Share of profit of associated companies	<b>0.3</b>	0.7
Profit/(loss) before income tax	<b>3.5</b>	(13.4)
Income tax	<b>4.2</b>	6.4
Profit/(loss) after income tax	<b>7.7</b>	(7.0)
Loss after income tax recognised on the remeasurement of assets of the disposal group	<b>(208.1)</b>	–
Before income tax	<b>(232.0)</b>	–
Income tax	<b>23.9</b>	–
Loss for the year from discontinued operations	<b>(200.4)</b>	(7.0)
Other comprehensive income/(loss) for the year from discontinued operations		
Currency translation differences	<b>25.3</b>	(0.4)
Total comprehensive loss for the year from discontinued operations	<b>(175.1)</b>	(7.4)
<b>Cash flows of the disposal group classified as held for sale:</b>		
Net cash flow from operating activities	<b>90.8</b>	–
Net cash flow from investment activities	<b>(469.6)</b>	–
Net cash flow from financing activities	<b>391.3</b>	–
Net increase in cash, cash equivalents and bank overdrafts	<b>12.5</b>	–
Net cash, cash equivalents and bank overdrafts at beginning of year	<b>12.1</b>	–
Net cash, cash equivalents and bank overdrafts at end of year	<b>24.6</b>	–

## 11. Restatement of financial information for comparative periods

### 11.1 Reclassification of line items of statement of comprehensive income

During the current year the Group renamed the line item 'Distribution costs' to 'Sales and distribution costs' and added a new line item 'Marketing costs' on the face of the statement of comprehensive income. In addition staff costs have been reallocated from 'Other operating expenses' to 'Sales and distribution costs', 'Administration expenses' and 'Marketing costs'. The reason for the reclassification is to reflect more appropriately the way in which economic benefits are derived from staff costs.

The impact on the comparative figures of the line items of the statement of comprehensive income is as follows:

	Before reclassification		After reclassification		
	Audited		Audited		
	Year ended		Year ended		
	30 September	Reclassifi-	30 September	Discontinued	Continuing
	2012	cation	2012	operations	operations
	R'm	R'm	R'm	R'm	R'm
Sales and distribution costs	1 699.2	650.4	2 349.6	(281.0)	2 068.6
Marketing costs	–	367.4	367.4	(24.8)	342.6
Administration expenses	337.0	285.0	622.0	(66.0)	556.0
Other operating expenses	2 205.8	(1 302.8)	903.0	(276.8)	626.2
<b>Total</b>	<b>4 242.0</b>	<b>–</b>	<b>4 242.0</b>	<b>(648.6)</b>	<b>3 593.4</b>

Since the amounts are reclassifications within the statement of comprehensive income, this reclassification did not have any effect on the statement of financial position.

### 11.2 Restatement of segment information

From the beginning of the current reporting period the chief operating decision-maker reviewed the operating results of the Bokomo Zambia and Bokomo Uganda businesses as part of the Quantum Foods segment. The nature of these businesses are more aligned with the Quantum Foods segment as their operations predominantly include the production of animal feeds and the production and sale of commercial eggs and day-old chicks. As a result the previously reported segment revenue and results have been restated. The effect of this restatement is as follows:

	Audited Year ended 30 September 2012 R'm
(Decrease)/increase in segment revenue	
Sasko	(61.2)
Quantum Foods	61.2
<b>Total</b>	<b>–</b>
(Decrease)/increase in operating profit before items of capital nature	
Sasko	(6.4)
Quantum Foods	6.4
<b>Total</b>	<b>–</b>

The Agri Business segment has been renamed as Quantum Foods since the previous reporting period.

**12. Preparation of financial statements**

These condensed 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 2013 and their unqualified auditor's report is available for inspection at the registered office of the Company.

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

# COMMENTARY

## Introduction

Pioneer Foods has shown resilience by producing a fair set of results in a constrained and highly competitive market environment. Certain categories excelled while others encountered stronger headwinds. The business environment within which Pioneer Foods operates continues to be extremely challenging. The South African consumer is experiencing substantial pressure on several fronts. Consumer confidence is low, household debt levels are high and discretionary income limited, translating to price sensitive and more discerning shopper behaviour.

