

# GROUP FINANCIAL STATEMENTS CONTINUED

## Notes to the annual financial statements for the year ended 30 September 2014

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### GROUP

#### 1. Accounting policies

The principal accounting policies incorporated in the preparation of these financial statements are set out on pages 16 to 33.

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#### 2. Critical accounting estimates and judgements

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

#### **Key assumptions and critical judgements**

##### ***Goodwill***

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

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

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

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

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

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

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

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## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

#### GROUP

#### 2. Critical accounting estimates and judgements (continued)

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

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

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

##### *Share-based payments*

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

##### *Assessment of control over contract growers – discontinued operations*

The Group assesses whether it exercises control over contract growers based on an analysis of the activities of these entities, the Group's decision-making powers, its ability to obtain benefits from these entities and the residual risks regarding these entities that are retained by the Group. Based on this analysis, the Group concluded that it does not control the activities of any contract grower.

##### *Contingent liabilities – litigation*

Based on legal opinion obtained, the Group determined that these disputes, as described in note 32, are contingent liabilities and no provision was raised. The Group considers the guidance in IAS 37 – Provisions, Contingent Liabilities and Contingent Assets to distinguish between provisions and contingent liabilities.

#### GROUP

	2014 R'000	2013 Restated R'000
<b>3. Other income and other gains/(losses) – net</b>		
<b>3.1 Other income</b>		
Administration fees received	890	–
Government grant amortisation	3 935	2 253
Rental income	85 368	85 719
Sundry income and commissions	31 290	42 589
	<b>121 483</b>	<b>130 561</b>
<b>3.2. Other gains/(losses) – net</b>		
<b>Net gains</b>		
Foreign exchange differences	17 875	11 650
Financial assets at fair value through profit or loss		
Fair value adjustments on foreign exchange contracts	925	–
Fair value adjustments on embedded derivatives	687	315
Cash flow hedging ineffective gains		
Fair value adjustments on foreign exchange contracts	14 021	–
Fair value adjustments on futures	6 427	563
Fair value hedging		
Fair value adjustments on futures	–	59
Agricultural produce fair value adjustment	8 115	8 493
<b>Total net gains</b>	<b>48 050</b>	<b>21 080</b>
<b>Net losses</b>		
Biological assets fair value adjustment	(262)	(670)
Foreign exchange differences	(20 026)	(442)
Financial assets at fair value through profit or loss		
Fair value adjustments on foreign exchange contracts	(30 572)	(14 684)
Cash flow hedging ineffective losses		
Fair value adjustments on foreign exchange contracts	(2 768)	–
Fair value hedging		
Fair value adjustments on firm commitments	–	(58)
<b>Total net losses</b>	<b>(53 628)</b>	<b>(15 854)</b>
<b>Other gains/(losses) – net</b>	<b>(5 578)</b>	<b>5 226</b>

##### **Biological assets fair value adjustment**

The adjustment of biological assets from cost to fair value includes a realised and unrealised component. The unrealised portion is reflected in the carrying amount of biological assets in the statement of financial position and the realised portion is reflected in cost of goods sold.

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014	2013
	R'000	Restated R'000
<b>4. Sales and distribution costs, marketing costs, administrative expenses and other operating expenses</b>		
The following expenditure by nature is included in the line items as indicated above as well as within cost of goods sold.		
Staff costs	<b>2 349 348</b>	2 366 666
Wages and salaries	<b>1 883 250</b>	1 925 457
Termination benefits	<b>23 179</b>	43 590
Other personnel costs	<b>100 627</b>	102 007
Pension costs	<b>128 484</b>	134 516
Share-based payments	<b>213 808</b>	161 096
Technical services from non-employees	<b>55 927</b>	39 132
Auditors' remuneration	<b>17 152</b>	14 510
Audit – current year	<b>10 510</b>	9 653
Audit – under/(over)provision previous year	<b>241</b>	(15)
Tax-related services	<b>2 602</b>	1 148
Other consultation services	<b>3 799</b>	3 724
Machine rental	<b>30 530</b>	22 378
Rental of vehicles	<b>6 814</b>	7 509
Rental of premises	<b>50 696</b>	47 108
Depreciation and amortisation (refer to notes 12 and 13)	<b>326 040</b>	316 770
Own assets	<b>294 412</b>	285 867
Leased assets	<b>712</b>	–
Intangible assets	<b>30 916</b>	30 903
Inventory written off	<b>110 757</b>	98 460
Change in provision for impairment of trade receivables – loss	<b>7 503</b>	7 741
Change in allowance for outstanding credit notes – loss/(gain)	<b>7 237</b>	(6 832)
Research and development costs	<b>31 297</b>	25 136
Administration fees paid	<b>2 679</b>	1 205
Post-retirement medical benefits (refer to note 27)	<b>188</b>	201
Long-service awards (refer to note 27)	<b>(6 541)</b>	9 957
Actuarial (gain)/loss	<b>(14 409)</b>	3 102
Service costs	<b>7 868</b>	6 855
Share-based payments	<b>213 808</b>	161 096
Broad-based share incentive scheme	<b>187 338</b>	145 888
Management share appreciation rights	<b>26 470</b>	15 208

GROUP		
	2014	2013
	R'000	Restated R'000
<b>5. Items of a capital nature</b>		
Net loss on disposal of property, plant, equipment and intangible assets	<b>(1 146)</b>	(3 043)
Gross	<b>(1 261)</b>	(4 871)
Tax effect	<b>115</b>	1 828
Net profit on disposal of available-for-sale financial assets	<b>3 104</b>	14 530
Gross	<b>3 701</b>	16 336
Tax effect	<b>(597)</b>	(1 806)
Impairment of property, plant and equipment (refer to note 12)	<b>(34 382)</b>	–
Gross	<b>(47 753)</b>	–
Tax effect	<b>13 371</b>	–
Impairment of available-for-sale financial assets	<b>(1 699)</b>	(814)
Gross	<b>(1 699)</b>	(814)
Tax effect	<b>–</b>	–
Utilisation of net capital loss to reduce capital gains effect	<b>–</b>	(1 513)
Gross	<b>–</b>	–
Tax effect	<b>–</b>	(1 513)
Items of a capital nature before those of joint ventures	<b>(34 123)</b>	9 160
Gross	<b>(47 012)</b>	10 651
Tax effect	<b>12 889</b>	(1 491)
Items of a capital nature of joint ventures	<b>(87)</b>	(10 012)
Gross	<b>(82)</b>	(12 900)
Tax effect	<b>(5)</b>	2 888
<b>Total</b>	<b>(34 210)</b>	(852)
Gross	<b>(47 094)</b>	(2 249)
Tax effect	<b>12 884</b>	1 397
<b>6. Investment income</b>		
Interest income on financial assets: loans and receivables	<b>20 697</b>	20 899
Joint ventures	<b>7 897</b>	9 991
Accretions of discount	<b>291</b>	164
Call accounts and other	<b>12 509</b>	10 744
Dividend income on available-for-sale financial assets	<b>1 644</b>	1 651
Listed shares	<b>1 644</b>	1 411
Unlisted shares	<b>–</b>	240
	<b>22 341</b>	22 550

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014	2013
	R'000	Restated R'000
<b>7. Finance costs</b>		
Interest cost on financial liabilities measured at amortised cost		
Joint ventures	787	831
Borrowings	68 974	51 315
Accretions of discount	–	146
Competition Commission penalties: unwinding of discount	–	1 186
Provisions: unwinding of discount	9 297	9 688
Call loans and bank overdrafts	36 013	51 733
Redeemable preference shares B-BBEE equity transaction	44 997	38 179
Borrowing costs capitalised	(22 069)	(27 586)
	<b>137 999</b>	<b>125 492</b>

GROUP		
	2014	2013
	R'000	Restated R'000
<b>8. Income tax expense</b>		
Current income tax	376 077	272 315
Current year	374 804	272 318
Under/(over) provision previous years	1 273	(3)
Deferred income tax	74 922	(34 297)
Current year	74 922	(34 297)
Withholding tax on dividends	760	688
Current year	760	688
	<b>451 759</b>	<b>238 706</b>
The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory rate of 28% (2013: 28%) as follows:		
	%	%
Standard rate for companies	28.0	28.0
Increase/(decrease) in rate:		
Exempt income	(0.1)	(0.2)
Effect of assessed losses	0.6	(6.9)
Non-deductible expenditure	5.1	6.2
Effect of capital gains tax	–	(0.3)
Under provision previous years	0.1	–
Other differences	–	(0.7)
Income from associates and joint ventures	(1.4)	(0.7)
Effective rate	<b>32.3</b>	<b>25.4</b>
	R'000	R'000
Gross calculated tax losses of certain subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies	289 165	385 821
Less: Utilised in reduction of deferred income tax	(289 165)	(385 821)
Net calculated tax losses carried forward	–	–
Tax relief at current tax rates	–	–

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>9. Earnings per ordinary share</b>			
<b>Basic</b>			
The calculation of basic earnings per ordinary share is based on earnings attributable to owners of the parent:			
From continuing operations		946 960	698 969
From discontinued operations		18 216	(200 385)
Total		965 176	498 584
Divided by the weighted average ordinary shares in issue during the year of 183,317,607 (2013: 181,287,972).			
<b>Diluted</b>			
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options and appreciation rights issued in terms of share incentive schemes have a dilutive effect on earnings per ordinary share. A calculation is made to determine the number of shares that could have been acquired at fair value (determined at the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options as well as share appreciation rights.			
The calculation of diluted earnings per ordinary share is based on:			
Earnings attributable to owners of the parent:			
From continuing operations		946 960	698 969
From discontinued operations		18 216	(200 385)
Total		965 176	498 584
Divided by the diluted weighted average ordinary shares in issue during the year of 192,117,659 (2013: 185,794,318).			
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.			
		Number	Number
<b>Reconciliation of weighted average ordinary shares in issue during the year</b>			
Weighted average ordinary shares		183 317 607	181 287 972
Adjusted for share options and appreciation rights		1 205 508	1 309 134
Adjusted for B-BBEE equity transaction deemed options		7 594 544	3 197 212
Weighted average ordinary shares for diluted earnings		192 117 659	185 794 318

GROUP		2014	2013
		R'000	Restated R'000
<b>9. Earnings per ordinary share (continued)</b>			
<b>Reconciliation between earnings and headline earnings</b>			
<b>Earnings attributable to owners of the parent</b>			
From continuing operations		946 960	698 969
From discontinued operations		18 216	(200 385)
		965 176	498 584
Remeasurement of items of a capital nature (refer to note 5)			
Gross		123 134	233 191
Gross from continuing operations		47 094	2 249
Gross from discontinued operations		76 040	230 942
Tax effect		(33 194)	(25 088)
Tax effect from continuing operations		(12 884)	(1 397)
Tax effect from discontinued operations		(20 310)	(23 691)
		89 940	208 103
<b>Headline earnings</b>		1 055 116	706 687
From continuing operations		981 170	699 821
From discontinued operations		73 946	6 866
Headline earnings per ordinary share (cents)		575.6	389.8
Attributable to continuing operations		535.2	386.0
Attributable to discontinued operations		40.4	3.8
Diluted earnings per ordinary share (cents)		502.4	268.4
Attributable to continuing operations		492.9	376.3
Attributable to discontinued operations		9.5	(107.9)
Diluted headline earnings per ordinary share (cents)		549.2	380.4
Attributable to continuing operations		510.7	376.7
Attributable to discontinued operations		38.5	3.7

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014	2013
	R'000	Restated R'000
<b>10. Dividend per ordinary share</b>		
Interim		
13.0 cents (2013: 9.2 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	1 378	975
65.0 cents (2013: 46.0 cents) per ordinary share of other shareholders	143 601	101 352
Final		
31.2 cents (2013: 17.2 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	3 307	1 823
156.0 cents (2013: 86.0 cents) per ordinary share of other shareholders	344 903	189 727
<i>Dividend in specie</i> – unbundling of Quantum Foods	1 242 220	–
	<b>1 735 409</b>	<b>293 877</b>

Dividends payable are not accounted for until they have been declared by the Board of directors (“the Board”). The statement of changes in equity does not reflect the final dividend payable. The final dividend for the year will be accounted for as an appropriation of retained earnings in the following year. Secondary taxation on companies was applicable to all dividends paid up to 31 March 2012 at a rate of 10.0%. Withholding tax on dividends, a new dividend withholding tax regime, became effective from 1 April 2012 at a rate of 15%.

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

The 10,599,988 Pioneer Foods ordinary shares issued to the Pioneer Foods Broad-Based BEE Trust during April 2012 are only entitled to 20% of the dividend.

#### **Dividend in specie – unbundling of Quantum Foods**

Shareholders were advised on SENS on 5 September 2014 and 18 September 2014 that the Board has resolved to proceed with the unbundling of its interest in Quantum Foods and to list Quantum Foods as a separate entity on the JSE. Quantum Foods was listed on the JSE on 6 October 2014. The unbundling has been accounted for as a *dividend in specie* at fair value in accordance with IFRIC 17 – Distributions of Non-cash Assets to Owners. IFRIC 17 requires distributions within its scope to be measured at the fair value of the assets to be distributed at the date when the dividend is appropriately authorised and is no longer at the entity's discretion. Consequently, an amount of R1,242,220,000, representing the fair value of the interest in Quantum Foods attributable to external shareholders, has been accounted for as a dividend payable to shareholders at 30 September 2014. Refer to note 12 for the methods used to measure the fair value.

GROUP		
	2014	2013
	R'000	Restated R'000
<b>11. Directors' remuneration</b>		
Non-executive directors		
Fees	2 816	2 749
Executive directors	21 126	25 232
Salaries	7 809	9 140
Retirement benefits	920	1 198
Bonuses and incentives	12 397	3 132
Compensation for loss of office	–	11 762
Annual remuneration	23 942	27 981
Paid by subsidiaries	(21 126)	(25 232)
Paid by the Company	2 816	2 749
Refer to the directors' remuneration report for further detail.		
	<b>Number '000</b>	<b>Number '000</b>
<b>Executive directors' share incentive scheme</b>		
At beginning of year	767	1 367
Change in directorship	–	(647)
Redeemed	(159)	(532)
New offer at R56.81 per share (share appreciation rights)	–	89
New offer at R66.13 per share (share appreciation rights)	–	240
New offer at R66.13 per share (share appreciation rights)	–	250
New offer at R83.59 per share (share appreciation rights)	690	–
At end of year	1 298	767
At R31.42 per share, exercisable up to 11 February 2017	–	33
At R25.00 per share, payable by 26 May 2014 (originating from rights offer)	–	21
At R25.48 per share, exercisable up to 8 June 2018 (share appreciation rights)	–	30
At R24.20 per share, exercisable up to 26 February 2019 (share appreciation rights)	–	26
At R34.74 per share, exercisable up to 8 February 2020 (share appreciation rights)	116	116
At R61.85 per share, exercisable up to 9 February 2022 (share appreciation rights)	30	30
At R56.81 per share, exercisable up to 5 February 2023 (share appreciation rights)	21	21
At R66.13 per share, exercisable up to 1 April 2016 (share appreciation rights)	240	240
At R66.13 per share, exercisable up to 1 May 2023 (share appreciation rights)	201	250
At R83.59 per share, exercisable up to 31 August 2019 (share appreciation rights)	690	–
Shares under option and share appreciation rights	1 298	767
Refer to the directors' remuneration report for further detail.		

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>12.</b>	<b>Property, plant and equipment</b>		
<b>12.1</b>	<b>Property, plant and equipment – summary</b>		
	Land and buildings	1 497 032	1 458 014
	Plant, machinery and equipment	2 446 167	2 424 350
	Vehicles	285 897	280 227
	Net book value	4 229 096	4 162 591
	Property, plant and equipment include items leased by the Group to third parties under operating leases with the following carrying amounts:		
	Cost		
	As at beginning of year	102 047	90 798
	Additions and transfers	39 527	13 000
	Disposals	(11 213)	(1 751)
		130 361	102 047
	Accumulated depreciation		
	As at beginning of year	45 588	40 493
	Charge for the year	4 993	4 782
	Additions and transfers	29 193	1 286
	Disposals	(4 152)	(973)
		75 622	45 588
	Net book value	54 739	56 459

Refer to note 12.2 for further detail.

Property, plant and equipment in the course of construction amount to R213,166,971 (2013: R363,739,228).

Land and buildings amounting to Rnil (2013: R6,162,000) were in the process of being transferred in the name of the Group.

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

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

Leased assets with a book value of R24,888,417 (2013: Rnil) serve as security for capitalised lease agreements.

## GROUP

### 12. Property, plant and equipment (continued)

#### 12.1 Property, plant and equipment – summary (continued)

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

During the current financial year borrowing costs of R22,068,856 (2013: R27,585,538) were capitalised against qualifying items of property, plant and equipment. The capitalisation rate used varied between 6.1% and 7.1% (2013: 6.1% and 6.5%).

Plant, machinery and equipment with a cost price of R25,600,000 (2013: Rnil) have been capitalised where the Group is a lessee under a finance lease. The lease terms range between 14 to 15 years.

#### Impairment losses on property, plant and equipment where impairment indicators exist

Impairment losses dealt with under this subheading are impairment losses other than those resulting from the impairment of goodwill or intangible assets with indefinite useful lives assigned to a cash-generating unit ("CGU") and tested annually for impairment.

The Group continuously considers the existence of impairment indicators relating to items of property, plant and equipment and CGUs. For assets or CGUs where such impairment indicators exist the Group performs impairment tests by comparing the asset's or CGU's carrying amount to its respective recoverable amount. An impairment loss is only recognised if the asset's or CGU's carrying amount exceeds its respective recoverable amount. The recoverable amount of an asset or CGU is the higher of its value-in-use or fair value less costs to sell.

#### Impairment indicators identified resulted in the following impairment losses being recognised:

During the current reporting period the results of the carbonated soft drinks business of the Ceres Beverages segment were lower than expected with continued losses being incurred. An impairment calculation was performed due to this impairment indicator. As a result of this calculation the carrying values of property, plant and equipment were impaired to its fair value less costs to sell. The recoverable amount of a CGU is the higher of its fair value less costs to sell and value-in-use. The fair value less costs to sell was determined by an independent valuator with reference to the market value of similar used equipment. The pre-tax impairment loss of property, plant and equipment amounts to R47,752,486.

Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. Value-in-use calculations are pre-tax cash flow projections based on financial budgets approved by management, covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

#### Impairment losses on property, plant and equipment due to the impairment of intangible assets

In terms of IFRS, an entity is required to test all CGUs to which goodwill or intangible assets with indefinite useful lives are assigned for impairment annually.