The fast-moving consumer goods sector is also experiencing increased competition from both local and international market entrants. The combination of a soft and highly competitive market makes it difficult to pass the full impact of input cost increases on to consumers without volume loss. Strategically, it is therefore imperative that we continue to invest in our Power Brands in keeping with our strategic intent of being a leading branded consumer goods organisation.

The Group also faced some internal challenges over the past six months as a new strategy and business model were initiated. Although disruptive, these transformational changes are gaining traction and will reposition the organisation to capitalise on its underlying potential.

## Unbundling of Quantum Foods and impairment

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 in 2014. The listing will be subject to market conditions and regulatory requirements, and other acceptable corporate actions will be considered. Accordingly, Quantum Foods has been accounted for as an "asset held for sale" and a "discontinued operation" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* for the year under review. As a result, the net assets of Quantum Foods had to be valued at the lower of its carrying amount or fair value less cost to sell. An independent valuation resulted in an impairment of the net asset value of Quantum Foods by R232.0 million, the amount of which is included in items of a capital nature of discontinued operations. This impairment is largely the result of the continued macro challenges in the broiler industry.

Results for 2012 in the statement for comprehensive income were restated to reflect Quantum Foods as a discontinued operation.

## Financial Review

Revenue from continuing operations during the year under review increased by 9% to R17.0 billion. This was largely as a consequence of increased sales prices, as volumes across the Group's basket increased by only 1%. Revenue increased by 10% to R20.6 billion inclusive of the discontinued operations of Quantum Foods.

Cost of goods sold from continuing operations increased by 10% resulting in a decline in gross profit margin from 30.1% to 29.5%. Significant increases in production input costs and exchange rate volatility placed pressure on margins. Rigorous cost management contained the increase of operating costs, after adjustments as described below, to 7%.

Operating profit has been impacted by non-recurring reorganisation costs of R69 million, as well as a share-based payment charge of R146 million, relating to the Phase I B-BBEE transaction, as a result of the share price increasing from R53.00 to R87.50 in the reporting period. In the comparative period the share price declined from R59.00 to R53.00, resulting in a gain of R36 million. Comparative results of the previous year have further been impacted by a once-off, non-cash flow charge of R161 million, relating to the Phase II B-BBEE transaction. Headline earnings were further impacted by the recognition of a deferred income tax asset of R74 million.

Operating profit from continuing operations, before items of a capital nature, and adjusted in the respective periods for the abnormal costs as described above, increased by 7% to R1 270 million with an operating margin of 7.5% (2012: 7.6%).

Headline earnings of continuing operations, adjusted as described above, increased by 10% to R819 million or 452 cents per share.

Headline earnings for the Group, adjusted as described above, and inclusive of the performance from the discontinued business of Quantum Foods, increased by 13% to R826 million or 456 cents per share.



Net cash generated from operations, including Quantum Foods, increased by 48% to R1 482 million for the reporting period, largely as a result of unlocking net working capital of R53 million as opposed to an investment in net working capital of R266 million in the comparative period.

Inventory increased by R276 million mainly due to an increased raisin crop. The increased investment in wheat stock volumes was countered by decreased volumes of maize stock at year-end. Debtors remained flat while creditors increased by R370 million mainly due to payments after year-end.

Net cash profit increased by 7% to R1 623 million, but cash resources were negatively impacted by the final payment of the Competition Commission penalty of R217 million.

The capital expansion programme is now almost complete with an amount of R1 085 million invested this year of which R843 million was attributable to expansion capital and R242 million to replacement capital. The Shakaskraal bakery, Malmesbury/Paarl mill consolidation and the Quantum Foods abattoir consolidation in Gauteng were the principal beneficiaries. A further amount of R315 million was invested on acquiring businesses to complete the repositioning of the Quantum Foods business. Included in this amount is the R144 million for the investment in Mega Eggs in Zambia.

Net interest-bearing debt increased by R468 million to R1 462 million, a debt to equity ratio of 22% (2012: 16%). Debt includes R482 million of funding from third-party financiers for the 2012 Phase II B-BBEE transaction being consolidated in terms of IFRS. The debt to equity ratio improves to 15% should this consolidated third-party debt be excluded.

### **Sasko**

Overall volume growth remained muted and price recovery continued to be challenging, most notably in the wheat and rice product categories. Total industry demand for the wheat and maize categories declined for the year and the decline accelerated in the fourth quarter.

Maize profitability in the first half of the reporting period was compromised despite strong volume growth due to insufficient price recovery in a rising commodity cycle. This was corrected in the second half of the reporting period.

The wheat and bread categories experienced volume declines due to weaker demand. Price inflation ran ahead of overall inflation. Acceptable volume growth was achieved in the rice category, but profitability remained negatively impacted by the price spread between Thai and Indian origin rice. The pasta category performed well in volume and profitability.

Sasko maintained market shares in key categories and distribution channels during this challenging trading period.

The new Shakaskraal bakery commenced bread production at the end of September and will provide improved access to the KwaZulu-Natal market. The consolidation of the Malmesbury and Paarl wheat mills is progressing as planned and will provide additional capacity for medium-term growth in the Western Cape.

### **Bokomo Foods**

Bokomo delivered a solid performance during 2013, with pleasing revenue growth and an increased profit performance notwithstanding challenging trading conditions. Most categories achieved volume growth with the raisin crop being exceptional. The latter bolstered exports aided by a weaker rand. Biscuit volumes increased by high double-digits, significantly ahead of category growth. Volume and value growth were achieved within breakfast cereals with both *Weet-Bix* and *Corn Flakes* performing well.

### **Ceres Beverages**

This division delivered exceptional financial results on the back of strong export volume growth, cost synergies and manufacturing and distribution efficiencies.

Domestic volumes came under pressure due to cost push, recovered in price.

Carbonated soft drinks as a category performed significantly below expectation due to aggressive competitor pricing.

### **Quantum Foods**

Quantum Foods' financial performance was negatively impacted by industry challenges associated with imports of chicken and limited pricing power as a consequence.

An abattoir and hatchery, as well as several farms in the Western Cape were closed as a consequence to ensure that the business prospers albeit it on a smaller scale. Efficiencies in all manufacturing units continued to improve. The consolidation of the abattoirs in Gauteng and the freezer completion in the Western Cape will generate further efficiencies.

The acquisition of Mega Eggs in Zambia in March 2013 is already earnings enhancing and performing in line with expectations.

**Prospects**

The macro-economic outlook remains bearish in SA and, as a consequence, food and beverage categories will remain under pressure and are likely to yield limited growth in real terms. That said, Pioneer Foods is undergoing significant internal change in order to adapt its strategy and business model to compete more effectively.

**Dividend**

A gross final dividend of 86 cents (2012: 70 cents) per share has been approved and declared by the Board. The applicable dates are as follows:

Last date of trading cum dividend	Friday, 24 January 2014
Trading ex dividend commences	Monday, 27 January 2014
Record date	Friday, 31 January 2014
Dividend payable	Monday, 3 February 2014

The total dividend for the year under review increased to 132 cents per share, up 16% from 114 cents per share a year ago.

A gross final dividend of 25.8 cents (2012: 21.0 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 2014.

Share certificates may not be dematerialised or materialised between Monday, 27 January 2014 and Friday, 31 January 2014, both days inclusive.

By order of the Board



**ZL Combi**  
*Chairman*



**PM Roux**  
*Chief Executive Officer*

Paarl  
21 November 2013

## ANNEXURE 2

### SHAREHOLDER ANALYSIS

#### SHAREHOLDER INFORMATION

#### GROUP

##### Shareholder spread

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
<i>Ordinary shares</i>				
Individuals	3 841	74.5	22 724 882	9.8
Nominees and trusts	673	13.1	13 014 328	5.6
Investment companies and corporate bodies	640	12.4	195 267 637	84.6
	5 154	100.0	231 006 847	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 2013, is as follows:

##### Analysis of shareholding – ordinary shares

###### Public shareholding

###### Major shareholders

Government Employees Pension Fund	1	–	22 697 131	9.8
Thembeke Capital Ltd	1	–	9 326 640	4.0
<i>Other shareholders</i>	5 142	100.0	112 490 473	48.7