For the current financial year impairment tests performed on CGUs, to which goodwill or intangible assets with indefinite lives are assigned, did not result in any impairment losses on property, plant and equipment being recognised.

Refer to note 13 for further detail on the key assumptions, estimates, growth rates and discount rates used in the calculation of these CGUs' recoverable amounts.

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
12.	<b>Property, plant and equipment (continued)</b>		
12.1	<b>Property, plant and equipment – summary (continued)</b> <b>Impairment losses on property, plant and equipment can be ascribed to the following operating segments:</b>		
	Ceres Beverages	47 753	–

#### 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 Quantum Foods Zambia Ltd) that produce and sell eggs, chicken products, animal feed and commercial laying hens. Further announcements on SENS in this regard were issued on 5 September 2014 and 18 September 2014.

Accordingly, Quantum Foods has been treated 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 years ended 30 September 2014 and 30 September 2013 and for the interim reporting for the period ended 31 March 2014.

Pioneer Foods unbundled its interests in Quantum Foods to its shareholders and subsequently listed Quantum Foods as a separate legal entity on the JSE on 6 October 2014.

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

In terms of the income valuation approach the discounted cash flow method is used to determine the present value of projected future cash flows for a CGU using a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates. The assumptions regarding growth are based on the CGU's internal forecasts for revenue, operating margins and cash flows for a period of five years and by application of a perpetual long-term growth rate thereafter. Past experience, economic trends as well as market and industry trends were taken into consideration. The discount rate used to arrive at the present value of future cash flows represents the weighted average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners. Its determination requires separate analysis of the cost of equity and debt and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU.

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

GROUP		2014	2013
		%	Restated %
12.	<b>Property, plant and equipment (continued)</b>		
12.1	<b>Property, plant and equipment – summary (continued)</b> <b>Impairment losses due to the treatment of Quantum Foods as an asset held for sale (continued)</b>		
	The key assumptions used in performing the impairment test, by CGU, were as follows:		
	Discount rate:		
	South Africa (31 March 2014: 17.0%)	17.4%	17.6%
	Uganda (31 March 2014: 28.6%)	27.1%	28.6%
	Zambia (31 March 2014: 23.1%)	25.1%	23.1%
	Perpetual growth rate:		
	South Africa (31 March 2014: 5.5%)	5.5%	5.5%
	Uganda (31 March 2014: 5.5%)	5.5%	5.5%
	Zambia (31 March 2014: 6.5%)	6.5%	6.5%
	Income tax rate:		
	South Africa (31 March 2014: 28.0%)	28.0%	28.0%
	Uganda (31 March 2014: 30.0%)	30.0%	30.0%
	Zambia (31 March 2014: 12.5%)	12.5%	12.5%
		<b>R'000</b>	<b>R'000</b>
	The carrying values of property, plant and equipment, intangible assets and goodwill of the Quantum Foods division were impaired as follows:		
	Property, plant and equipment	77 594	155 056
	Goodwill	–	76 944
	Computer software	59	–
	Total impairment	<b>77 653</b>	<b>232 000</b>

The 2014 impairment of the Quantum Foods business was done based on the calculation of fair value less costs to sell for the disposal group on 31 March 2014. Refer to the schedule above for the assumptions used for the 31 March 2014 calculation of fair value less costs to sell of the respective CGUs comprising the disposal group. No further impairment was required at 30 September 2014 as the fair value less costs to sell of the disposal group was in excess of the carrying amount of the disposal group.

In the prior year, the carrying values for the South African CGUs were in excess of its fair value less costs to sell resulting in an impairment.

#### Change in estimates

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

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

Based on the latest available and reliable information there was a change in the estimated useful lives and residual values of certain items of property, plant and equipment. The effect of these changes on the depreciation expense in the current year is an increase of R186,348 (2013: increase of R4,908,438).



## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		Own assets			Leased assets
		Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Plant, machinery and equipment R'000
12.	<b>Property, plant and equipment (continued)</b>				
12.2	<b>Property, plant and equipment – detail 30 September 2014</b>				
	<b>Cost</b>				
	At 1 October 2013	2 218 578	5 334 074	573 058	–
	Additions	70 889	306 653	53 036	25 600
	Transfers	3 994	(3 994)	–	–
	Borrowing costs capitalised	5 461	16 608	–	–
	Foreign exchange adjustment	3 177	12 722	(363)	–
	Disposals	(1 328)	(216 083)	(44 999)	–
	Transferred to disposal group classified as held for sale	(489 763)	(1 106 181)	(44 471)	–
	At 30 September 2014	1 811 008	4 343 799	536 261	25 600
	<b>Accumulated depreciation</b>				
	At 1 October 2013	387 058	2 179 785	266 647	–
	Charge for the year	36 022	226 672	31 718	712
	Impairments	21 980	100 842	2 525	–
	Foreign exchange adjustment	1 422	9 316	(52)	–
	Depreciation on disposals	(634)	(178 498)	(33 082)	–
	Transferred to disposal group classified as held for sale	(131 872)	(415 597)	(17 392)	–
	At 30 September 2014	313 976	1 922 520	250 364	712
	<b>Net book value at 30 September 2014</b>	1 497 032	2 421 279	285 897	24 888
	<b>Total – 2014</b>	4 204 208			24 888
	<b>Total property, plant and equipment – 2014</b>	4 229 096			

GROUP		Own assets			Leased assets
		Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Plant, machinery and equipment R'000
12.	<b>Property, plant and equipment (continued)</b>				
12.2	<b>Property, plant and equipment – detail (continued) 30 September 2013</b>				
	<b>Restated</b>				
	<b>Cost</b>				
	At 1 October 2012	1 774 656	4 531 354	537 472	–
	Additions	347 550	612 805	60 048	–
	Transfers	(17 837)	16 305	308	–
	Business combinations	90 934	197 462	5 044	–
	Borrowing costs capitalised	10 017	17 569	–	–
	Foreign exchange adjustment	18 031	32 542	1 013	–
	Disposals	(4 773)	(73 963)	(30 827)	–
	Transferred to disposal group classified as held for sale	(484 969)	(1 095 893)	(42 485)	–
	At 30 September 2013	1 733 609	4 238 181	530 573	–
	<b>Accumulated depreciation</b>				
	At 1 October 2012	289 306	1 861 107	252 845	–
	Charge for the year	36 648	269 942	34 981	–
	Impairments	59 825	94 561	670	–
	Transfers	(1 001)	992	9	–
	Foreign exchange adjustment	3 381	14 796	509	–
	Depreciation on disposals	(1 101)	(61 613)	(22 367)	–
	Transferred to disposal group classified as held for sale	(111 463)	(365 954)	(16 301)	–
	At 30 September 2013	275 595	1 813 831	250 346	–
	<b>Net book value at 30 September 2013</b>	1 458 014	2 424 350	280 227	–
	<b>Total – 2013</b>	4 162 591			–
	<b>Total property, plant and equipment – 2013</b>	4 162 591			

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014	2013
	R'000	Restated R'000
<b>13. Intangible assets</b>		
<b>13.1 Intangible assets – summary</b>		
Trademarks	357 413	358 647
Goodwill	220 751	217 690
Intellectual property	21 091	22 600
Computer software	78 771	89 506
Net book value	678 026	688 443
Refer to note 13.2 for further detail.		
The carrying values of the trademarks below are included in the following CGUs (in bold):		
<b>Ceres Fruit Juices</b>		
Ceres	121 654	121 654
<b>Fruit Concentrate Mixtures</b>		
Wild Island	17 144	17 144
W Daly and W Daly & Sons – 15 years (2013: 16 years)	6 179	6 577
<b>Spreads</b>		
Marmite	33 288	33 288
Bovril	33 886	33 886
Pecks	19 245	19 245
Redro	14 239	14 239
<b>Baking Aids</b>		
Moir's	55 741	55 741
Smash	21 506	21 506
Tower	2 116	2 116
<b>Maizena</b>		
Maizena	18 820	18 820
<b>ProNutro</b>		
ProNutro	3 450	3 450
<b>Nature's Source</b>		
Nature's Source	2 650	2 650
<b>Other – nil to 12 years (2013: nil to 13 years)</b>	7 495	8 331
	357 413	358 647

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

GROUP		
	2014	2013
	R'000	Restated R'000
<b>13. Intangible assets (continued)</b>		
<b>13.1 Intangible assets – summary (continued)</b>		
<b>Impairment test for goodwill and intangible assets</b>		
Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.		
The CGUs, to which a significant amount of goodwill have been allocated, are indicated separately below under each operating segment (in bold):		
<b>Essential Foods</b>	3 280	3 280
<b>Quantum Foods</b>		
Purchased and impaired goodwill	–	–
Tydstroom Gauteng (ex Tonko Chicks)	–	30 000
Mynsar Eggs	–	11 279
Hartebeespoort Rearing and Hatchery	–	5 632
Impaired	–	(46 911)
Goodwill arising due to deferred tax liability raised on acquisition date and impaired	–	–
Darling Fresh Chickens	–	25 931
Lemoenkloof Layer Farm	–	4 102
Impaired	–	(30 033)
<b>Bokomo Foods</b>	161 076	158 015
SAD	69 293	69 293
Spreads	50 905	50 905
Maizena	6 033	6 033
Bokomo Foods (UK)	31 696	28 635
Other	3 149	3 149
<b>Ceres Beverages</b>	56 395	56 395
Fruit Concentrate Mixtures	31 540	31 540
Ceres Fruit Juices	24 855	24 855
	220 751	217 690

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

#### GROUP

#### 13. Intangible assets (continued)

##### 13.1 Intangible assets – summary (continued)

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

In the year ended 30 September 2013, goodwill amounting to R76,943,743 of the South African businesses of Quantum Foods was impaired due to the treatment of Quantum Foods as an asset held for sale. Refer to note 12.1 for further detail.

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

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

###### Bokomo Foods (UK) CGU

Growth rate of 3.0% (2013: 2.0%)

Discount rate of 13.2% (2013: 16.1%)

###### Other CGUs

Growth rate of 5.0% (2013: 5.0%)

Discount rates from 20.7% to 28.2% (2013: 14.8% to 27.4%)

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

#### GROUP

#### 13. Intangible assets (continued)

##### 13.2 Intangible assets – detail

###### 30 September 2014

###### Cost

	Trademarks R'000	Goodwill R'000	Intellectual property R'000	Computer software R'000
At 1 October 2013	459 978	354 056	33 359	244 134
Additions	38	–	–	29 733
Foreign exchange adjustment	66	3 061	–	46
Disposals	–	–	–	(11 540)
Transferred to disposal group classified as held for sale	(23 038)	(78 307)	–	(8 403)
At 30 September 2014	437 044	278 810	33 359	253 970

###### Accumulated depreciation

At 1 October 2013	101 331	136 366	10 759	154 569
Charge for the year	1 259	–	1 509	28 148
Impairments	–	–	–	59
Foreign exchange adjustment	41	–	–	41
Depreciation on disposals	–	–	–	(6 365)
Transferred to disposal group classified as held for sale	(23 000)	(78 307)	–	(1 253)
At 30 September 2014	79 631	58 059	12 268	175 199

###### Net book value at 30 September 2014

357 413	220 751	21 091	78 771
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###### Total intangible assets – 2014

678 026
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##### 30 September 2013

###### Restated

###### Cost

At 1 October 2012	459 900	319 422	33 359	219 928
Additions	–	–	–	42 654
Transfers	–	–	–	1 224
Business combinations	–	30 033	–	–
Foreign exchange adjustment	101	4 601	–	62
Disposals	(23)	–	–	(19 734)
Transferred to disposal group classified as held for sale	(23 000)	(78 307)	–	(1 253)
At 30 September 2013	436 978	275 749	33 359	242 881

###### Accumulated depreciation

At 1 October 2012	99 829	59 422	9 208	140 017
Charge for the year	1 450	–	1 551	28 273
Impairments	–	76 944	–	–
Foreign exchange adjustment	54	–	–	49
Depreciation on disposals	(2)	–	–	(13 770)
Transferred to disposal group classified as held for sale	(23 000)	(78 307)	–	(1 194)
At 30 September 2013	78 331	58 059	10 759	153 375

###### Net book value at 30 September 2013

358 647	217 690	22 600	89 506
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###### Total intangible assets – 2013

688 443
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## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>14. Biological assets</b>			
	Vineyards	<b>16 017</b>	16 017
	For the purposes of the statement of financial position, biological assets are presented as follows:		
	Non-current assets	<b>16 017</b>	16 017
	The Group is engaged in dried fruit and poultry production for supply to various customers. Poultry includes point-of-lay hens, day-old chicks, broilers and eggs. Poultry has been included in the disposal group classified as assets held for sale.		
	The fair value of vineyards is calculated as the future expected net cash flows from the asset, discounted at a current market-determined rate, over the remaining useful lives of the vineyards. A discount rate of 15.3% (2013: 12.5%) was used.		
	The Group is exposed to financial risks that may arise from disease affecting its poultry flock. Stringent biosecurity measures, vaccination programmes and flock health monitoring procedures are in place to limit the financial effect of this risk.		
	Fair values of livestock held for breeding, laying hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.		
		<b>Number</b>	Number
	At 30 September, the Group held the following biological assets:		
	Land (vineyards) – hectares	<b>118</b>	118
	The following is the agricultural produce of the Group for the year ended 30 September:		
	Kilograms of fresh grapes produced	<b>2 070 879</b>	1 962 181

GROUP		2014	2013
		R'000	Restated R'000
<b>15. Investments in and loans to/(from) joint ventures</b>			
<b>15.1 Investments in joint ventures – equity accounting</b>			
	At beginning of year	<b>268 296</b>	251 371
	Share of profit after income tax	<b>68 719</b>	23 698
	Share of other comprehensive income	<b>3 130</b>	6 497
	Dividend received	<b>(12 767)</b>	(13 270)
	At end of year	<b>327 378</b>	268 296

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		Bokomo Botswana (Pty) Ltd		Bokomo Namibia (Pty) Ltd		Heinz Foods SA (Pty) Ltd		Other		Total	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
		R'000	Restated R'000	R'000	Restated R'000	R'000	Restated R'000	R'000	Restated R'000	R'000	Restated R'000
15.	Investments in and loans to/(from) joint ventures (continued)										
15.1	Investments in joint ventures – equity accounting (continued)										
	Summarised statement of financial position										
	As at 30 September										
	Non-current assets	139 763	128 595	88 441	86 508	220 488	221 108	78 898	76 592	527 590	512 803
	Current assets	165 843	139 286	109 937	79 898	246 966	221 503	111 956	88 343	634 702	529 030
	Non-current liabilities	(10 329)	(9 161)	(50 115)	(42 898)	(63 779)	(63 308)	(32 310)	(31 361)	(156 533)	(146 728)
	Current liabilities	(72 005)	(91 390)	(60 234)	(39 312)	(107 291)	(119 677)	(39 791)	(35 391)	(279 321)	(285 770)
	Net assets	223 272	167 330	88 029	84 196	296 384	259 626	118 753	98 183	726 438	609 335
	Reconciliation of carrying amount										
	Opening carrying amount at 1 October	167 330	121 574	84 196	90 333	259 626	273 065	98 183	91 025	609 335	575 997
	Share of other comprehensive income	6 151	12 783	–	–	–	–	110	214	6 261	12 997
	Dividend received	(10 535)	(6 540)	–	–	–	–	(15 000)	(20 000)	(25 535)	(26 540)
	Profit/(loss) after income tax for the year	60 326	39 513	3 833	(6 137)	36 758	(13 439)	35 460	26 944	136 377	46 881
	Closing net assets at 30 September	223 272	167 330	88 029	84 196	296 384	259 626	118 753	98 183	726 438	609 335
	Group's share (%)	50.0%	50.0%	50.0%	50.0%	49.9%	49.9%	49.9% – 50.0%	49.9% – 50.0%	49.9% – 50.0%	49.9% – 50.0%
	Group's share at 30 September	111 636	83 665	44 015	42 098	147 896	129 553	59 329	49 061	362 876	304 377
	Property, plant and equipment	(3)	(3)	–	–	(1 451)	(1 451)	–	10	(1 454)	(1 444)
	Goodwill	–	–	–	–	(26 455)	(26 455)	–	–	(26 455)	(26 455)
	Trademarks	–	–	–	–	(11 857)	(12 479)	3 834	3 834	(8 023)	(8 645)
	Unrealised profit in closing stock	(2 324)	(1 456)	(1 289)	(2 151)	–	–	(35)	–	(3 648)	(3 607)
	Deferred income tax on unrealised profit in closing stock	651	408	361	602	–	–	10	–	1 022	1 010
	Deferred income tax on intangible assets	–	–	–	–	3 016	3 016	–	–	3 016	3 016
	Cost to issue shares recognised against share premium	–	–	44	44	–	–	–	–	44	44
	Carrying amount at 30 September	109 960	82 614	43 131	40 593	111 149	92 184	63 138	52 905	327 378	268 296

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP											
		Bokomo Botswana (Pty) Ltd		Bokomo Namibia (Pty) Ltd		Heinz Foods SA (Pty) Ltd		Other		Total	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
		R'000	Restated R'000	R'000	Restated R'000	R'000	Restated R'000	R'000	Restated R'000	R'000	Restated R'000
15.	<b>Investments in and loans to/(from) joint ventures (continued)</b>										
15.1	<b>Investments in joint ventures – equity accounting (continued)</b>										
	<b>Summarised statement of comprehensive income</b>										
	<i>For the year ended 30 September</i>										
	Revenue	851 740	717 281	440 990	359 365	718 918	690 480	241 429	200 764	2 253 077	1 967 890
	EBITDA	83 992	60 845	18 969	3 314	65 598	894	56 035	43 556	224 594	108 609
	Depreciation and amortisation	(8 415)	(7 243)	(5 626)	(4 986)	(14 114)	(15 100)	(6 317)	(5 967)	(34 472)	(33 296)
	Interest income	168	162	24	23	878	437	2 108	1 771	3 178	2 393
	Interest expense	(3 834)	(5 829)	(6 568)	(6 211)	(1 336)	(3 158)	(2 536)	(2 088)	(14 274)	(17 286)
	Income tax expense	(11 585)	(8 422)	(2 966)	1 723	(14 268)	3 488	(13 830)	(10 328)	(42 649)	(13 539)
	Profit/(loss) after income tax	60 326	39 513	3 833	(6 137)	36 758	(13 439)	35 460	26 944	136 377	46 881
	Group's share (%)	50.0%	50.0%	50.0%	50.0%	49.9%	49.9%	49.9% – 50.0%	49.9% – 50.0%	49.9% – 50.0%	49.9% – 50.0%
	Share of net profit/(loss)	30 163	19 757	1 917	(3 069)	18 342	(6 706)	17 716	13 460	68 138	23 442
	Eliminate intergroup, unrealised profit on property, plant and equipment after tax	-	68	-	-	621	621	(10)	(18)	611	671
	Unrealised profit in closing stock after tax	(625)	(375)	620	(40)	-	-	(25)	-	(30)	(415)
	Share of profit/(loss) after income tax	29 538	19 450	2 537	(3 109)	18 963	(6 085)	17 681	13 442	68 719	23 698
	<b>Share of other comprehensive income</b>	3 075	6 391	-	-	-	-	55	106	3 130	6 497
	<b>Cash and cash equivalents</b>	(20 256)	(17 248)	15 930	(11)	32 112	(6 906)	52 507	31 087	80 293	6 922
15.2	<b>Loans to/(from) joint ventures</b>										
	<b>Non-current</b>										
	<i>Interest-bearing loans</i>									61 796	58 747
	Alpen Foods (Pty) Ltd									9 690	8 875
	Heinz Foods SA (Pty) Ltd									22 674	22 674
	Bokomo Namibia (Pty) Ltd (normal loan)									2 000	2 000
	Bokomo Namibia (Pty) Ltd (redeemable preference shares)									27 432	25 198
	<i>Interest-free loans</i>										
	Heinz Foods SA (Pty) Ltd									-	4 990
	<b>Current</b>									61 796	63 737
	<i>Interest-bearing loans</i>										
	Bowman Ingredients (SA) (Pty) Ltd									(15 740)	(14 740)
										(15 740)	(14 740)
										46 056	48 997

Loans are secured and interest-bearing, except where indicated otherwise, with no fixed terms of repayment. The interest rates at year-end applicable to interest-bearing loans varied from 5.8% to 9.3% (2013: 5.0% to 7.5%).

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014	2013
	R'000	Restated R'000
<b>16. Investment in associates</b>		
At beginning of year	18 904	17 315
Share of profit after income tax	1 643	1 224
Impairment of interest	(1 280)	–
Impairment of interest – written back	–	679
Dividend received	–	(314)
Transferred to disposal group classified as held for sale	(6 112)	(6 798)
At end of year	13 155	12 106
Investments in associates for continuing operations consist of:		
	<b>Cottesloe Consultants (Pty) Ltd</b>	<b>Cottesloe Consultants (Pty) Ltd</b>
	2014	2013
	R'000	Restated R'000
<b>Summarised statement of financial position</b>		
<i>As at 30 September</i>		
Non-current assets	51 205	44 754
Current assets	18 797	23 007
Non-current liabilities	(24 902)	(26 149)
Current liabilities	(5 505)	(6 209)
Net assets	39 595	35 403
<b>Reconciliation of carrying amount</b>		
At beginning of year	35 402	31 499
Profit for the year	4 193	3 904
Closing net assets at end of year	39 595	35 403
Group's share (%)	25%	25%
Group's share	9 899	8 851
Intangible assets: goodwill	3 256	3 255
Carrying amount at end of year	13 155	12 106
<b>Summarised statement of comprehensive income</b>		
<i>For the year ended 30 September</i>		
Revenue	49 438	59 703
Net profit after income tax	4 193	3 904
Group's share (%)	25%	25%
Share of profit after income tax	1 048	976

GROUP		
	2014	2013
	R'000	Restated R'000
<b>17. Available-for-sale financial assets</b>		
Shares in other companies		
<i>Listed</i>		
At cost	30 871	26 986
Fair value balance at end of year	37 746	31 432
Fair value balance at beginning of year	31 432	20 626
Fair value adjustment for year	9 837	13 606
Fair value adjustment reclassified to profit or loss	(3 523)	(2 800)
	68 617	58 418
<i>Unlisted</i>		
At cost	1 387	467
Fair value balance at end of year	23	159
Fair value balance at beginning of year	159	8 509
Fair value adjustment for year	104	5 187
Fair value adjustment reclassified to profit or loss	(240)	(13 537)
Transferred to disposal group classified as held for sale	(2)	(2)
	1 408	624
Available-for-sale financial assets at fair value	70 025	59 042

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

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

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>18. Inventories</b>			
Raw materials		1 141 101	1 260 120
Manufactured products		1 000 809	887 595
Packaging and consumables		281 384	253 499
		<b>2 423 294</b>	<b>2 401 214</b>
Inventory carried at net realisable value amounts to R14,705,299 (2013: R6,252,898).			
Inventories and biological assets, with carrying values of R2,340,174,637 (2013: R2,793,652,684) (including assets held for sale), of certain Group companies are pledged as security for general and revolving banking facilities of some of the Group's subsidiaries. Refer to note 25 for more detail.			
<b>19. Derivative financial instruments</b>			
<b>19.1 Derivative financial instruments – summary</b>			
Embedded derivatives		687	315
Foreign exchange contracts – not earmarked for hedging		7 791	2 151
Foreign exchange contracts – cash flow hedges		(3 214)	1 903
Futures – fair value hedges		–	(58)
		<b>5 264</b>	<b>4 311</b>
For the purposes of the statement of financial position derivative financial instruments are presented as follows:			
Current assets		14 945	10 552
Current liabilities		(9 681)	(6 241)
		<b>5 264</b>	<b>4 311</b>
Trading derivatives are classified as a current asset or liability. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the maturity of the hedged item is equal to or less than 12 months. The carrying values of derivative financial instruments represent their fair values at the reporting date.			
Refer to note 19.2 for further detail.			

GROUP		Foreign amount 2014	Rand amount 2014	Fair value 2014	Foreign amount 2013 Restated	Rand amount 2013 Restated	Fair value 2013 Restated
		'000	R'000	R'000	'000	R'000	R'000
<b>19. Derivative financial instruments (continued)</b>							
<b>19.2 Derivative financial instruments – detail</b>							
<b>19.2.1 Derivative instruments earmarked for hedging (cash flow hedges)</b>							
<b>19.2.1.1 Commodity instruments</b>							
Futures (refer to note 1 below)				(2 177)			6 024
<b>19.2.1.2 Currency forward contracts</b>							
Purchases of foreign exchange contracts							
US dollar	14 090	159 818	1 168	10 000	101 439	1 903	
Sales of foreign exchange contracts							
US dollar	(8 500)	(98 430)	(4 382)	–	–	–	
<b>Hedging reserve (before income tax)</b>				<b>(5 391)</b>			<b>7 927</b>
<b>19.2.2 Derivative instruments earmarked for hedging (fair value hedges)</b>							
<b>19.2.2.1 Commodity instruments</b>							
Futures				–			(58)
<b>19.2.3 Other derivative instruments</b>							
<b>19.2.3.1 Currency forward contracts</b>							
Purchases of foreign exchange contracts				11 334			4 995
US dollar	45 201	510 718	11 304	44 134	444 535	4 100	
British pound	37	672	21	518	8 549	307	
Swiss franc	–	–	–	40	452	9	
Euro	518	7 438	9	1 603	21 912	579	
Sales of foreign exchange contracts				(3 543)			(2 844)
US dollar	24 021	276 523	(3 543)	22 335	225 347	(2 853)	
Euro	–	–	–	498	6 792	9	
<b>19.2.3.2 Embedded derivative financial instruments</b>							
Options – supplier purchase contracts				687			315

Note 1: Disclosed as part of cash and cash equivalents.



## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>20. Trade and other receivables</b>			
Trade receivables		1 721 733	1 517 451
Allowance for outstanding credit notes		(36 402)	(29 165)
Provision for impairment		(21 626)	(14 123)
Net trade receivables		1 663 705	1 474 163
Staff		860	967
Prepayments		19 444	23 376
Receivables from related parties (refer to note 36)		75 071	68 510
Value-added tax		107 327	25 416
Loans		23 383	20 730
Other		7 351	32 186
		<b>1 897 141</b>	<b>1 645 348</b>
For the purposes of the statement of financial position trade and other receivables are presented as follows:			
Non-current assets		23 383	20 730
Current assets		1 873 758	1 624 618
		<b>1 897 141</b>	<b>1 645 348</b>
The carrying value of trade and other receivables approximates their fair value at the reporting date.			
An allowance for outstanding credit notes is accounted for based on past experience.			
At year-end trade receivables with a carrying value of R1,707,588,514 (2013: R1,656,587,877) (including assets held for sale) of certain Group companies were pledged as security for general and revolving banking facilities of some of the Group's subsidiaries. Refer to note 25 for further detail.			
Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amounts of fully performing financial assets included in trade and other receivables at year-end are:			
National customers		740 555	695 500
Other customers		935 351	849 974
		<b>1 675 906</b>	<b>1 545 474</b>

GROUP		2014	2013
		R'000	Restated R'000
<b>20. Trade and other receivables (continued)</b>			
The credit quality of fully performing financial assets included in trade and other receivables is supported by the high proportion of the carrying value that can be ascribed to national customers, especially in the formal retail sector. The credit quality of the customer base is considered to be good based on historical default rates.			
Financial assets included in trade and other receivables that are outside their normal payment terms are considered to be past due. The following represents an analysis of the past due number of days of financial assets that are past due but not impaired:			
National customers			
Up to 30 days		4 347	2 195
31 to 60 days		11 376	1 440
61 to 90 days		1 789	724
91 to 120 days		848	173
More than 120 days		107	441
		<b>18 467</b>	<b>4 973</b>
Other customers			
Up to 30 days		49 550	32 079
31 to 60 days		21 167	11 417
61 to 90 days		1 866	1 098
91 to 120 days		1 260	237
More than 120 days		2 152	1 278
		<b>75 995</b>	<b>46 109</b>
Staff			
Up to 30 days		2	-
		<b>2</b>	<b>-</b>
Total		<b>94 464</b>	<b>51 082</b>

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>20. Trade and other receivables (continued)</b>			
Individually impaired receivables where indicators of impairment are present, comprise a number of non-material customers. The following trade receivables were impaired at year-end:			
National customers		–	–
Other customers		<b>21 626</b>	14 123
Total		<b>21 626</b>	14 123
Interest charged on impaired trade receivables amounts to Rnil (2013: Rnil).			
Movements on the Group's provision for impairment of trade receivables are as follows:			
At 1 October		<b>20 707</b>	7 133
Provision for impairment of receivables raised		<b>13 155</b>	18 759
Provision for impairment utilised during the year		<b>(1 822)</b>	(3 937)
Unused amounts reversed		<b>(2 443)</b>	(1 248)
Transferred to disposal group classified as held for sale		<b>(7 971)</b>	(6 584)
At 30 September		<b>21 626</b>	14 123
The Group holds a number of categories of collateral as security for trade receivable balances. These collateral categories include mortgage bonds and notarial bonds, cession of trade receivables, various guarantees and letters of credit.			
Fair value of collateral held against trade receivables at year-end (limited to the individual trade receivable balance):			
National customers		<b>1</b>	86
Other customers		<b>120 499</b>	197 771
		<b>120 500</b>	197 857

GROUP		2014	2013
		R'000	Restated R'000
<b>20. Trade and other receivables (continued)</b>			
The carrying amount of the Group's trade receivables is denominated in the following currencies:			
<b>Covered by means of foreign exchange contracts:</b>		<b>137 113</b>	113 953
Euro		–	6 792
US dollar		<b>137 113</b>	107 161
<b>Uncovered:</b>		<b>1 584 620</b>	1 403 498
Euro		<b>18 149</b>	5 642
British pound		<b>104 195</b>	92 073
US dollar		<b>13 588</b>	24 054
SA rand		<b>1 429 781</b>	1 271 938
Other currencies		<b>18 907</b>	9 791
Total		<b>1 721 733</b>	1 517 451
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:			
British pound		<b>94 977</b>	83 864

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>21. Cash and cash equivalents</b>			
Cash at bank and on hand		354 974	289 917
Short-term bank deposits		752 644	89 126
		<b>1 107 618</b>	<b>379 043</b>
The effective interest rate at reporting date on short-term bank deposits was between 5.7% and 6.6% (2013: 3.0% and 5.5%).			
For the purposes of the statement of cash flows, the year-end cash, cash equivalents and bank overdrafts comprise the following:			
Cash and short-term deposits		1 107 618	379 043
Short-term borrowings		(195 051)	(338 011)
Bank overdrafts		(195 051)	(11)
Call loans		–	(338 000)
		<b>912 567</b>	<b>41 032</b>
The Group's cash equivalents and short-term deposits are placed with creditable financial institutions with appropriate credit ratings.			
The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:			
Euro		13 756	1 183
British pound		57 207	10 097
US dollar		1 020	679
SA rand		1 032 815	367 084
Other currencies		2 820	–
Total		<b>1 107 618</b>	<b>379 043</b>
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:			
British pound		57 207	10 097
The majority of the Group's cash and cash equivalents is denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.			
The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.			
<b>Restricted balances</b>			
Cash and cash equivalents include restricted balances of R15.2 million (2013: R15.8 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the subsidiary company when the related derivative positions are closed.			

GROUP		2014	2013
		R'000	Restated R'000
<b>22. Share capital</b>			
<b>Authorised – ordinary shares of 10 cents each</b>			
400,000,000 (2013: 400,000,000) ordinary shares		40 000	40 000
<b>Authorised – class A ordinary shares of 10 cents each</b>			
18,130,000 (2013: 18,130,000) class A ordinary shares		1 813	1 813
<b>Total issued and fully paid – ordinary shares of 10 cents each</b>			
At beginning of year: 231,006,847 (2013: 230,314,486) ordinary shares		23 101	23 031
Issued to management in terms of share appreciation rights scheme: 685,034 (2013: 692,361) ordinary shares		69	70
At end of year: 231,691,881 (2013: 231,006,847) ordinary shares		<b>23 170</b>	<b>23 101</b>
<b>Shares issued in terms of share appreciation rights scheme</b>			
During the year the Company issued 685,034 (2013: 692,361) ordinary shares of 10 cents each at an average of R97.47 (2013: R71.64) per share in terms of the share appreciation rights scheme.			
<b>Shares issued in terms of the B-BBEE equity transaction</b>			
During 2012 the Company issued 28,691,649 shares to the value of R1,000,347,998 to special purpose vehicles ("SPVs") that were formed in terms of a B-BBEE equity transaction. In terms of the transaction 17,488,631 ordinary shares were issued to strategic BEE partners at a subscription price of R55.14 per share and 603,030 ordinary shares to current and former black directors of the Company at a subscription price of R58.04 per share. A further 10,599,988 shares were issued to the Pioneer Foods Broad-Based BEE Trust 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 of 10 cents each – nominal value</b>			
<b>Treasury shares held by management share incentive trust</b>			
At beginning of year: 1,422,116 (2013: 2,545,933) ordinary shares		142	255
Net treasury shares sold: 311,903 (2013: 1,123,817) ordinary shares		(31)	(113)
At end of year: 1,110,213 (2013: 1,422,116) ordinary shares		<b>111</b>	<b>142</b>



## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014 Number	2013 Number Restated
<b>23. Share-based payments (continued)</b>		
<b>23.1 Management share incentive scheme (equity-settled) (continued)</b>		
The fair values were calculated using the Actuarial Binomial Option Pricing Model. The principal assumptions for the last grant (during 2007) were as follows:		
Weighted average share price at grant date (cents per share)	1 269	1 269
Weighted average exercise price (cents per share)	1 214	1 214
Expected volatility	20.0% to 33.8%	20.0% to 33.8%
Expected life (years)	4 to 6	4 to 6
Risk-free rate	7.2% to 9.7%	7.2% to 9.7%
Expected dividend yield	2.7% to 4.4%	2.7% to 4.4%
Expected volatility was determined by calculating the historical volatility of the share price of a similar JSE-listed entity in the food sector.		
The cost accounted for during the current year amounts to Rnil (2013: Rnil).		
<b>23.2 Broad-based employee share scheme (cash-settled)</b>		
During 2006 the Group introduced a broad-based employee share scheme for all employees employed at the time, other than management qualifying for the share-based compensation scheme. In terms of the scheme, employees received class A ordinary shares with full voting rights and dividend rights equal to 30% of that of ordinary shares. Once the notional threshold debt has been repaid, class A ordinary shares will convert into ordinary shares.		
In case of termination of employment prior to the final date the resultant actions depend on whether the employee is considered to be a "good leaver" or an "other leaver".		
An employee is considered to be a "good leaver" if employment is terminated because of:		
– Death		
– Permanent disability		
– Retirement		
– Retrenchment		
– Sale of business		
– Termination for a reason that in the discretion of the Board has the effect of qualifying the employee as a "good leaver"		
– Any other reason after the lapse of a period of five years		
An employee is considered to be an "other leaver" in the event that termination takes place within a period of five years for any reason other than that constituting a "good leaver", or an employee fails to adhere to the provisions of the scheme. The period of five years ended 31 January 2011, therefore subsequent to this date every leaver will be regarded as a "good leaver".		

GROUP		
	2014 Number	2013 Number Restated
<b>23. Share-based payments (continued)</b>		
<b>23.2 Broad-based employee share scheme (cash-settled) (continued)</b>		
The class A ordinary shares of "good leavers" will be purchased by the Company at a price equal to the market value of an ordinary share, less the notional threshold debt. The purchase price will, at the option of the Company, either be settled in cash, or be utilised on behalf of the "good leaver" to subscribe for ordinary shares at the market value of ordinary shares.		
The class A ordinary shares of "other leavers", purchased prior to 31 January 2011, were purchased by the Company at R0.01.		
<b>Reconciliation of number of class A ordinary shares</b>		
Balance at beginning of year	7 367 360	8 198 120
Good leavers – purchased by the Company	(1 323 420)	(830 760)
Balance at end of year	6 043 940	7 367 360
The estimated fair value of a class A ordinary share on 30 September 2014 was R84.67 (2013: R55.21). The fair value per class A ordinary share was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based Payment. The cost accounted for during the current year amounts to R187,337,749 (2013: R145,888,398).		
These fair values were calculated using the Actuarial Binomial Option Pricing Model. The principal assumptions were as follows:		
Ordinary share price at 30 September (cents per share)	11 800	8 750
Notional loan amount at 30 September (cents per share)	3 322	3 213
Prime rate at 30 September	9.3%	8.5%
Expected volatility	20.2% to 24.4%	20.1% to 25.5%
Expected duration to repay notional debt (years)	Note 1	Note 1
Expected dividend yield	3.0%	3.0%
Risk-free rate	6.2% to 8.0%	4.8% to 8.7%
Expected volatility was determined by calculating the volatility of a share price of a similar JSE-listed entity in the food industry.		
The principal assumptions used to calculate the expected number of shares that will vest, are as follows:		
Expected rate of "leavers" (including "other leavers") (per annum)	Note 1	Note 1
Note 1: All employees to have left the scheme by 2026 with an equal number leaving each year with a specific adjustment for Quantum Foods employees to exit the scheme after year-end upon the unbundling of Quantum Foods.		