###### Non-public shareholding

###### Major shareholders

Agri Voedsel Ltd	1	–	55 627 707	24.1
Pioneer Foods (Pty) Ltd	1	–	17 982 056	7.8
<i>Other shareholders</i>				
Pioneer Foods Broad-Based BEE Trust	1	–	10 599 988	4.6
Pioneer Foods Share Incentive Trust	1	–	1 422 116	0.6
Directors (including subsidiary directors)	6	–	860 736	0.4
	5 154	100.0	231 006 847	100.0

##### Distribution of ordinary shareholders

###### Number of shares

1 – 1 000 shares	2 589	50.2	876 850	0.4
1 001 – 10 000 shares	1 592	30.9	5 985 756	2.6
10 001 – 50 000 shares	652	12.7	15 310 317	6.6
50 001 – 100 000 shares	130	2.5	9 183 848	4.0
100 001 – 500 000 shares	145	2.8	31 814 729	13.8
500 001 shares and over	46	0.9	167 835 347	72.6
	5 154	100.0	231 006 847	100.0

**Curriculum vitae of directors up for re-election****Prof ASM (Mohammad) Karaan****BSc Agric, BSc Agric (Hons), MSc Agric, PhD (Agric)**

Prof Karaan joined the Development Bank of Southern Africa in Johannesburg as an economist and later returned to Stellenbosch to join the Rural Foundation as Head of Research. In 1997 he joined the University of Stellenbosch as a lecturer in the Agricultural Faculty. In October 2008 he became Dean of the Faculty of Agri Sciences at Stellenbosch University and serves on as director on various boards.

Director since 29 March 2010.

**G (Gerrit) Pretorius****BSc, BEng, LLB, PMD**

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

Director since 17 February 2012.

**AE (Antonie) Jacobs****CA(SA), MCom (Tax), LLB**

Mr Jacobs has many years' experience in an investment management capacity in the agricultural sector. He was the Chief Executive Officer of Zeder Investments Ltd for six years. Currently, he is the chairman of Agricol Holdings Ltd. In addition, he also served on the boards of various investment holding companies with diversified interests, such as Winecorp Ltd and Spier Holdings. Previously he also lectured tax and accountancy at the Stellenbosch University.

Director since 18 October 2010.

**Members of the Audit and Risk Committee****Current and re-appointment:****AH (Andile) Sangqu****BCom (Acc), BCompt (Hons), CTA, Higher Dipl Tax, MBL**

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 completed an Executive Development Programme (EDP) at Wits University as well a Master's Degree in Business Leadership at Unisa's Graduate School of Business Leadership (SBL) in 2001. Mr Sangqu served as deputy director-general (Finance and Corporate Services) of the National Department of Public Works where he managed the transition of the department's old Exchequer Act to the current Public Finance Management Act dispensation. He currently serves as executive director of Glencore South Africa, having been the former chief executive officer of Prodigy-Coris Asset Management and managing director of Budget Foods (Pty) Ltd.

Director since 24 February 2006.

**LP (Lambert) Retief****CA(SA), OPM**

Mr Retief is a qualified CA(SA) and currently a director of Zeder Investments. He is the chairperson and former chief executive officer of the Paarl Media Group.

Director since 17 February 2012.

**AE (Antonie) Jacobs****CA(SA), MCom (Tax), LLB**

Mr Jacobs has many years' experience in an investment management capacity in the agricultural sector. He was the Chief Executive Officer of Zeder Investments Ltd for six years. Currently, he is the chairman of Agricol Holdings Ltd. In addition, he also served on the boards of various investment holding companies with diversified interests, such as Winecorp Ltd and Spier Holdings. Previously he also lectured tax and accountancy at the Stellenbosch University.

Director since 18 October 2010.

**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.

Director since 25 November 2004.

## **Remuneration**

### **Remuneration approach**

Remuneration strategies aim to attract, motivate and retain competent and committed employees who provide strategic direction and drive sustainable shareholder value. Therefore, it seeks to reward employees at market related levels according to their contribution to the Company's operating and financial performance. This covers basic pay, short- and long-term incentives; which includes share incentives – a critical element of executive incentive pay.