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014 Number	2013 Number Restated
		'000	'000
<b>23.</b>	<b>Share-based payments (continued)</b>		
<b>23.3</b>	<b>Management share appreciation rights scheme (equity-settled)</b>		
	The Group adopted a share appreciation rights scheme for qualifying management during the year ended 30 September 2008.		
	The exercise of vested share appreciation rights entitles the employee to ordinary shares in Pioneer Food Group Ltd. This number of shares is calculated by dividing the amount by which the share price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the share price at the exercise date.		
	<b>Number of share appreciation rights made available</b>		
	Number at beginning of year	4 918	4 925
	Expired/forfeited	(240)	(157)
	Redeemed	(1 096)	(1 266)
	New allocation at R56.81 per share	–	568
	New allocation at R66.13 per share	–	490
	New allocation at R74.48 per share	–	310
	New allocation at R81.18 per share	–	27
	New allocation at R76.23 per share	–	21
	New allocation at R82.42 per share	95	–
	New allocation at R83.59 per share	4 660	–
	Number at end of year	8 337	4 918
	<b>Number of share appreciation rights</b>		
	At R25.48 per share, exercisable up to 8 June 2018	173	426
	At R24.20 per share, exercisable up to 26 February 2019	208	394
	At R34.74 per share, exercisable up to 8 February 2020	986	1 441
	At R49.96 per share, exercisable up to 7 February 2021	188	250
	At R61.85 per share, exercisable up to 9 February 2022	505	609
	At R61.85 per share, exercisable up to 16 February 2022 (BEE special grant)	361	384
	At R56.81 per share, exercisable up to 5 February 2023	404	502
	At R56.81 per share, exercisable up to 5 February 2023 (BEE special grant)	52	64
	At R66.13 per share, exercisable up to 1 April 2016	240	240
	At R66.13 per share, exercisable up to 1 May 2023	200	250
	At R74.48 per share, exercisable up to 31 May 2018	310	310
	At R81.18 per share, exercisable up to 17 June 2023	27	27
	At R76.23 per share, exercisable up to 30 June 2023	21	21
	At R82.42 per share, exercisable up to 30 September 2023	95	–
	At R83.59 per share, exercisable up to 31 August 2019	4 219	–
	At R83.59 per share, exercisable up to 28 February 2024 (BEE special grant)	348	–
		8 337	4 918

GROUP		2014 Number	2013 Number Restated
<b>23.</b>	<b>Share-based payments (continued)</b>		
<b>23.3</b>	<b>Management share appreciation rights scheme (equity-settled) (continued)</b>		
	Share appreciation rights were granted on 1 October 2013 at a strike price of R82.42. Vesting takes place over a five-year period with the first 20% vesting on 1 October 2014.		
	Share appreciation rights were granted on 28 February 2014 at a strike price of R83.59. Vesting takes place after five years with 100% vesting on 28 February 2019.		
	Share appreciation rights were granted on 28 February 2014 at a strike price of R83.59. Vesting takes place over a five-year period with the first 33.3% vesting on 28 February 2017 subject to certain time and performance-based criteria.		
	The net estimated weighted average fair value per share appreciation right at 30 September 2014 is R14.93 (2013: R13.36). The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based Payment. The cost accounted for in the current year amounts to R26,470,000 (2013: R15,207,701).		
	These fair values were calculated using the Actuarial Binomial Option Pricing Model.		
	The principal assumptions were as follows:		
	Weighted average share price at grant date (cents per share)	6 105	4 637
	Expected volatility	18.5% to 30.9%	18.5% to 30.9%
	Expected dividend yield	2.0% to 4.1%	2.0% to 4.1%
	Risk-free rate	5.4% to 8.9%	5.4% to 8.9%
	Expected life (years)	1 to 6	1 to 6
	Expected volatility was determined by calculating the volatility of the share price of a similar JSE-listed entity in the food industry.		
	The Board initially approved a maximum number of 14,500,000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2014 12,643,434 ordinary shares (2013: 13,328,468) were still available for issue.		

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014	2013
	R'000	Restated R'000
<b>24. Other reserves</b>		
Fair value reserve	30 786	25 863
Foreign currency translation reserve	83 872	68 737
Hedging reserve	(3 572)	5 704
Equity compensation reserve	317 472	326 026
	<b>428 558</b>	<b>426 330</b>

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

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

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

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

GROUP		
	2014	2013
	R'000	Restated R'000
<b>25. Borrowings</b>		
<b>25.1 Borrowings – summary</b>		
<b>Non-current</b>		
Secured financing		
Lease agreements	23 434	–
Syndicated	1 000 000	1 000 000
B-BBEE equity transaction: redeemable preference shares	449 680	449 680
Instalment sale agreements	36 481	–
Other	3 898	7 549
Total non-current	<b>1 513 493</b>	<b>1 457 229</b>
<b>Current</b>		
Secured financing		
Lease agreements	1 573	–
Syndicated	4 302	3 727
B-BBEE equity transaction: redeemable preference shares	51 051	32 451
Instalment sale agreements	4 191	–
Other	4 554	7 616
Call loans	–	338 000
Bank overdrafts	195 051	11
Total current	<b>260 722</b>	<b>381 805</b>
Total borrowings	<b>1 774 215</b>	<b>1 839 034</b>

Refer to note 25.2 for further detail.

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

#### Security provided for syndicated and call loans

The Group's syndicated facilities matured in September 2013. These were replaced by new syndicated financing of R3.5 billion in the form of bullet, revolving and overnight loans and general banking facilities. These loans are secured by mortgages over certain immovable properties with carrying values of R870,322,743 (2013: R882,509,672) at year-end, special notarial bonds over certain items of plant and equipment with carrying values of R430,323,523 (2013: R489,203,755) at year-end and general notarial bonds over all movable assets of Pioneer Foods (Pty) Ltd, Ceres Fruit Juices (Pty) Ltd, Continental Beverages (Pty) Ltd and Retail Brands Interafrica (Pty) Ltd.

The syndicated and call loans are secured by pledges over certain Group companies' inventories, biological assets and trade receivables. At year-end inventories (including biological assets) and trade receivables pledged as security for this purpose amounted to R2,340,174,637 (2013: R2,793,652,684) and R1,707,588,514 (2013: R1,656,587,877) respectively. These amounts include those of the disposal group classified as held for sale.

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP	
<b>25.</b>	<b>Borrowings (continued)</b>
<b>25.1</b>	<b>Borrowings – summary (continued)</b>
	Pioneer Food Group Ltd subordinated all its claims against the obligors (Pioneer Foods Holdings Ltd, Pioneer Foods (Pty) Ltd, Ceres Fruit Juices (Pty) Ltd, Retail Brands Interafrica (Pty) Ltd and Continental Beverages (Pty) Ltd) to all the lenders' claims arising from the new debt structure. It also guarantees the repayment of all the loan obligations of the obligors and ceded its subordinated claims against the obligors to the security SPV and undertakes to remain an investment company with its only assets being investments in Pioneer Foods Holdings Ltd and its overall intercompany claims.
	<b>B-BBEE equity transaction</b>
	During 2012 the Company issued 28,691,649 shares to the value of R1,000,347,998 to strategic BEE partners, former and current black directors of the Company (hereafter collectively referred to as "BEE Investors") and the Pioneer Foods Broad-Based BEE Trust in terms of a B-BBEE equity transaction. The subscription price for these share issues was mainly financed by Pioneer Foods' wholly-owned subsidiary, Pioneer Foods (Pty) Ltd, and by third-party funding from Rand Merchant Bank Ltd, a division of FirstRand Bank Ltd ("RMB"). The strategic BEE partners contributed 10% of the subscription price. The current and former black directors of the Company and the Pioneer Foods Broad-Based BEE Trust did not contribute to the subscription price.
	In order to give effect to the financial assistance provided, the BEE Investors' SPVs issued variable rate cumulative A preference shares to RMB at a dividend rate of 82.5% of the prime interest rate and B preference shares to Pioneer Foods at a dividend rate of 99% of the prime interest rate. During the 2013 financial year certain issuers of the A preference shares have elected to fix, from 1 April 2013, the A preference share dividend rate at 9.5% per annum for the remainder of the financing period. The total capital value of the issued A preference shares is R449,679,606 of which R418,878,828 is now at a fixed dividend rate of 9.5%.
	The preference shares do not have voting rights, except in respect of certain resolutions such as those affecting the rights of preference shares. Preference shares are treated as borrowings and the relating dividends as interest in terms of IFRS accounting principles.
	<b>Security provided for B-BBEE equity transaction</b>
	In terms of the B-BBEE equity transaction RMB provided BEE Investors with finance in the form of cumulative redeemable preference shares. Pioneer Foods (Pty) Ltd provided RMB with a guarantee amounting to R100 million for this financial assistance.

GROUP		2014	2013
		R'000	Restated R'000
<b>25.</b>	<b>Borrowings (continued)</b>		
<b>25.1</b>	<b>Borrowings – summary (continued)</b>		
	<b>Security provided for other borrowings</b>		
	For further detail on security provided for other loans refer to note 25.2.		
	The carrying values of borrowings approximate their fair values at the reporting date and are denominated in the following currencies:		
	British pound	8 452	15 165
	SA rand	1 765 763	1 823 869
	Total	1 774 215	1 839 034
	The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
	British pound	8 452	15 165



## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

#### GROUP

		Year of redemption	Interest rate at year-end (%)	2014 R'000	2013 Restated R'000
25.	<b>Borrowings (continued)</b>				
25.2	<b>Borrowings – detail</b>				
25.2.1	<b>Secured financing</b>			1 579 164	1 501 023
	<b>Lease agreements</b>				
	Monthly payments	2028	6.6	10 494	–
	Instalment of R94,951 (2013: Rnil).				
	Monthly payments	2029	7.0	14 513	–
	Instalment of R132,128 (2013: Rnil).				
	<b>Syndicated loans</b>				
	Quarterly payments (bullet loan)	2016	7.3	200 841	200 726
	Instalments (interest only) of R3,646,482 (2013: R3,147,852).				
	Quarterly payments (bullet loan)	2016	7.5	200 861	200 746
	Instalments (interest only) of R3,731,249 (2013: R3,232,619).				
	Quarterly payments (bullet loan)	2018	7.5	602 600	602 255
	Instalments (interest only) of R11,268,542 (2013: R9,772,652).				
	Secured by mortgages over immovable property, special notarial bonds over specific items of property, plant and equipment and general notarial bonds over all movable assets of specific Group subsidiaries. Refer to note 25.1 for further detail.				
	<b>Redeemable preference shares</b>	2019	9.5	500 731	482 131
	Accumulated dividends and capital are repaid as dividend income from investments are received. Secured by a guarantee of R100 million by a Group subsidiary.				
	<b>Other loans</b>				
	Monthly payments	2016	3.0	8 452	11 489
	Instalment of R373,105 (2013: R328,207). Secured by a charge over specific assets of the subsidiary company.				
	Quarterly payments	2019	7.3	35 868	–
	Instalment of R1,477,354 (2013: Rnil). Book value of vehicles encumbered in terms of instalment sale agreements.				
	Quarterly payments	2018	7.3	4 804	–
	Instalment of R226,964 (2013: Rnil). Book value of vehicles encumbered in terms of instalment sale agreements.				
	Quarterly payments	–	–	–	3 676
	Instalment of Rnil (2013: R2,042,325). Secured by a charge over specific freehold assets of the subsidiary company.				
	Total amount owing			1 579 164	1 501 023
	Portion of liabilities payable within one year included in current liabilities			(65 671)	(43 794)
	<b>Secured financing</b>				
	Lease agreements			(1 573)	–
	Syndicated and other			(13 047)	(11 343)
	Redeemable preference shares			(51 051)	(32 451)
				1 513 493	1 457 229

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>25. Borrowings (continued)</b>			
<b>25.2 Borrowings – detail (continued)</b>			
<b>25.2.2 Finance lease liabilities</b>			
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.			
Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:			
Capital amount			
Not later than 1 year		1 573	–
Later than 1 year, but not later than 5 years		4 518	–
Later than 5 years		18 916	–
		<b>25 007</b>	–
Interest cost			
Not later than 1 year		1 666	–
Later than 1 year, but not later than 5 years		5 868	–
Later than 5 years		6 761	–
		<b>14 295</b>	–
Instalment			
Not later than 1 year		3 239	–
Later than 1 year, but not later than 5 years		10 386	–
Later than 5 years		25 677	–
		<b>39 302</b>	–
<b>26. Deferred income tax</b>			
Balance at beginning of year – previously reported		594 157	635 355
Effect of change in accounting policy		438	276
Balance at beginning of year – restated		594 595	635 631
Charge in profit or loss		73 618	(44 142)
Foreign exchange translation adjustment		720	977
Deferred income tax on foreign exchange contracts charged to equity		(1 340)	393
Deferred income tax on share-based payment of share appreciation rights		(31 747)	(29 999)
Deferred income tax on fair value adjustments of available-for-sale financial assets charged to equity		1 255	1 702
Deferred income tax on remeasurement of post-retirement medical benefits		244	–
Business combinations		–	30 033
Transferred to disposal group classified as held for sale		(192 619)	(193 162)
		<b>444 726</b>	<b>401 433</b>

GROUP		2014	2013
		R'000	Restated R'000
<b>26. Deferred income tax (continued)</b>			
Due to the following temporary differences:			
Capital allowances, including trademarks		709 261	667 266
Inventories		2 972	(3 071)
Biological assets		–	1 928
Provision for post-retirement medical benefits and long-service awards		(31 011)	(33 673)
Leave accrual		(28 661)	(31 689)
Bonus accrual		(40 784)	(25 840)
Prepaid expenses		4 799	3 837
Provision for impairment of trade receivables		(2 042)	(1 854)
Rebates, growth incentives and settlement discount accruals		(16 920)	(17 382)
Assessed losses		(80 966)	(107 970)
Reinsurance commission received in advance		(582)	(665)
Fair value adjustments on available-for-sale financial assets		6 979	5 724
Allowance for credit notes		(10 192)	(8 167)
Deferred income		(5 445)	(5 827)
Derivative financial instruments		(1 556)	(265)
Share-based payments		(60 991)	(40 528)
Accruals – personnel costs		(5 668)	(6 262)
Other		5 533	5 871
		<b>444 726</b>	<b>401 433</b>
For the purpose of the statement of financial position deferred income tax is presented as follows:			
Non-current assets		3 651	74 143
Non-current liabilities		(448 377)	(475 576)
		<b>(444 726)</b>	<b>(401 433)</b>

During the year deferred tax assets of Rnil (2013: R74,849,965) have been recognised of which the utilisation thereof depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The assets relate to assessed losses of entities that suffered losses in the current and/or preceding periods.

The losses suffered in the current and/or previous period arose from identifiable causes that are unlikely to recur. These entities have strong earnings potential and future profitability is expected against which unrecognised tax losses can be utilised.

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>27.</b>	<b>Provisions for other liabilities and charges</b>		
<b>27.1</b>	<b>Post-retirement medical benefits</b>		
	Balance at beginning of year – previously reported	62 094	58 033
	Effect of change in accounting policy	(1 566)	(985)
	Balance at beginning of year – restated	60 528	57 048
	Interest cost	4 842	4 675
	Remeasurements	(871)	1 506
	Actuarial loss/(gain) from change in demographic assumptions	288	(686)
	Actuarial (gain)/loss from change in financial assumptions	(1 159)	2 192
	Service cost	188	201
	Payments	(4 876)	(2 902)
		59 811	60 528
	The amount recognised in the statement of financial position was determined as follows:		
	Present value of unfunded obligations	59 811	60 528
	The historical present values for the three years prior to the comparative period of the unfunded obligation were as follows:		
	2012 – R57,048,000		
	2011 – R54,655,000		
	2010 – R58,410,000		
	Expected maturity analysis of undiscounted post-retirement medical benefits:		
	Not later than a year	5 104	4 838
	Later than 1 year, but not later than 2 years	5 206	4 957
	Later than 2 years, but not later than 5 years	16 209	15 391
	Later than 5 years	161 575	152 329
	Total	188 094	177 515
	Existing provisions are based on the following important assumptions:		
	Medical inflation rate: 8.2% (2013: 7.6%) p.a.		
	Discount rate: 8.6% (2013: 8.0%) p.a.		
	The date of the most recent actuarial valuation is 30 September 2014.		

GROUP		2014	2013
		R'000	Restated R'000
<b>27.</b>	<b>Provisions for other liabilities and charges (continued)</b>		
<b>27.1</b>	<b>Post-retirement medical benefits (continued)</b>		
	<i>The effect of a 1% increase in the assumed health cost trend is as follows:</i>		
	Increase in the defined benefit obligation	5 835	6 411
	Increase in the aggregate of current service and interest cost	521	551
	<i>The effect of a 1% decrease in the assumed health cost trend is as follows:</i>		
	Decrease in the defined benefit obligation	5 048	5 520
	Decrease in the aggregate of current service and interest cost	450	472
	<i>The effect of a 1% increase in the assumed discount rate trend is as follows:</i>		
	Decrease in the defined benefit obligation	4 837	5 075
	<i>The effect of a 1% decrease in the assumed discount rate trend is as follows:</i>		
	Increase in the defined benefit obligation	5 688	5 987
	<i>The effect of a 1-year increase in the assumed expected retirement age trend is as follows:</i>		
	Decrease in the defined benefit obligation	166	340
	<i>The effect of a 1-year decrease in the assumed expected retirement age trend is as follows:</i>		
	Increase in the defined benefit obligation	181	548
	The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the provision for post-retirement medical benefits recognised within the statement of financial position.		
	The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.		
	Through the defined benefit post-retirement medical plan, the Group is exposed to a number of risks, the most significant of which are detailed below:		
	<i>Changes in bond yields</i>		
	A decrease in corporate bond yields will increase plan liabilities.		
	<i>Inflation risk</i>		
	The Group's post-employment medical plan obligations are linked to inflation, and higher inflation will lead to higher liabilities.		
	<i>Life expectancy</i>		
	The plan's obligations are to provide benefits for the life of the member, therefore an increase in life expectancy will result in an increase in the plan's liabilities.		

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>27. Provisions for other liabilities and charges (continued)</b>			
<b>27.2 Long-service awards</b>			
Balance at beginning of year		69 024	61 161
Interest cost		5 149	5 013
Actuarial (gain)/loss		(18 335)	2 948
Service cost		9 106	8 009
Payments		(7 656)	(8 107)
Transferred to disposal group classified as held for sale		(15 639)	(9 294)
		<b>41 649</b>	<b>59 730</b>
The amount recognised in the statement of financial position was determined as follows:			
Present value of unfunded obligations		<b>41 649</b>	<b>59 730</b>
Existing provisions are based on the following important assumptions:			
Discount rate: 8.2% (2013: 7.5%) p.a.			
Salary increases: 7.0% (2013: 7.9%) p.a.			
Normal retirement age: 60 (2013: 60) years			
The date of the most recent actuarial valuation is 30 September 2014.			
<b>27.3 Total provision for other liabilities and charges</b>			
Consists of:			
Post-retirement medical benefits		59 811	60 528
Long-service awards		41 649	59 730
		<b>101 460</b>	<b>120 258</b>
For the purpose of the statement of financial position the total provision for other liabilities and charges is presented as follows:			
Non-current liabilities		<b>101 460</b>	<b>120 258</b>

GROUP		2014	2013
		R'000	Restated R'000
<b>28. Accrual for Competition Commission penalties</b>			
Balance at beginning of year		–	215 481
Amounts paid during the year		–	(216 667)
Unwinding of discount		–	1 186
		<b>–</b>	<b>–</b>

Pioneer Foods and the Competition Commission ("the Commission") agreed on 2 November 2010 to a full and final settlement on the bread, milling and other investigations conducted by the Commission.

The salient provisions of the settlement agreement, which was approved by the Competition Tribunal ("the Tribunal") on 30 November 2010, are as follows:

- Pioneer Foods will pay administrative penalties of R500 million to the Commission. The Commission will pay this sum to the National Revenue fund.
- Pioneer Foods has furthermore committed to a reduction in its gross profit, amounting to R160 million when benchmarked against an agreed base period, in respect of a selection of defined wheaten flour and bread products.
- These figures exclude the administrative penalty of R195,718,614 imposed by the Tribunal in the bread matter which was paid by Pioneer Foods in April 2010.
- The settlement amount in paragraph 1 was provided for in the 2010 financial year and became payable as follows:  
R66,666,667 within five days of confirmation of the settlement agreement as an order of the Tribunal ("the first payment date"), R216,666,667 on the first anniversary of the first payment date and R216,666,667 on the second anniversary of the first payment date. Payments have been discounted at a rate of 6.6%.
- Pioneer Foods furthermore undertook not to reduce its committed cumulative capital expenditure from 2010 to 2013 as a result of the settlement agreement, and committed to increasing the capital expenditure by R150 million over the same period.

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014	2013
	R'000	Restated R'000
<b>29. Share-based payment liability – employee share scheme</b>		
Balance at beginning of year	251 424	108 249
Share-based payment and repurchase of class A ordinary shares from leavers	112 482	145 888
Dividends paid on class A ordinary shares	(2 934)	(2 713)
	<b>360 972</b>	<b>251 424</b>
Refer to note 23.2 for further detail.		
For the purposes of the statement of financial position the share-based payment liability is presented as follows:		
Non-current liabilities	245 178	251 424
Current liabilities	115 794	–
	<b>360 972</b>	<b>251 424</b>
<b>30. Trade and other payables</b>		
Trade payables	1 808 841	1 550 795
Accrued expenses	105 989	103 990
Related parties (refer to note 36)	110	1 203
Deferred revenue	11 212	10 462
Government grants	74 914	21 349
Value-added tax	11 277	507
Accrual for leave	85 541	112 828
Accrual for 13th cheque	44 813	59 461
Other	115 539	65 630
	<b>2 258 236</b>	<b>1 926 225</b>
The carrying amounts of the Group's trade payables are denominated in the following currencies:		
<b>Covered by means of foreign exchange contracts:</b>	474 387	398 423
Euro	–	3 060
US dollar	474 387	395 363
<b>Uncovered:</b>	1 334 454	1 152 372
Euro	3 306	8 373
British pound	84 023	64 303
US dollar	2 991	8 176
SA rand	1 238 039	1 071 520
Other	6 095	–
Total	<b>1 808 841</b>	<b>1 550 795</b>
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	82 354	63 632
Other payables are mostly denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.		

GROUP		
	2014	2013
	R'000	Restated R'000
<b>31. Financial risk management</b>		
<b>31.1 Financial risk factors</b>		
The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.		
The Board approved an overall decision-making framework in terms of which financial risks are evaluated, managed and hedged by executive management.		
<b>(a) Market risk</b>		
<b>(i) Interest rate risk</b>		
The Group's interest rate risk arises from both financial assets and financial liabilities.		
Financial liabilities exposed to interest rate risk include interest-bearing short- and long-term borrowings, bank overdrafts and call loans. The Group borrows at both fixed and variable interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.		
The interest rate profile as at 30 September is summarised as follows:		
Variable rate	1 307 212	1 389 803
Fixed rate	467 003	449 231
Total loans	<b>1 774 215</b>	<b>1 839 034</b>
Percentage of total loans:		
	%	%
Variable rate	74	76
Fixed rate	26	24
Total loans	<b>100</b>	<b>100</b>
Refer to note 25 for detail regarding interest rates.		

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

#### GROUP

#### 31. Financial risk management (continued)

##### 31.1 Financial risk factors (continued)

###### (a) Market risk (continued)

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

Based on various scenarios the Group manages its interest rate risk by entering into floating-to-fixed interest rate swaps, zero-cost interest rate collar contracts or any other applicable hedging instruments from time to time. The portion of interest-bearing borrowings to be hedged is determined based on a future view of macro-economic factors as informed by independent financial advisors. The level of debt to be hedged is reviewed by management on a regular basis. The main purpose of the Group's hedging strategy is to hedge the Group against a possible increase in interest rates; however, the Group also contracts for sharing in the up-side of a possible decrease in interest rates. Where such instruments qualify for hedge accounting, hedge accounting principles are applied in accounting for these hedging instruments.

At year-end none of the Group's interest-bearing borrowings were hedged (2013: Rnil).

Interest rate swaps have the economic effect of converting a portion of borrowings from floating rates to fixed rates. Under interest rate swap agreements, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between contracted fixed interest rates and floating interest rates calculated by reference to agreed notional amounts.

A zero-cost interest rate collar contract is an instrument which combines the purchase of a cap and the sale of a floor to specify a range in which an interest rate will fluctuate. The instrument insulates the buyer against the risk of a significant rise in a floating rate, but limits the benefits of a drop in that floating rate. Financing costs are effectively "collared" between these upper and lower limits. Cash flows are only settled, at specified intervals, if the benchmark rate was exceeded. Settlement amounts are calculated by reference to the agreed notional amounts.

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

Cash and short-term bank deposits are invested at variable rates. At year-end R752,643,940 (2013: R89,125,854) was invested at rates that varied from 5.7% to 6.6% (2013: 3.0% to 5.5%).

At year-end loans to joint ventures were granted interest-free or at variable rates from 5.8% to 9.3% (2013: 5.0% to 7.5%).

###### (ii) Foreign exchange risk

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

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

#### GROUP

#### 31. Financial risk management (continued)

##### 31.1 Financial risk factors (continued)

###### (a) Market risk (continued)

###### (ii) Foreign exchange risk (continued)

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

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

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

###### (iii) Price risk

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

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

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

Commodities are hedged in terms of a formal procurement policy which includes a raw material procurement hedging policy, pricing options and exposure limits, approved by the Board of directors. The policy is regularly reviewed by the procurement committee under chairmanship of the chief executive officer. The policy is sufficiently flexible to allow management to rapidly adjust hedges following possible changes in raw material requirements.

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

###### (iv) Sensitivity analysis

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

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>31.</b>	<b>Financial risk management (continued)</b>		
<b>31.1</b>	<b>Financial risk factors (continued)</b>		
	<i>(a) Market risk (continued)</i>		
	<i>(iv) Sensitivity analysis (continued)</i>		
	<b>Change in foreign currency</b>		
	Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 2.0% (2013: 1.0%), British pound of 1.0% (2013: 0.5%), Botswana pula of 3.0% (2013: 0.5%) and euro of 5.0% (2013: 1.0%), with all other variables held constant. The reasonable possible changes in the relevant risk variables are based on management's economic outlook for the next 12 months. Changes to these risk variables are due to a revised economic outlook.		
	<b>Rand depreciates against foreign currencies</b>		
	– Increase/(decrease) in profit after income tax		
	Trade receivables	2 956	775
	Trade payables	(7 059)	(3 528)
	Cash and cash equivalents	616	78
	Derivative financial instruments not earmarked for hedging	5 172	2 182
	Borrowings	–	(15)
	– Increase in equity after income tax		
	Derivative financial instruments earmarked for hedging	884	730
		<b>2 569</b>	<b>222</b>
	If the South African rand appreciates against these currencies it will have an opposite effect on reserves of the same amount.		
	<b>Change in interest rate</b>		
	The summary below reflects the results of an expected change in the prime interest rate of 0.8% (2013: 0.25%) with all other variables held constant.		
	<b>Interest rate increases</b>		
	– Increase/(decrease) in profit after income tax		
	Short-term bank deposits	4 300	156
	Interest-bearing borrowings	(7 427)	(2 527)
		<b>(3 127)</b>	<b>(2 371)</b>
	If the prime interest rate decreases it will have an opposite effect on profit after income tax of the same amount for financial instruments other than interest rate swaps and collars.		

GROUP		2014	2013
		R'000	Restated R'000
<b>31.</b>	<b>Financial risk management (continued)</b>		
<b>31.1</b>	<b>Financial risk factors (continued)</b>		
	<i>(a) Market risk (continued)</i>		
	<i>(iv) Sensitivity analysis (continued)</i>		
	<b>Change in commodity prices</b>		
	Derivative financial instruments affected by changes in the commodity prices relate to futures and options. The summary below reflects the results of an expected change in the wheat price of 1.0% (2013: 1.0%) and an expected change in the maize price of 2.0% (2013: 5.0%), with all other variables held constant.		
	<b>Commodity price increases</b>		
	– Increase in profit after income tax		
	Derivative financial instruments not earmarked for hedging	–	394
	– Increase in equity after income tax		
	Derivative financial instruments earmarked for hedging	6 611	7 798
		<b>6 611</b>	<b>8 192</b>
	If these prices would decrease it will result in a decrease in profit after income tax or reserves of the same amount.		
	<b>Change in security prices</b>		
	Available-for-sale financial assets relate to investments in securities. The summary below reflects the results of an expected change in the security prices of 2.0% (2013: 9.0%), with all other variables held constant.		
	<b>Security prices increase</b>		
	– Increase in equity after income tax		
	Available-for-sale financial instruments	1 139	4 310
		<b>1 139</b>	<b>4 310</b>
	If these prices would decrease it will result in a decrease in reserves of the same amount.		
	<b>(b) Credit risk</b>		
	Financial assets that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents, derivative financial instruments and deposits with financial institutions, as well as credit exposure to trade receivables, including outstanding receivables and committed transactions.		
	The Group's credit risk exposure relating to cash and cash equivalents, derivative financial instruments and deposits with financial institutions is managed on a Group level. Cash equivalents and short-term deposits are placed with a limited group of creditable financial institutions, all of which have Moody's P-2 short-term credit ratings. A short-term rating of P-2 indicates that the issuer has a strong ability to repay short-term debt obligations.		



## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

#### GROUP

#### 31. Financial risk management (continued)

##### 31.1 Financial risk factors (continued)

###### (b) Credit risk (continued)

The Group's credit risk exposure relating to trade receivables is managed on a decentralised basis. Trade receivables are subject to credit limits, credit control and credit approval procedures. The credit quality of customers is assessed, taking into account its financial position, past experience with the customer and other factors when approving new customers and determining or revising individual credit limits. The utilisation of credit limits is regularly monitored.

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as well as financial guarantees of R46,876,704 (2013: R46,824,864) issued.

###### (c) Liquidity risk

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

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

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held short-term bank deposits of R752,643,940 (2013: R89,125,854).

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

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

#### GROUP

#### 31. Financial risk management (continued)

##### 31.1 Financial risk factors (continued)

###### (c) Liquidity risk (continued)

The Group's unutilised borrowing facilities are as follows:

Total borrowing facilities

4 338 493

3 971 372

Net interest-bearing liabilities

(666 597)

(1 459 991)

3 671 896

2 511 381

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

##### 31.2 Capital risk management

For capital management purposes the current level of capital in the Group is defined as the difference between the total assets and total liabilities of the Group. The capital employed is managed on a basis that enables the Group to continue operating as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and bank overdrafts as disclosed in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as capital and reserves attributable to owners of the parent as shown in the consolidated statement of financial position.

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

##### 31.3 Fair values

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

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

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

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

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



## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

#### GROUP

#### 31. Financial risk management (continued)

##### 31.3 Fair values (continued)

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

The Group uses a variety of methods that makes assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. The fair values of interest rate swaps and collars are calculated as the present value of the estimated future cash flows. The fair value of foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

The carrying amounts of cash, trade and other receivables less provision for impairment, trade and other payables and short-term borrowings are assumed to approximate their fair values due to the short term until maturity of these assets and liabilities.

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

The assets and liabilities related to the Quantum Foods segment have been presented as an "Asset held for sale" and as "Discontinued operations" in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations for the years ended 30 September 2014 and 30 September 2013. Refer to note 12 for further detail.

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

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

#### GROUP

	2014	2013
	R'000	Restated R'000
<b>32. Contingent liabilities</b>		
Guarantees in terms of loans by third parties to contracted service providers	46 877	46 825
Other guarantees	1 314	250
Share of items of joint ventures	374	374
Third-party claims	1 678	1 054
	<b>50 243</b>	<b>48 503</b>

#### Litigation

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

Pioneer Foods is defending contractual claims from its privatised egg contract producers. The matters were set down for arbitration during 2012. Since the hearings commenced in 2012, settlements were negotiated with the two egg contract producers that had the largest claims. These settlements had no adverse financial impact on Pioneer Foods. The claims of the remaining three contract egg producers (being Flinkwink Properties (Pty) Ltd, KwaZulu Egg Producers (Pty) Ltd and Moerasrivier Boerdery (Pty) Ltd) are still unresolved. Pioneer Foods filed pleas to all these claims and in respect of two of these claims counter claims have been filed to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producers. No further legal action had been taken during the year under review. Based on legal opinion obtained, management is satisfied that these unresolved matters are low risk and pose no material financial risk to the Group.

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

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

Several breeder farms (being Bergsig Breeders (Pty) Ltd and Mountainview Breeders CC) and broiler farms (being Claudewil Broilers (Pty) Ltd and Dassenberg Broilers (Pty) Ltd) (four in total) also filed claims against Pioneer Foods for the alleged breach of the terms of their supply agreements with Pioneer Foods. Claudewil Broilers (Pty) Ltd withdrew its claim in 2014. No further action has transpired in the year under review. Based on legal opinion obtained, management is satisfied that these unresolved matters are low risk and pose no material financial risk to the Group.

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>33. Commitments</b>			
<b>33.1 Operating lease commitments</b>			
Not later than 1 year		68 625	52 950
Later than 1 year, but not later than 5 years		152 018	118 375
Later than 5 years		26 550	23 179
		<b>247 193</b>	<b>194 504</b>
<p>The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 25 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.</p> <p>The Group also leases various items of plant and machinery under cancellable operating lease agreements. The Group is usually required to give a six-month notice for the termination of these agreements. The lease expenditure charged to profit or loss during the year is disclosed in note 4.</p>			
<b>33.2 Operating lease receivables</b>			
The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:			
Not later than 1 year		896	198
Later than 1 year, but not later than 5 years		2 548	87
		<b>3 444</b>	<b>285</b>
<b>33.3 Future capital commitments</b>			
Contractually committed		299 834	264 989
Approved by the Board, but not yet contractually committed		351 614	242 388
– for next financial year		326 966	242 388
– for year following next financial year		24 648	–
Share of items of joint ventures		28 349	25 894
		<b>679 797</b>	<b>533 271</b>
Allocated as follows:			
Property, plant and equipment		679 797	533 271
<p>The expenditure will be financed from operating income and borrowed funds, in accordance with a budget approved by the Board.</p>			

GROUP		2014	2013
		R'000	Restated R'000
<b>34. Retirement benefits</b>			
The Group contributes to retirement and provident funds for all its employees which are administered by several service providers. These retirement and provident funds are defined contribution plans which are arranged and governed by the Pension Fund Act of 1956.			
<b>35. Government grants</b>			
Cumulative amounts received		83 459	25 959
Cumulative amounts amortised		(8 545)	(4 610)
Receipts deferred		<b>74 914</b>	<b>21 349</b>
<p>The Group obtained and deferred as income a government grant of R57,500,000 (2013: R13,500,000). The Group benefits from such assistance for capital expenditure.</p>			
<b>36. Related-party transactions</b>			
<b>36.1 Parent</b>			
Pioneer Food Group Ltd is the ultimate holding company of the Pioneer Foods Group of companies.			
<b>36.2 Subsidiaries</b>			
Details of effective interests in subsidiaries are disclosed in note 47.			
<b>36.3 Associates and joint ventures</b>			
Details of effective interests in associates are disclosed in note 49. Details of effective interests in and loans to joint ventures are disclosed in note 48.			
<b>36.4 Key management personnel</b>			
Key management personnel include the members of the Board, members of the Group's executive committee, business general managers as well as the immediate subordinates of such managers. Non-executive directors are included in the definition of key management personnel as well as any close family members of such persons and any entity over which key management exercise control, joint control or significant influence.			
<p>Close family members are those family members who may be expected to influence, or be influenced, by that person in their dealings with Pioneer Foods. They include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.</p>			

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
<b>36.</b>	<b>Related-party transactions (continued)</b>		
<b>36.5</b>	<b>Transactions and balances</b>		
	During the financial year the Company and its subsidiaries conducted the following transactions with joint ventures, associates, parties exercising significant influence and key management personnel.		
	<b>Sale of goods</b>		
	Joint ventures	<b>603 226</b>	577 263
	<b>Rendering of services</b>		
	Joint ventures	<b>882</b>	397
	<b>Purchase of goods</b>		
	Key management personnel	–	629
	Joint ventures	<b>1 534</b>	8 424
	Associates	–	6 361
	<b>Services bought</b>		
	Joint ventures	–	2
	<b>Net interest received/(paid)</b>		
	Joint ventures	<b>7 110</b>	9 160
	<b>Key management personnel compensation</b>		
	Salaries and other short-term employee benefits	<b>96 803</b>	111 644
	Termination benefits	<b>9 237</b>	18 015
	Post-employment benefits	<b>9 721</b>	11 969
	Other long-term benefits	<b>545</b>	–
	Share-based payments	<b>17 851</b>	12 616
		<b>134 157</b>	154 244

Receivables from related parties arise mainly from sales transactions and are due at the end of the month following the date of the transaction. These receivables are unsecured in nature and bear no interest. No provision for impairment was made against receivables from related parties (2013: Rnil).