Pioneer Foods usually structures packages on a total cost-to-company basis which incorporates base pay, car allowance, medical and retirement benefits. Remuneration packages are reviewed annually according to a formal system that includes job evaluation, performance assessment, and market comparisons.

### **Remuneration policy**

The Company's remuneration philosophy, strategy, and policy have been approved by the human capital committee of the Board.

The Company's remuneration philosophy is anchored in the World at Work total rewards approach. This comprises a combination of career growth opportunities and recognition, culture and values, compensation, benefits, and work environment.

The remuneration strategies main aim is to enable the company to develop, motivate, maintain and retain internal human capital pipeline; and when necessary, attract the requisite skills from the labour market to enable the business's growth strategy.

The pay mix comprises a combination of guaranteed pay (total cost-to-company) and variable pay (short and long term incentives). Incentives will depend on the level of seniority in the organisational hierarchy.

### **Guaranteed pay**

Guaranteed pay is generally referenced to the job family market median.

### **Short-term incentive**

The short term incentive (STI) is essentially a performance bonus that is designed to incentivise management to drive business performance and increase shareholder value.

Annual performance bonuses will be 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; and, growth on previous year's economic profit (EP) for group and business unit performance respectively.

The bonus payment is dependent on achievement of the following hurdle rates- for HEBT or EBIT growth element; CPI plus % growth in GDP; and, for EP element the hurdle is growth on the previous year's EP.

A maximum bonus pool (cap) will be calculated on 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 the entry point "first hurdle rate" (based on annual cost-to-company, CTC), is between 0 and 20 percent, and capped per employee varying between 15 to 150 percent of CTC.

### **Long-term incentive (subject to Ordinary Resolution Number 9 being carried)**

The purpose of the long-term incentive (LTI) scheme is to align management and shareholder interests, and to enable the attraction and retention of key managers over the long term. Essentially the LTI is a share appreciation rights scheme (SAR scheme) and is equity settled.

The human capital committee determines the share allocation to qualifying managers annually for the SAR scheme. Multiples of annual cost-to-company will determine the annual allocation of SAR's to qualifying employees varying between; 1 to 9 times. In determining the annual top up allocations, only unvested allocations of the past will be taken into account.

The vesting of 50 percent of SAR's allocated is dependent on performance measures – compound average growth (CAGR) in headline earnings per share (HEPS) of CPI plus 1 percent real growth. 100 percent vesting will be realisable at CAGR in HEPS growth of CPI plus 5 percent. The remaining 50 percent is time dependent.

A third of the shares vest after 3 years, another third after 4 years and another third after 5 years to ensure that the long term incentive keeps employees productively engaged for the duration of this period. No qualifying employee can be allocated more than 1 percent of ordinary shares, once converted.

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.

An additional allocation was made to senior black management in February 2013 and any exercise of these allocations will only be possible after five 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 remuneration package.

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

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## **ANNEXURE 6**

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### **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.

**Directors' responsibility**

In accordance with the requirements of the Companies Act, Act 71 of 2008, the Board of directors ("the Board") are responsible for the preparation of the annual financial statements and the consolidated annual financial statements of Pioneer Food Group Ltd which conform with 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 those of the annual statutory financial statements that are included in the 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 financial records and of the financial statements and to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and reasons given by management and the internal 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. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Group, has occurred during the year under review and up to the date of this report. 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 on pages 104 to 221 in the Integrated Report were approved by the Board on 21 November 2013 and are signed on behalf of the Board by:



**ZL Combi**  
*Chairman*



**PM Roux**  
*Chief Executive Officer*

Paarl  
21 November 2013



## ANNEXURE 8

### Directors' interest in shares

As at 30 September 2013 the aggregate of the direct and beneficial interest of directors was 0.37% (2012: 1.21%) 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 material changes in the interest of the directors.