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

GROUP		2014	2013
		R'000	Restated R'000
<b>36.</b>	<b>Related-party transactions (continued)</b>		
<b>36.5</b>	<b>Transactions and balances (continued)</b>		
	<b>Year-end balances arising from sales/purchases of goods/services</b>		
	<i>Receivable from related parties</i>		
	Joint ventures	<b>75 071</b>	68 510
	<i>Payable to related parties</i>		
	Joint ventures	<b>110</b>	586
	Associates	–	617
		<b>110</b>	1 203
	<b>Loans to/(from) related parties</b>		
	<i>Loans to/(from) joint ventures</i>		
	Beginning of year	<b>48 997</b>	65 035
	Loans advanced during the year	<b>126 883</b>	217 798
	Loan repayments received	<b>(137 225)</b>	(243 160)
	Interest charged	<b>7 897</b>	9 991
	Interest received	<b>(787)</b>	(831)
	Fair value adjustment	<b>291</b>	164
	End of year	<b>46 056</b>	48 997

No provision for impairment was made against loans made to joint ventures (2013: Rnil).

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014	2013
	R'000	Restated R'000
<b>37. Net cash profit from operating activities</b>		
Profit before income tax	1 418 167	710 635
Adjusted for:		
Depreciation	326 040	372 845
Impairment of property, plant and equipment and intangible assets	125 406	232 000
Impairment of loans and available-for-sale financial assets	1 699	814
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	(352)	3 813
Net profit on disposal of available-for-sale financial assets	(3 701)	(16 336)
Unrealised losses/(profits) on foreign exchange contracts and on foreign exchange differences	4 140	(3 738)
Fair value of embedded derivative financial instruments	(687)	(315)
Fair value of commodity futures and options	–	58
Change in provision for impairment of trade receivables	8 890	13 575
Change in allowance for outstanding credit notes	7 141	(6 492)
Share-based payments	213 808	161 096
Changes in provisions for post-retirement medical benefits and long-service awards	(9 041)	11 158
Dividends received	(1 644)	(1 651)
Interest received	(24 308)	(22 523)
Interest paid	138 723	126 258
Share of profit of associated companies	(1 643)	(1 224)
Share of profit of joint ventures	(68 719)	(23 698)
	<b>2 133 919</b>	<b>1 556 275</b>
<b>38. Working capital changes</b>		
Increase in inventory	(18 594)	(275 977)
(Increase)/decrease in trade and other receivables	(333 520)	29 719
Increase in trade and other payables	417 442	353 334
Increase in current biological assets	(15 634)	(32 665)
Changes to derivative financial instruments (assets and liabilities)	(9 613)	3 392
Provisions paid	(12 532)	(11 009)
	<b>27 549</b>	<b>66 794</b>

GROUP		
	2014	2013
	R'000	Restated R'000
<b>39. Dividends paid to Group ordinary shareholders</b>		
Amounts unpaid at beginning of year	(336)	(515)
As disclosed in statement of changes in equity	(1 519 231)	(211 321)
Dividends declared to ordinary shareholders	(336 529)	(257 753)
<i>Dividend in specie</i> – unbundling of Quantum Foods	(1 242 220)	–
Treasury dividends received by share incentive trusts	1 846	2 128
Treasury dividends received by subsidiary	27 153	20 859
Treasury dividends received by participants to B-BBEE equity transaction	27 318	20 986
Treasury dividends received by Pioneer Foods Broad-Based BEE Trust	3 201	2 459
Amounts unpaid at end of year	<b>1 242 543</b>	<b>336</b>
	<b>(277 024)</b>	<b>(211 500)</b>
<b>40. Income tax paid</b>		
Amounts unpaid at beginning of year	(28 658)	501
As disclosed in profit or loss	(378 213)	(254 695)
Income tax effect of disposal of shares of management share incentive scheme	(55)	(1 207)
Hedging reserve – reversal of previous year income tax to profit or loss	1 687	(4 665)
Hedging reserve – income tax current year	610	(1 687)
Amounts unpaid at end of year	<b>18 264</b>	<b>28 658</b>
	<b>(386 365)</b>	<b>(233 095)</b>
<b>41. Proceeds on disposal of property, plant and equipment and intangible assets</b>		
Book value of property, plant and equipment and intangible assets	55 371	30 467
Net profit/(loss) on disposal of property, plant and equipment and intangible assets	352	(3 813)
	<b>55 723</b>	<b>26 654</b>
<b>42. Proceeds on disposal of available-for-sale financial assets</b>		
Cost price of available-for-sale financial assets	5 120	4 178
Net profit on disposal of available-for-sale financial assets	3 701	16 336
	<b>8 821</b>	<b>20 514</b>
<b>43. Disposal of subsidiaries</b>		
No subsidiaries were disposed of during the current or previous year.		

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

#### GROUP

	2014 R'000	2013 Restated R'000
<b>44. Business combinations – discontinued operations</b>		
Effect on movement of:		
Property, plant and equipment	–	293 440
Goodwill	–	30 033
Inventories	–	1 099
Current biological assets	–	22 482
Deferred income tax	–	(30 033)
Trade and other payables	–	(2 012)
	–	315 009

#### 45. Segment information

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

Operating segments are divided into the following:

Essential Foods  
Quantum Foods  
Bokomo Foods  
Ceres Beverages  
Other

Essential Foods includes products such as wheaten flour, maize meal, rice, pasta and bread. Quantum Foods includes eggs, broilers and animal feeds and the businesses of Bokomo Zambia, Quantum Foods Zambia, and Bokomo Uganda. Bokomo Foods includes breakfast cereals, dried fruit and other fast moving consumer goods and the Bokomo Foods (UK) businesses. Ceres Beverages includes fruit juices, fruit concentrate mixtures and carbonated soft drinks. The other operating segment represents all operations not included in the segments above.

The Sasko segment has been renamed as Essential Foods since the previous reporting period.

The Quantum Foods segment has been classified as a disposal group held for sale and as a discontinued operation.

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

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

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

#### GROUP

#### 45. Segment information (continued)

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

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

	2014 R'000	2013 Restated R'000
<b>Segment revenue</b>	<b>21 587 986</b>	<b>20 059 558</b>
Essential Foods	10 927 418	10 314 391
Quantum Foods	3 591 448	3 575 555
Bokomo Foods	3 728 276	3 148 362
Ceres Beverages	3 340 844	3 021 250
Less: Internal revenue	(298 036)	(248 496)
Essential Foods	(231 485)	(228 372)
Quantum Foods	(109)	(5 470)
Bokomo Foods	(44 787)	(14 503)
Ceres Beverages	(21 655)	(151)
External revenue	21 289 950	19 811 062
Essential Foods	10 695 933	10 086 019
Quantum Foods	3 591 339	3 570 085
Bokomo Foods	3 683 489	3 133 859
Ceres Beverages	3 319 189	3 021 099
<b>Segment results</b>	<b>1 716 224</b>	<b>1 153 976</b>
Essential Foods	1 074 925	784 324
Quantum Foods	21 591	(18 858)
Bokomo Foods	406 704	279 047
Ceres Beverages	328 725	263 767
Other	(115 721)	(154 304)

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP	2014 R'000	2013 Restated R'000
<b>45. Segment information (continued)</b>		
<b>A reconciliation of the segment results to operating profit before income tax is provided below:</b>		
Segment results	1 716 224	1 153 976
Reversal of depreciation charge in Quantum Foods legal entities (asset held for sale)	54 742	–
Share-based payment on broad-based share incentive scheme	(187 338)	(145 888)
Operating profit before items of a capital nature	1 583 628	1 008 088
Adjusted for:		
Items of a capital nature	(123 052)	(220 291)
Interest income	24 308	22 523
Dividend income	1 644	1 651
Finance costs	(138 723)	(126 258)
Share of profit of joint ventures	68 719	23 698
Share of profit of associated companies	1 643	1 224
Profit before income tax per statement of comprehensive income	1 418 167	710 635
<b>Segment assets</b>	<b>11 187 240</b>	<b>10 821 898</b>
Essential Foods	4 526 077	4 271 798
Quantum Foods	1 952 103	1 919 700
Bokomo Foods	2 740 506	2 620 208
Ceres Beverages	1 813 904	1 795 071
Other	154 650	215 121
<b>A reconciliation of the segments' assets to the Group's assets is provided below:</b>		
Segment assets per segment report	11 187 240	10 821 898
Adjusted for:		
Investments in joint ventures	327 378	268 296
Loans to joint ventures	61 796	63 737
Investment in associates	19 267	18 904
Available-for-sale financial assets	70 027	59 044
Loans receivable	23 383	20 730
Current and deferred income tax assets	8 004	78 427
Cash and cash equivalents	1 213 178	403 632
Total assets per statement of financial position	12 910 273	11 734 668
<b>Total segment liabilities</b>	<b>3 101 325</b>	<b>2 588 204</b>
Essential Foods	1 424 716	1 189 035
Quantum Foods	370 975	284 056
Bokomo Foods	710 336	458 153
Ceres Beverages	376 514	418 228
Other	218 784	238 732

GROUP	2014 R'000	2013 Restated R'000
<b>45. Segment information (continued)</b>		
<b>A reconciliation of the segments' liabilities to the Group's liabilities is provided below:</b>		
Segment liabilities per segment report	3 101 325	2 588 204
Adjusted for:		
Non-current and current borrowings	1 774 215	1 839 041
Current and deferred income tax liabilities	663 613	701 680
Loan from joint venture	15 740	14 740
Dividends payable	1 242 543	336
Total liabilities per statement of financial position	6 797 436	5 144 001
<b>Total segment capital expenditure (excluding business combinations)</b>	<b>485 949</b>	<b>1 063 057</b>
Essential Foods	322 543	690 497
Quantum Foods	44 552	160 212
Bokomo Foods	37 881	84 327
Ceres Beverages	49 449	55 849
Other	31 524	72 172
<b>Total segment capital expenditure (business combinations)</b>	<b>–</b>	<b>323 473</b>
Quantum Foods	–	323 473
<b>Total segment depreciation and amortisation</b>	<b>326 040</b>	<b>372 845</b>
Essential Foods	155 383	137 683
Quantum Foods	–	56 075
Bokomo Foods	76 455	70 540
Ceres Beverages	64 762	62 885
Other	29 440	45 662
<b>Items of a capital nature per segment</b>		
Profit/(loss) on disposal of property, plant and equipment before income tax	352	(3 813)
Essential Foods	(2 283)	(6 963)
Quantum Foods	1 613	1 058
Bokomo Foods	(292)	(485)
Ceres Beverages	(2 315)	(1 283)
Other	3 629	3 860
Profit on available-for-sale financial assets before income tax		
Other	3 701	16 336
Impairment of property, plant and equipment, intangible assets and loans before income tax	(127 105)	(232 814)
Quantum Foods	(77 653)	(232 000)
Ceres Beverages	(47 753)	–
Other	(1 699)	(814)
Items of a capital nature before income tax	(123 052)	(220 291)
Income tax effect	33 199	22 200
Items of a capital nature after income tax	(89 853)	(198 091)

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		2014	2013
		R'000	Restated R'000
45.	<b>Segment information (continued)</b>		
	<b>Other material items of income or expenses per segment</b>		
	Inventory written off per segment	143 751	124 913
	Essential Foods	45 020	41 425
	Quantum Foods	32 994	26 453
	Bokomo Foods	42 820	35 738
	Ceres Beverages	22 917	21 297
	<b>Geographical information</b>		
	The Group mainly operates in South Africa. Other operations are located in Africa with one subsidiary in the United Kingdom. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.		
	Revenue derived by Group companies domiciled in the Republic of South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.		
	Segment revenue	21 315 472	19 824 118
	South Africa	20 414 205	19 223 025
	Foreign countries	901 267	601 093
	Less: Internal revenue	(25 522)	(13 056)
	South Africa	(25 522)	(10 717)
	Foreign countries	–	(2 339)
	External revenue	21 289 950	19 811 062
	South Africa	20 388 683	19 212 308
	Foreign countries	901 267	598 754
	Total segment non-current assets*	6 437 705	6 368 406
	South Africa	5 895 018	5 904 719
	Foreign countries	542 687	463 687
	Total segment capital expenditure (excluding business combinations)	485 949	1 063 057
	South Africa	470 725	1 048 566
	Foreign countries	15 224	14 491
	Total segment capital expenditure (business combinations)	–	323 473
	South Africa	–	193 838
	Foreign countries	–	129 635
	Note:		
	* Exclude deferred income tax and non-current financial instrument assets.		

GROUP		2014	2013
		R'000	Restated R'000
45.	<b>Segment information (continued)</b>		
	<b>Information regarding major customers</b>		
	During the period under review, revenue from certain customers exceeded 10% of Group revenue:		
	Customer A	3 867 711	3 244 524
	Customer B	2 482 045	2 124 991
	Revenue from these customers is reported within all operating segments except other.		
46.	<b>Events after the reporting period</b>		
	<b>Dividend</b>		
	A final dividend of 156 cents (2013: 86 cents) per ordinary share has been declared for the year. This will only be reflected in the statement of changes in equity for the next reporting period.		
	The 10,599,988 Pioneer Foods shares issued to the Pioneer Foods Broad-Based BEE Trust during April 2012, is entitled to 20% of the final gross dividend payable i.e. 31.2 cents per share (2013: 17.2 cents).		
	<b>Unbundling of interest in Quantum Foods</b>		
	Shareholders were advised on SENS on 5 September 2014 and 18 September 2014 that the Board resolved to proceed with the unbundling of its interest in Quantum Foods and to list Quantum Foods as a separate entity on the JSE. Quantum Foods was subsequently listed on the JSE on 6 October 2014.		
	<b>Other events</b>		
	No other events that may have a material effect on the Group occurred after the end of the reporting period and up to the date of approval of the annual financial statements by the Board.		



## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		Country of incorporation	Issued share capital of subsidiary		Percentage interest	
Name of subsidiary (Pty) Ltd (except where indicated otherwise)			2014 R	2013 R	2014 %	2013 %
			(except where indicated otherwise)			
<b>47.</b>	<b>Interest in subsidiaries</b>					
<b>47.1</b>	<b>Manufacturing</b>					
	Bokomo Foods (UK) Ltd	United Kingdom	<b>GBP3 000 120</b>	GBP3 000 120	<b>100</b>	100
	Bokomo Uganda	Uganda	<b>UGX335 400 500</b>	UGX335 400 500	<b>100</b>	100
	Bokomo Zambia Ltd	Zambia				
	– Ordinary shares		<b>ZMK96 800</b>	ZMK96 800	<b>100</b>	100
	– Preference shares		<b>ZMK200</b>	ZMK200	<b>100</b>	100
	Ceres Fruit Juices	South Africa	<b>100 000</b>	100 000	<b>100</b>	100
	Continental Beverages*	South Africa	<b>1 000</b>	1 000	<b>100</b>	100
	Grain Health Foods (UK) Ltd*	United Kingdom	–	GBP1	–	100
	Lohmann Breeding SA	South Africa	<b>100</b>	100	<b>100</b>	100
	Maitland Vinegar Works	South Africa	<b>460 593</b>	460 593	<b>75</b>	75
	Pioneer Foods	South Africa	<b>252</b>	252	<b>100</b>	100
	Quantum Foods Holdings Ltd	South Africa	<b>1 585 385 564</b>	–	<b>100</b>	–
	Quantum Foods	South Africa	<b>1 585 385 564</b>	–	<b>100</b>	–
	Quantum Foods Zambia Ltd	Zambia	<b>ZMK6 000</b>	–	<b>100</b>	–
	Retail Brands Interafrica	South Africa	<b>2 963 838 244</b>	1 000	<b>100</b>	100
	Philadelphia Chick Breeders	South Africa	<b>900</b>	900	<b>100</b>	100
<b>47.2</b>	<b>Properties and letting</b>					
	Sasned#	South Africa	<b>2</b>	2	<b>100</b>	100
<b>47.3</b>	<b>Investments</b>					
	Ceres Fruit Juices Investment Holdings#	South Africa	<b>1</b>	200	<b>100</b>	100
	Ceres Investment Company#	South Africa	<b>1</b>	195 000	<b>100</b>	100
	Pioneer Foods Holdings Ltd	South Africa	<b>220</b>	220	<b>100</b>	100
<b>47.4</b>	<b>Services</b>					
	Sasguard Insurance Company Ltd	South Africa	<b>30 000</b>	30 000	<b>100</b>	100

Notes:

• Dormant at 30 September 2014 after assets and liabilities were sold to another Group legal entity in terms of section 44 of the Income Tax Act, Act 58 of 1962.

\* Dissolved at 30 September 2014.

# Dormant at 30 September 2014.

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		Percentage interest	
Name of joint venture (Pty) Ltd	Country of incorporation	2014 %	2013 %
<b>48. Interest in joint ventures</b>			
<b>48.1 Manufacturing</b>			
Alpen Food Company South Africa*	South Africa	50	50
Bokomo Botswana**	Botswana	50	50
Bokomo Namibia**	Namibia	50	50
Bowman Ingredients (SA)***	South Africa	50	50
Heinz Foods SA****	South Africa	50	50
<b>48.2 Properties and letting</b>			
Amigear Ventures*****	Botswana	49	49
Nature of business:			
* Cereals.			
** Wheat and maize milling, production of eggs and distribution of Group products.			
*** Food ingredients for industrial customers.			
**** Condiments and convenience foods.			
***** Leases farming properties to Bokomo Botswana.			

GROUP		Percentage interest	
Name of associate (Pty) Ltd	Country of incorporation	2014 %	2013 %
<b>49. Investment in associates</b>			
<b>Farming</b>			
Bergsig Breeders	South Africa	28	28
Mynsar Eggs#	South Africa	35	35
Cottesloe Consultants	Botswana	25	25

Note:  
# Dormant at 30 September 2014.