	GROUP			% of issued ordinary share capital
	Direct	Indirect <sup>®</sup>	Total	
<b>Directors' interest in shares</b>				
<b>30 September 2013</b>				
PM Roux (1 April 2013)**	-	-	-	-
WA Hanekom (31 March 2013)***	-	-	-	-
LR Cronje	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
	<b>345 000</b>	<b>515 736</b>	<b>860 736</b>	<b>0.37</b>
<b>30 September 2012</b>				
WA Hanekom	1 024 999	441 890	1 466 889	0.64
LR Cronjé	395 000	55 000	450 000	0.19
TA Carstens	417 291	-	417 291	0.18
ZL Combi	-	172 295	172 295	0.07
Dr MI Survé (17 February 2012)*	-	-	-	-
MM du Toit	-	-	-	-
GD Eksteen (17 February 2012)*	-	-	-	-
AE Jacobs	-	-	-	-
Prof ASM Karaan	-	86 147	86 147	0.04
NS Mjoli-Mncube	-	86 147	86 147	0.04
JF Mouton (17 February 2012)*	-	-	-	-
G Pretorius (17 February 2012)**	-	30 000	30 000	0.01
LP Retief (17 February 2012)**	-	-	-	-
AH Sangqu	-	86 147	86 147	0.04
	<b>1 837 290</b>	<b>957 626</b>	<b>2 794 916</b>	<b>1.21</b>

Notes:

<sup>®</sup> Include shares issued during 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.

## ANNEXURE 9

### Share capital

	GROUP	
	2013 R'000	2012 R'000
<b>Share capital</b>		
<b>Authorised – ordinary shares of 10 cents each</b>		
400,000,000 (2012: 400,000,000) ordinary shares	<b>40 000</b>	40 000
<b>Authorised – class A ordinary shares of 10 cents each</b>		
18,130,000 (2012: 18,130,000) class A ordinary shares of 10 cents each	<b>1 813</b>	1 813
<b>Total issued and fully paid – ordinary shares of 10 cents each</b>		
At beginning of year: 230,314,486 (2012: 201,236,929) ordinary shares	<b>23 031</b>	20 124
Issued to participants of the B-BBEE equity transaction: Nil (2012: 18,091,661) ordinary shares	–	1 809
Issued to the Pioneer Foods Broad-Based BEE Trust: Nil (2012: 10,599,988) ordinary shares	–	1 060
Issued to management in terms of share appreciation rights scheme: 692,361 (2012: 385,908) ordinary shares	<b>70</b>	38
At end of year: 231,006,847 (2012: 230,314,486) ordinary shares	<b>23 101</b>	23 031
<b>Shares issued in terms of share appreciation rights scheme</b>		
During the year the Company issued 692,361 (2012: 385,908) ordinary shares of 10 cents each at an average of R71.64 (2012: R59.20) per share in terms of the share appreciation rights scheme.		
<b>Shares issued in terms of the B-BBEE equity transaction</b>		
During the previous year 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.		
<b>Treasury shares – nominal value of 10 cents each</b>		
<b>Treasury shares held by management share incentive trust</b>		
At beginning of year: 2,545,933 (2012: 3,881,401) ordinary shares	<b>255</b>	388
Treasury shares sold: 1,123,817 (2012: 1,335,468) ordinary shares	<b>(113)</b>	(133)
At end of year: 1,422,116 (2012: 2,545,933) ordinary shares	<b>142</b>	255
<b>Treasury shares held by B-BBEE equity transaction participants</b>		
At beginning of year: 18,091,661 (2012: Nil) ordinary shares of 10 cents each	<b>1 809</b>	–
Nil (2012: 18,091,661) ordinary shares issued to participants to the B-BBEE equity transaction	–	1 809
At end of year: 18,091,661 (2012: 18,091,661) ordinary shares	<b>1 809</b>	1 809
<b>Treasury shares held by Pioneer Foods Broad-Based BEE Trust</b>		
At beginning of year: 10,599,988 (2012: Nil) ordinary shares	<b>1 060</b>	–
Nil (2012: 10,599,988) ordinary shares issued in terms of the B-BBEE equity transaction	–	1 060
At end of year: 10,599,988 (2012: 10,599,988) ordinary shares	<b>1 060</b>	1 060

	<b>GROUP</b>	
	<b>2013</b>	2012
	<b>R'000</b>	R'000
<b>Share capital (continued)</b>		
<b>Treasury shares – nominal value of 10 cents each (continued)</b>		
<b>Treasury shares held by subsidiary</b>		
At beginning and at end of year: 17,982,056 (2012: 17,982,056) ordinary shares	<b>1 798</b>	1 798
<b>Total treasury shares – nominal value</b>		
At beginning of year	<b>4 922</b>	2 186
Ordinary shares issued to participants of the B-BBEE equity transaction (at subscription price)	–	1 809
Ordinary shares issued to Pioneer Foods Broad-Based BEE Trust (at subscription price)	–	1 060
Ordinary shares sold by management share incentive trust (at strike price)	<b>(113)</b>	(133)
At end of year	<b>4 809</b>	4 922
<b>Net listed ordinary share capital – nominal value</b>		
Total issued and fully paid ordinary shares	<b>23 101</b>	23 031
Treasury shares held by management share incentive trust	<b>(142)</b>	(255)
Treasury shares held by B-BBEE equity transaction participants	<b>(1 809)</b>	(1 809)
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	<b>(1 060)</b>	(1 060)
Treasury shares held by subsidiary	<b>(1 798)</b>	(1 798)
	<b>18 292</b>	18 109
20,000,000 (2012: 20,000,000) unissued ordinary shares are under control of the directors until the next annual general meeting.		
<b>Treasury shares – carrying amount</b>		
Consist of:		
Treasury shares held by management share incentive trust	<b>27 391</b>	44 084
Treasury shares held by B-BBEE equity transaction participants	<b>999 288</b>	999 288
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	<b>1 060</b>	1 060
Treasury shares held by subsidiary	<b>163 113</b>	163 113
	<b>1 190 852</b>	1 207 545
<b>Issued and fully paid – unlisted class A ordinary shares of 10 cents each held by employee share scheme trust</b>		
At beginning of year: 8,198,120 (2012: 9,294,530) class A ordinary shares	<b>820</b>	929
Bought back and cancelled: 830,760 (2012: 1,096,410) class A ordinary shares	<b>(83)</b>	(109)
At end of year: 7,367,360 (2012: 8,198,120) class A ordinary shares held by employee share scheme trust	<b>737</b>	820
During the year the Company issued Nil (2012: Nil) class A ordinary shares.		
Class A ordinary shares are not listed on the JSE Ltd. These shares have full voting rights, similar to those of ordinary shares.		

**Report of the Social and Ethics Committee**

The Social and Ethics Committee (“the committee”) was formed in May 2012 in accordance with the Companies Act, 71 of 2008, as amended (“the Companies Act”), in order to assist the Company in monitoring its performance as a good and responsible corporate citizen. The committee, comprising two Non-executive Directors, Prof ASM Karaan (Chairman) and Mr N Celliers and Ms L Khumalo, Executive: Corporate Affairs and Sustainability had its inaugural meeting during the reporting period. The following Executive Managers are invited to attend all committee meetings: Ms J Jacobs, Legal and Company Secretary, the Managing Director, Mr PM Roux, and Mr M Dikilili, Human Resources.

The committee’s role is to monitor sustainable development performance of the Company as provided for in the Companies Act and specifically relating to:

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

The committee 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, read with the Sustainability section of the Integrated Report, at the Company’s Annual General Meeting on 13 February 2014. Any specific questions to the committee may be sent to the company secretary prior to the meeting, and will be dealt with at the meeting.

Report-back from the meetings in 2013:

- The committee charter was reviewed and no notable changes were made.
- Considered the impact of the Revised B-BBEE Codes of Good Practice on the company.
- Monitored the company’s performance on its sustainability key performance areas.
- As per plan, the focus for 2013 was on the Company ethics management programme, which resulted in the implementation of a monthly awareness campaign; the revision of the code of ethics and an ethics risk assessment that was conducted by an independent auditor.
- The Committee approved the environmental policy which was due for revision; the revised code of ethics; the Group media relations policy, which were all duly recommended to the Board for their approval.

**Assessment of the committee’s performance**

The Board will assess the effectiveness of the committee bi-annually, as further detailed in the Corporate Governance Report. The first assessment of the committee will be conducted during the next evaluation process in the early part of the 2014 financial year.