GROUP		Capital R'000	Interest R'000	Total R'000
<b>50. Maturity analysis of financial liabilities</b>				
<b>30 September 2014</b>				
<b>Not later than 1 year</b>				
Borrowings excluding bank overdrafts and call loans		65 671	121 103	186 774
Trade and other payables		2 030 479	–	2 030 479
Other derivative financial instruments		9 681	–	9 681
Dividends payable		1 242 543	–	1 242 543
Loan from joint venture		15 740	905	16 645
Financial guarantees		46 877	–	46 877
		<b>3 410 991</b>	<b>122 008</b>	<b>3 532 999</b>
<b>Between 1 and 2 years</b>				
Borrowings excluding bank overdrafts and call loans		408 775	121 547	530 322
		<b>408 775</b>	<b>121 547</b>	<b>530 322</b>
<b>More than 2 years</b>				
Borrowings excluding bank overdrafts and call loans		1 104 718	211 515	1 316 233
		<b>1 104 718</b>	<b>211 515</b>	<b>1 316 233</b>
<b>Total</b>				
Borrowings excluding bank overdrafts and call loans		1 579 164	454 165	2 033 329
Trade and other payables		2 030 479	–	2 030 479
Other derivative financial instruments		9 681	–	9 681
Dividends payable		1 242 543	–	1 242 543
Loan from joint venture		15 740	905	16 645
Financial guarantees		46 877	–	46 877
		<b>4 924 484</b>	<b>455 070</b>	<b>5 379 554</b>

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP			
	Capital R'000	Interest R'000	Total R'000
<b>50. Maturity analysis of financial liabilities (continued)</b>			
<b>30 September 2013</b>			
<b>Restated</b>			
<b>Not later than 1 year</b>			
Borrowings excluding bank overdrafts and call loans	43 794	106 857	150 651
Trade and other payables	1 721 618	–	1 721 618
Other derivative financial instruments	6 241	–	6 241
Dividends payable	336	–	336
Loan from joint venture	14 740	737	15 477
Financial guarantees	46 825	–	46 825
	<b>1 833 554</b>	<b>107 594</b>	<b>1 941 148</b>
<b>Between 1 and 2 years</b>			
Borrowings excluding bank overdrafts and call loans	3 676	106 705	110 381
	<b>3 676</b>	<b>106 705</b>	<b>110 381</b>
<b>More than 2 years</b>			
Borrowings excluding bank overdrafts and call loans	1 453 553	285 718	1 739 271
	<b>1 453 553</b>	<b>285 718</b>	<b>1 739 271</b>
<b>Total</b>			
Borrowings excluding bank overdrafts and call loans	1 501 023	499 280	2 000 303
Trade and other payables	1 721 618	–	1 721 618
Other derivative financial instruments	6 241	–	6 241
Dividends payable	336	–	336
Loan from joint venture	14 740	737	15 477
Financial guarantees	46 825	–	46 825
	<b>3 290 783</b>	<b>500 017</b>	<b>3 790 800</b>

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

GROUP				
	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Available- for-sale R'000	Total R'000
<b>51. Financial instruments by category</b>				
<b>30 September 2014</b>				
<b>Assets as per statement of financial position</b>				
Loans to joint ventures	61 796	–	–	61 796
Available-for-sale financial assets	–	–	70 025	70 025
Derivative financial instruments	–	14 945	–	14 945
Trade and other receivables (refer to note 1 below)	1 770 370	–	–	1 770 370
Cash and cash equivalents	1 107 618	–	–	1 107 618
<b>Total</b>	<b>2 939 784</b>	<b>14 945</b>	<b>70 025</b>	<b>3 024 754</b>
<b>Liabilities as per statement of financial position</b>				
	Liabilities at fair value through profit or loss R'000	Derivatives used for hedging R'000	Other financial liabilities R'000	Total R'000
Borrowings	–	–	1 774 215	1 774 215
Derivative financial instruments	6 467	3 214	–	9 681
Trade and other payables (refer to note 2 below)	–	–	2 030 479	2 030 479
Dividends payable	–	–	1 242 543	1 242 543
Loan from joint venture	–	–	15 740	15 740
<b>Total</b>	<b>6 467</b>	<b>3 214</b>	<b>5 062 977</b>	<b>5 072 658</b>

Note 1: Financial assets do not include prepaid expenses and VAT amounts receivable.

Note 2: Financial liabilities do not include provisions, deferred revenue, government grants, accrual for 13th cheque, accrual for leave and VAT amounts payable.

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP					
	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Derivatives used for hedging R'000	Available- for-sale R'000	Total R'000
51. Financial instruments by category (continued) 30 September 2013 Restated Assets as per statement of financial position					
Loans to joint ventures	63 737	–	–	–	63 737
Available-for-sale financial assets	–	–	–	59 042	59 042
Derivative financial instruments	–	8 649	1 903	–	10 552
Trade and other receivables (refer to note 1 below)	1 596 556	–	–	–	1 596 556
Cash and cash equivalents	379 043	–	–	–	379 043
<b>Total</b>	<b>2 039 336</b>	<b>8 649</b>	<b>1 903</b>	<b>59 042</b>	<b>2 108 930</b>
		Liabilities at fair value through profit or loss R'000	Other financial liabilities R'000	Total R'000	
Liabilities as per statement of financial position					
Borrowings		–	1 839 034	1 839 034	
Derivative financial instruments		6 241	–	6 241	
Trade and other payables (refer to note 2 below)		–	1 721 618	1 721 618	
Dividends payable		–	336	336	
Loan from joint venture		–	14 740	14 740	
<b>Total</b>		<b>6 241</b>	<b>3 575 728</b>	<b>3 581 969</b>	

Note 1: Financial assets do not include prepaid expenses and VAT amounts receivable.

Note 2: Financial liabilities do not include provisions, deferred revenue, government grants, accrual for 13th cheque, accrual for leave and VAT amounts payable.

GROUP				
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
52. Fair value categories of assets and liabilities measured at fair value 30 September 2014 Assets measured at fair value				
Available-for-sale financial assets				
– Listed securities	68 617	–	–	68 617
– Unlisted securities	–	1 408	–	1 408
Derivative financial instruments				
– Foreign exchange contracts	–	14 258	–	14 258
– Embedded derivatives	–	687	–	687
Biological assets				
– Vineyards	–	–	16 017	16 017
Assets of disposal group classified as held for sale	–	–	2 066 829	2 066 829
<b>Total</b>	<b>68 617</b>	<b>16 353</b>	<b>2 082 846</b>	<b>2 167 816</b>
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	9 681	–	9 681
<i>Dividend in specie</i> – unbundling of Quantum Foods	–	–	1 242 220	1 242 220
Liabilities of disposal group classified as held for sale	–	–	568 111	568 111
<b>Total</b>	<b>–</b>	<b>9 681</b>	<b>1 810 331</b>	<b>1 820 012</b>

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP				
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>52. Fair value categories of assets and liabilities measured at fair value (continued)</b>				
<b>30 September 2013</b>				
<b>Restated</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets				
– Listed securities	58 418	–	–	58 418
– Unlisted securities	–	624	–	624
Derivative financial instruments				
– Foreign exchange contracts	–	10 237	–	10 237
– Embedded derivatives	–	315	–	315
Biological assets				
– Vineyards	–	–	16 017	16 017
Assets of disposal group classified as held for sale	–	–	1 953 433	1 953 433
<b>Total</b>	<b>58 418</b>	<b>11 176</b>	<b>1 969 450</b>	<b>2 039 044</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments				
– Foreign exchange contracts	–	6 183	–	6 183
– Futures – fair value hedges	–	58	–	58
Liabilities of disposal group classified as held for sale	–	–	482 017	482 017
<b>Total</b>	<b>–</b>	<b>6 241</b>	<b>482 017</b>	<b>488 258</b>

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

GROUP				
<b>53. Shareholder information</b>				
<b>Shareholder spread</b>				
Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
<i>Ordinary shares</i>				
Individuals	3 865	75.4	21 200 833	9.2
Nominees and trusts	659	12.8	12 917 687	5.6
Investment companies and corporate bodies	607	11.8	197 573 361	85.2
	<b>5 131</b>	<b>100.0</b>	<b>231 691 881</b>	<b>100.0</b>
<b>Non-public/public shareholders</b>				
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2014, is as follows:				
<b>Analysis of shareholding – ordinary shares</b>				
<b>Public shareholding</b>				
<i>Major shareholders</i>				
Government Employees Pension Fund	1	–	22 990 261	9.9
Thembeke Capital Ltd	1	–	9 326 640	4.0
<i>Other shareholders</i>	5 119	99.9	113 194 280	48.8
<b>Non-public shareholding</b>				
<i>Major shareholders</i>				
Zeder Investments Ltd (Note)	1	–	55 627 707	24.0
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	–	1 110 213	0.5
Directors (including subsidiary directors)	6	0.1	860 736	0.4
	<b>5 131</b>	<b>100.0</b>	<b>231 691 881</b>	<b>100.0</b>
<b>Distribution of ordinary shareholders</b>				
Number of shares				
1 – 1 000 shares	2 668	52.0	873 718	0.4
1 001 – 10 000 shares	1 583	30.9	5 902 879	2.5
10 001 – 50 000 shares	580	11.3	13 303 803	5.7
50 001 – 100 000 shares	120	2.3	8 607 739	3.7
100 001 – 500 000 shares	130	2.5	28 087 491	12.1
500 001 shares and over	50	1.0	174 916 251	75.6
	<b>5 131</b>	<b>100.0</b>	<b>231 691 881</b>	<b>100.0</b>

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

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

#### GROUP

#### 54. Restatement of financial information for comparative periods

##### 54.1 Impact of the application of IFRS 11

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

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

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

##### 54.2 Impact of the application of IAS 19 (revised)

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

IAS 19 (revised):

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

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

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

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

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

#### GROUP

	Change in accounting policy					Restated R'000
	Previously reported R'000	IFRS 11 R'000	IFRS 5 R'000	IAS 19 R'000	Reclassi- fication R'000	
<b>54. Restatement of financial information for comparative periods (continued)</b>						
<b>Statement of comprehensive income</b>						
for the year ended 30 September 2013						
<b>Continuing operations</b>						
Revenue	16 992 253	(674 908)	(11 216)	–	(65 152)	16 240 977
Cost of goods sold	(11 985 759)	446 974	11 216	–	–	(11 527 569)
Gross profit	5 006 494	(227 934)	–	–	(65 152)	4 713 408
Other income	132 427	(1 866)	–	–	–	130 561
Other gains/(losses) – net	7 119	(1 893)	–	–	–	5 226
Sales and distribution costs	(2 179 065)	80 138	–	–	–	(2 098 927)
Marketing costs	(373 518)	13 245	–	–	65 152	(295 121)
Administrative expenses	(604 081)	25 523	–	–	–	(578 558)
Other operating expenses	(934 032)	62 146	–	2 087	–	(869 799)
Items of a capital nature	(2 249)	12 900	–	–	–	10 651
Operating profit	1 053 095	(37 741)	–	2 087	–	1 017 441
Investment income	18 255	4 295	–	–	–	22 550
Finance costs	(128 633)	3 141	–	–	–	(125 492)
Share of profit of joint ventures	–	23 698	–	–	–	23 698
Share of profit of associated companies	976	–	–	–	–	976
Profit before income tax	943 693	(6 607)	–	2 087	–	939 173
Income tax expense	(245 151)	6 607	–	(162)	–	(238 706)
<b>Profit for the year from continuing operations</b>	698 542	–	–	1 925	–	700 467
<b>Discontinued operations</b>						
Loss for the year from discontinued operations (attributable to owners of the parent)	(200 385)	–	–	–	–	(200 385)
<b>Profit for the year</b>	498 157	–	–	1 925	–	500 082

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		Change in accounting policy					Restated R'000
		Previously reported R'000	IFRS 11 R'000	IFRS 5 R'000	IAS 19 R'000	Reclassi- fication R'000	
54.	<b>Restatement of financial information for comparative periods (continued)</b> <b>Statement of comprehensive income</b> for the year ended 30 September 2013 (continued) <b>Other comprehensive income/(loss) for the year</b> Items that will not be reclassified to profit or loss: Remeasurement of post-retirement medical benefit obligations	-	-	-	(1 506)	-	(1 506)
	Items that may subsequently be reclassified to profit or loss: Fair value adjustments to cash flow hedging reserve	17 341	-	-	-	-	17 341
	For the year	(13 651)	-	-	-	-	(13 651)
	Current income tax effect	4 355	-	-	-	-	4 355
	Deferred income tax effect	(533)	-	-	-	-	(533)
	Reclassified to profit or loss	37 737	-	-	-	-	37 737
	Current income tax effect	(10 707)	-	-	-	-	(10 707)
	Deferred income tax effect	140	-	-	-	-	140
	Fair value adjustments on available-for-sale financial assets	754	-	-	-	-	754
	For the year	18 793	-	-	-	-	18 793
	Deferred income tax effect	(1 702)	-	-	-	-	(1 702)
	Reclassified to profit or loss	(16 337)	-	-	-	-	(16 337)
	Share of other comprehensive income of investments accounted for using the equity method	-	6 497	-	-	-	6 497
	Movement on foreign currency translation reserve						
	Currency translation differences	62 221	(6 497)	-	-	-	55 724
	<b>Total comprehensive income for the year</b>	<b>578 473</b>	<b>-</b>	<b>-</b>	<b>419</b>	<b>-</b>	<b>578 892</b>

GROUP		Change in accounting policy					Restated R'000
		Previously reported R'000	IFRS 11 R'000	IFRS 5 R'000	IAS 19 R'000	Reclassi- fication R'000	
54.	<b>Restatement of financial information for comparative periods (continued)</b> <b>Statement of comprehensive income</b> for the year ended 30 September 2013 (continued) <b>Profit/(loss) for the year attributable to:</b> Owners of the parent For continuing operations	697 044	-	-	1 925	-	698 969
	For discontinued operations	(200 385)	-	-	-	-	(200 385)
	Non-controlling interest For continuing operations	1 498	-	-	-	-	1 498
		<b>498 157</b>	<b>-</b>	<b>-</b>	<b>1 925</b>	<b>-</b>	<b>500 082</b>
	<b>Total comprehensive income for the year attributable to:</b> Owners of the parent For continuing operations	752 064	-	-	419	-	752 483
	For discontinued operations	(175 089)	-	-	-	-	(175 089)
	Non-controlling interest For continuing operations	1 498	-	-	-	-	1 498
		<b>578 473</b>	<b>-</b>	<b>-</b>	<b>419</b>	<b>-</b>	<b>578 892</b>
	<b>Earnings per ordinary share (cents)</b> For continuing operations	384.5	-	-	1.0	-	385.5
	For discontinued operations	(110.5)	-	-	-	-	(110.5)
		<b>274.0</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>-</b>	<b>275.0</b>
	<b>Diluted earnings per ordinary share (cents)</b> For continuing operations	375.2	-	-	1.1	-	376.3
	For discontinued operations	(107.9)	-	-	-	-	(107.9)
		<b>267.3</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	<b>-</b>	<b>268.4</b>

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP				
	Change in accounting policy			
	Previously reported R'000	IFRS 11 R'000	IAS 19 R'000	Restated R'000
<b>54. Restatement of financial information for comparative periods (continued)</b>				
<b>Statement of financial position</b> as at 30 September 2013				
<b>ASSETS</b>				
<b>Non-current assets</b>	5 275 819	89 286	–	5 365 105
Property, plant and equipment	4 363 125	(200 534)	–	4 162 591
Intangible assets	698 476	(10 033)	–	688 443
Biological assets	16 017	–	–	16 017
Investments in joint ventures	–	268 296	–	268 296
Loans to joint ventures	31 922	31 815	–	63 737
Investments in associates	12 106	–	–	12 106
Available-for-sale financial assets	59 042	–	–	59 042
Trade and other receivables	20 876	(146)	–	20 730
Deferred income tax	74 255	(112)	–	74 143
<b>Current assets</b>	4 641 473	(225 343)	–	4 416 130
Inventories	2 491 207	(89 993)	–	2 401 214
Biological assets	8 448	(8 448)	–	–
Derivative financial instruments	10 978	(426)	–	10 552
Trade and other receivables	1 730 885	(106 267)	–	1 624 618
Current income tax	1 309	(606)	–	703
Cash and cash equivalents	398 646	(19 603)	–	379 043
Assets of disposal group classified as held for sale	1 953 433	–	–	1 953 433
<b>Total assets</b>	<b>11 870 725</b>	<b>(136 057)</b>	<b>–</b>	<b>11 734 668</b>

GROUP				
	Change in accounting policy			
	Previously reported R'000	IFRS 11 R'000	IAS 19 R'000	Restated R'000
<b>54. Restatement of financial information for comparative periods (continued)</b>				
<b>Statement of financial position</b> as at 30 September 2013 (continued)				
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves attributable to owners of the parent</b>	6 580 175	–	1 128	6 581 303
Share capital	23 101	–	–	23 101
Share premium	2 188 588	–	–	2 188 588
Treasury shares	(1 190 852)	–	–	(1 190 852)
Other reserves	426 330	–	–	426 330
Retained earnings	5 133 008	–	1 128	5 134 136
<b>Non-controlling interest</b>	9 364	–	–	9 364
<b>Total equity</b>	<b>6 589 539</b>	<b>–</b>	<b>1 128</b>	<b>6 590 667</b>
<b>Non-current liabilities</b>	2 344 171	(38 556)	(1 128)	2 304 487
Borrowings				
B-BBEE equity transaction third-party finance	449 680	–	–	449 680
Other	1 034 383	(26 834)	–	1 007 549
Deferred income tax	486 860	(11 722)	438	475 576
Share-based payment liability	251 424	–	–	251 424
Provisions for other liabilities and charges	121 824	–	(1 566)	120 258
<b>Current liabilities</b>	2 454 998	(97 501)	–	2 357 497
Trade and other payables	2 010 313	(84 088)	–	1 926 225
Current income tax	29 400	(1 250)	–	28 150
Borrowings	401 338	(19 533)	–	381 805
Loan from joint venture	7 370	7 370	–	14 740
Derivative financial instruments	6 241	–	–	6 241
Dividends payable	336	–	–	336
Liabilities of disposal group classified as held for sale	482 017	–	–	482 017
<b>Total liabilities</b>	<b>5 281 186</b>	<b>(136 057)</b>	<b>(1 128)</b>	<b>5 144 001</b>
<b>Total equity and liabilities</b>	<b>11 870 725</b>	<b>(136 057)</b>	<b>–</b>	<b>11 734 668</b>



## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP			
	Previously reported R'000	Change in accounting policy IFRS 11 R'000	Restated R'000
<b>54. Restatement of financial information for comparative periods (continued)</b>			
<b>Statement of cash flows</b>			
for the year ended 30 September 2013			
<b>Net cash flow from operating activities</b>			
Net cash profit from operating activities	1 623 338	(67 063)	1 556 275
Working capital changes	52 880	13 914	66 794
Cash effect from hedging activities	22 684	–	22 684
Accrual for Competition Commission penalties paid	(216 667)	–	(216 667)
Net cash generated from operations	1 482 235	(53 149)	1 429 086
Income tax paid	(243 078)	9 983	(233 095)
	1 239 157	(43 166)	1 195 991
<b>Net cash flow from investment activities</b>	(1 332 993)	45 795	(1 287 198)
Additions to property, plant and equipment	(799 912)	14 482	(785 430)
Replacements of property, plant and equipment	(242 497)	7 524	(234 973)
Additions to intangible assets	(42 654)	–	(42 654)
Proceeds on disposal of property, plant and equipment and intangible assets	28 417	(1 763)	26 654
Proceeds on disposal of available-for-sale financial assets	20 514	–	20 514
Business combinations	(315 009)	–	(315 009)
Loans repaid by joint ventures	8 033	8 005	16 038
Investment in available-for-sale financial assets and associates	(8 685)	–	(8 685)
Loans granted to other parties	(1 392)	(19)	(1 411)
Interest received	18 227	4 296	22 523
Dividends received	1 651	–	1 651
Dividends received from joint ventures	–	13 270	13 270
Dividends received from associates	314	–	314
	(93 836)	2 629	(91 207)

GROUP			
	Previously reported R'000	Change in accounting policy IFRS 11 R'000	Restated R'000
<b>54. Restatement of financial information for comparative periods (continued)</b>			
<b>Statement of cash flows</b>			
for the year ended 30 September 2013 (continued)			
Net cash flow before investment activities	(93 836)	2 629	(91 207)
<b>Net cash flow from investment activities</b>	(204 539)	4 351	(200 188)
Proceeds from new syndicated borrowings	1 870 000	–	1 870 000
Repayments of other borrowings	(1 699 979)	1 209	(1 698 770)
Treasury shares – share incentive trusts	18 662	–	18 662
Employee share scheme – transfer tax on share transactions	(307)	–	(307)
Employee share scheme – repurchase of class A ordinary shares from leavers	(32 736)	–	(32 736)
Interest paid	(145 966)	3 142	(142 824)
Dividends paid to Group ordinary shareholders	(211 500)	–	(211 500)
Dividends paid to class A ordinary shareholders	(2 713)	–	(2 713)
	(298 375)	6 980	(291 395)
Net decrease in cash, cash equivalents and bank overdrafts			
Net cash, cash equivalents and bank overdrafts at beginning of year	368 140	(11 131)	357 009
Net cash, cash equivalents and bank overdrafts at end of year	69 765	(4 151)	65 614
Net cash, cash equivalents and bank overdrafts at end of year			
From continuing operations	45 183	(4 151)	41 032
From discontinued operations	24 582	–	24 582
	69 765	(4 151)	65 614

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP				
	Change in accounting policy			
	Previously reported R'000	IFRS 11 R'000	IAS 19 R'000	Restated R'000
<b>54. Restatement of financial information for comparative periods (continued)</b>				
<b>Statement of financial position</b> as at 30 September 2012				
<b>ASSETS</b>				
<b>Non-current assets</b>	5 526 559	77 311	–	5 603 870
Property, plant and equipment	4 641 535	(201 311)	–	4 440 224
Intangible assets	736 163	(12 030)	–	724 133
Biological assets	16 017	–	–	16 017
Investments in joint ventures	–	251 371	–	251 371
Loans to joint ventures	39 585	39 450	–	79 035
Investments in associates	17 315	–	–	17 315
Available-for-sale financial assets	52 759	–	–	52 759
Trade and other receivables	20 444	(165)	–	20 279
Deferred income tax	2 741	(4)	–	2 737
<b>Current assets</b>	5 079 658	(194 067)	–	4 885 591
Inventories	2 449 959	(89 873)	–	2 360 086
Biological assets	228 700	(7 110)	–	221 590
Derivative financial instruments	6 791	(461)	–	6 330
Trade and other receivables	2 014 325	(77 719)	–	1 936 606
Current income tax	4 237	(267)	–	3 970
Cash and cash equivalents	375 646	(18 637)	–	357 009
<b>Total assets</b>	<b>10 606 217</b>	<b>(116 756)</b>	<b>–</b>	<b>10 489 461</b>

GROUP				
	Change in accounting policy			
	Previously reported R'000	IFRS 11 R'000	IAS 19 R'000	Restated R'000
<b>54. Restatement of financial information for comparative periods (continued)</b>				
<b>Statement of financial position</b> as at 30 September 2012 (continued)				
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves attributable to owners of the parent</b>	6 184 902	–	709	6 185 611
Share capital	23 031	–	–	23 031
Share premium	2 171 791	–	–	2 171 791
Treasury shares	(1 207 545)	–	–	(1 207 545)
Other reserves	350 410	–	–	350 410
Retained earnings	4 847 215	–	709	4 847 924
<b>Non-controlling interest</b>	8 236	–	–	8 236
<b>Total equity</b>	<b>6 193 138</b>	<b>–</b>	<b>709</b>	<b>6 193 847</b>
<b>Non-current liabilities</b>	1 377 536	(34 157)	(709)	1 342 670
Borrowings				
B-BBEE equity transaction third-party finance	449 680	–	–	449 680
Other	48 042	(19 878)	–	28 164
Deferred income tax	652 371	(14 279)	276	638 368
Share-based payment liability	108 249	–	–	108 249
Provisions for other liabilities and charges	119 194	–	(985)	118 209
<b>Current liabilities</b>	3 035 543	(82 599)	–	2 952 944
Trade and other payables	1 933 006	(68 601)	–	1 864 405
Current income tax	4 716	(1 247)	–	3 469
Borrowings	871 701	(19 751)	–	851 950
Loan from joint venture	7 000	7 000	–	14 000
Derivative financial instruments	3 124	–	–	3 124
Dividends payable	515	–	–	515
Accrual for Competition Commission penalties	215 481	–	–	215 481
<b>Total liabilities</b>	<b>4 413 079</b>	<b>(116 756)</b>	<b>(709)</b>	<b>4 295 614</b>
<b>Total equity and liabilities</b>	<b>10 606 217</b>	<b>(116 756)</b>	<b>–</b>	<b>10 489 461</b>

## GROUP FINANCIAL STATEMENTS CONTINUED

### Notes to the annual financial statements for the year ended 30 September 2014

GROUP		
	2014	2013
	R'000	Restated R'000
<b>55. Non-current assets held for sale and discontinued operations</b>		
The assets and liabilities related to the Quantum Foods segment, which include the shares held in the wholly-owned subsidiaries Philadelphia Chick Breeders (Pty) Ltd, Lohmann Breeders SA (Pty) Ltd, Bokomo Uganda (Pty) Ltd, Quantum Foods (Pty) Ltd, Quantum Foods Holdings Ltd, Quantum Foods Zambia Ltd and Bokomo Zambia Ltd (included with Quantum Foods until 31 July 2014) have been presented as held for sale following the Group Board's decision to restructure the Group's interest in these businesses as advised on SENS on 5 September 2013. Pioneer Foods unbundled its interest in Quantum Foods to its shareholders and subsequently listed Quantum Foods as a separate legal entity on the JSE on 6 October 2014.		
<b>Assets of the disposal group classified as held for sale:</b>		
Property, plant and equipment	1 075 554	1 129 629
Intangible assets	7 188	59
Investment in associates	6 112	6 798
Available-for-sale financial assets	2	2
Inventory	232 462	235 948
Biological assets	292 371	276 737
Trade and other receivables	343 538	275 189
Deferred income tax	3 051	3 119
Derivative financial instruments	991	901
Current income tax	–	462
Cash and cash equivalents	105 560	24 589
	<b>2 066 829</b>	<b>1 953 433</b>
<b>Liabilities of the disposal group classified as held for sale:</b>		
Deferred income tax	195 670	196 281
Provision for other liabilities and charges	15 639	9 294
Trade and other payables	355 337	274 762
Current income tax	1 465	1 673
Borrowings	–	7
	<b>568 111</b>	<b>482 017</b>
<b>Hedging reserve</b>	<b>238</b>	<b>–</b>
<b>Currency translation reserve</b>	<b>7 271</b>	<b>22 864</b>

GROUP		
	2014	2013
	R'000	Restated R'000
<b>55. 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 are as follows:</b>		
Revenue	3 591 339	3 570 085
Operating profit before items of a capital nature	90 846	1 298
Items of a capital nature	1 613	1 058
Investment income	3 611	1 624
Finance costs	(724)	(766)
Share of profit of associated companies	595	248
Profit before income tax	95 941	3 462
Income tax (expense)/income	(20 697)	4 251
Profit after income tax	75 244	7 713
Loss after income tax recognised on the remeasurement of assets of the disposal group	(57 028)	(208 098)
Before income tax	(77 653)	(232 000)
Income tax expense	20 625	23 902
Profit/(loss) for the year from discontinued operations	18 216	(200 385)
Other comprehensive income/(loss) for the year from discontinued operations		
Fair value adjustments to cash flow hedging reserve		
For the year	331	–
Deferred income tax effect	(93)	–
Currency translation differences	(15 593)	25 296
Total comprehensive profit/(loss) for the year from discontinued operations	2 861	(175 089)
<b>Cash flow of the disposal group classified as held for sale:</b>		
Net cash flow from operating activities	93 006	90 778
Net cash flow from investment activities	(37 803)	(469 613)
Net cash flow from financing activities	25 775	391 334
Net increase in cash, cash equivalents and bank overdrafts	80 978	12 499
Net cash, cash equivalents and bank overdrafts at beginning of year	24 582	12 083
Net cash, cash equivalents and bank overdrafts at end of year	105 560	24 582
<b>56. Going concern</b>		
The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.		

## FINANCIAL RESULTS – PIONEER FOOD GROUP LTD

Company financial statements  
for the year ended 30 September 2014

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Statement of comprehensive income  
for the year ended 30 September 2014

COMPANY			
	Notes	2014 R'000	2013 R'000
Other income	3	7 157	2 968
Administrative expenses	4	(6 003)	(6 059)
Other operating expenses	4	(2 818)	(2 968)
Operating loss	4	(1 664)	(6 059)
Investment income	5	339 889	260 885
Profit before income tax		338 225	254 826
Income tax expense	6	(544)	(477)
Profit for the year		337 681	254 349
Other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		<b>337 681</b>	<b>254 349</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		337 681	254 349
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		337 681	254 349

## FINANCIAL RESULTS – PIONEER FOOD GROUP LTD CONTINUED

### Statement of financial position as at 30 September 2014

COMPANY			
	Notes	2014 R'000	2013 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	9	2 828 696	2 517 961
<b>Current assets</b>			
Trade and other receivables	8	4 535	3 384
Loan to subsidiary	14	89 748	305 854
Current income tax		37	–
Cash and cash equivalents	10	15 261	6 582
<b>Total assets</b>		<b>2 938 277</b>	<b>2 833 781</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital – Ordinary shares	11	22 109	22 040
Share capital – Class A ordinary shares	11	605	737
Share premium		2 181 458	2 189 612
Other reserves		198 628	198 628
Retained (loss)/earnings		(1 318 187)	169 313
<b>Non-current liabilities</b>			
Share-based payment liability	12	245 178	251 424
<b>Current liabilities</b>			
Share-based payment liability	12	115 794	–
Trade and other payables	13	1 152	1 681
Current income tax		–	10
Dividends payable		1 491 540	336
<b>Total liabilities</b>		<b>1 853 664</b>	<b>253 451</b>
<b>Total equity and liabilities</b>		<b>2 938 277</b>	<b>2 833 781</b>

### Statement of changes in equity for the year ended 30 September 2014

COMPANY						
	Share capital ordinary shares R'000	Share capital class A ordinary shares R'000	Share premium R'000	Equity com- pensation reserve R'000	Retained (loss)/ earnings R'000	Total R'000
Balance as at 1 October 2013	22 040	737	2 189 612	198 628	169 313	2 580 330
Profit for the year	–	–	–	–	337 681	337 681
Share appreciation rights scheme – issue of ordinary shares	69	–	66 702	–	–	66 771
Employee share scheme – repurchase of class A ordinary shares from leavers	–	(132)	(74 856)	–	–	(74 988)
Interim dividend for 2014	–	–	–	–	(143 601)	(143 601)
Final dividend for 2013	–	–	–	–	(189 727)	(189 727)
<i>Dividend in specie</i> – unbundling of Quantum Foods	–	–	–	–	(1 491 217)	(1 491 217)
Employee share scheme – transfer tax on share transactions	–	–	–	–	(636)	(636)
<b>Balance as at 30 September 2014</b>	<b>22 109</b>	<b>605</b>	<b>2 181 458</b>	<b>198 628</b>	<b>(1 318 187)</b>	<b>1 084 613</b>
Balance as at 1 October 2012	21 971	820	2 172 733	198 628	170 565	2 564 717
Profit for the year	–	–	–	–	254 349	254 349
Share appreciation rights scheme – issue of ordinary shares	69	–	49 533	–	–	49 602
Employee share scheme – repurchase of class A ordinary shares from leavers	–	(83)	(32 654)	–	–	(32 737)
Interim dividend for 2013	–	–	–	–	(101 352)	(101 352)
Final dividend for 2012	–	–	–	–	(153 942)	(153 942)
Employee share scheme – transfer tax on share transactions	–	–	–	–	(307)	(307)
<b>Balance as at 30 September 2013</b>	<b>22 040</b>	<b>737</b>	<b>2 189 612</b>	<b>198 628</b>	<b>169 313</b>	<b>2 580 330</b>

## FINANCIAL RESULTS – PIONEER FOOD GROUP LTD CONTINUED

### Statement of cash flows

for the year ended 30 September 2014

COMPANY			
	Notes	2014 R'000	2013 R'000
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net cash loss from operating activities	15	(1 664)	(6 059)
Working capital changes	16	(1 680)	780
Income tax paid	17	(591)	(551)
		<b>357 742</b>	<b>237 807</b>
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Loans repaid by/(granted to) related party		<b>216 106</b>	(23 078)
Investment in subsidiaries	9	(198 253)	–
Interest received	5	425	418
Dividends received	5	<b>339 464</b>	260 467
		<b>(345 128)</b>	<b>(241 628)</b>
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share appreciation rights – issue of ordinary shares		<b>66 771</b>	49 602
Class A ordinary shares bought back and transfer tax on employee share scheme transactions		<b>(75 624)</b>	(33 044)
Dividends paid to ordinary shareholders	18	<b>(333 341)</b>	(255 473)
Dividends paid to class A ordinary shareholders	18	<b>(2 934)</b>	(2 713)
Net increase/(decrease) in cash and cash equivalents		<b>8 679</b>	(9 651)
Net cash and cash equivalents at beginning of year		<b>6 582</b>	16 233
<b>Net cash and cash equivalents at end of year</b>	10	<b>15 261</b>	<b>6 582</b>

### Notes to the financial statements

for the year ended 30 September 2014

COMPANY			
		2014 R'000	2013 R'000
<b>1. Accounting policies</b>			
The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to note 1 of the Group financial statements.			
These stand-alone financial statements include the financial position and results of the Pioneer Foods Education and Community Trust and the Pioneer Foods Broad-Based BEE Trust, since these trusts act as agents on behalf of the Company.			
<b>2. Critical accounting estimates and judgements</b>			
The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.			
<b>3. Other income</b>			
Administration fees received		<b>2 818</b>	2 968
Grant received by the Pioneer Foods Education and Community Trust		<b>4 339</b>	–
		<b>7 157</b>	<b>2 968</b>
<b>4. Operating loss</b>			
The operating loss is calculated after taking into account other income (refer to note 3), as well as the following:			
Auditors' remuneration			
Audit – current year		<b>435</b>	409
Audit – under provision previous year		–	5
Tax-related services		–	43
Other consulting services		–	23
Technical services from non-employees		<b>1 089</b>	2 490
Legal fees		<b>222</b>	367
Shareholder communication		<b>2 107</b>	2 054
Directors' remuneration (refer to note 14)		<b>2 818</b>	2 749
<b>5. Investment income</b>			
Interest income on financial assets: loans and receivables			
Call accounts and other		<b>425</b>	418
Dividends received			
Unlisted shares in subsidiary: Pioneer Foods Holdings Ltd		<b>339 464</b>	260 467
		<b>339 889</b>	<b>260 885</b>
<b>6. Income tax expense</b>			
Current income tax			
Current year		<b>64</b>	108
Withholding tax on dividends			
Current year		<b>480</b>	369
		<b>544</b>	<b>477</b>

## FINANCIAL RESULTS – PIONEER FOOD GROUP LTD CONTINUED

### Notes to the financial statements for the year ended 30 September 2014

COMPANY		
	2014 %	2013 %
<b>6. Income tax expense (continued)</b>		
The income tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory rate of 28% (2013: 28%) as follows:		
Standard rate for companies	<b>28.0</b>	28.0
Increase/(decrease) in rate:		
Exempt income	<b>(28.5)</b>	(28.6)
Withholding tax on dividends	<b>0.1</b>	0.1
Non-deductible expenditure	<b>0.6</b>	0.7
Effective rate	<b>0.2</b>	0.2
	R'000	R'000
<b>7. Dividend per ordinary share</b>		
Interim		
65.0 cents (2013: 46.0 cents) per ordinary share	<b>143 601</b>	101 352
Final		
156.0 cents (2013: 86 cents) per ordinary share	<b>344 903</b>	189 727
<i>Dividend in specie</i> – unbundling of Quantum Foods	<b>1 491 217</b>	–
	<b>1 979 721</b>	291 079

Dividends payable are not accounted for until they have been declared by the Board of directors. The statement of changes in equity does not reflect the final dividend payable. The final dividend will be accounted for as an appropriation of retained earnings in the following year. Withholding tax on dividends ("DWT") became effective from 1 April 2012 at a rate of 15%.

Shareholders were advised on SENS on 5 September 2014 and 18 September 2014 that the Board has resolved to proceed with the unbundling of its interest in Quantum Foods and to list Quantum Foods as a separate entity on the JSE. Quantum Foods was listed on the JSE on 6 October 2014. The unbundling has been accounted for as a *dividend in specie* at fair value in accordance with IFRIC 17 – Distributions of Non-cash Assets to Owners. IFRIC 17 requires distributions within its scope to be measured at the fair value of the assets to be distributed at the date when the dividend is appropriately authorised and is no longer at the entity's discretion. Consequently an amount of R1,491,216,659, representing the fair value of the dividend attributable to external shareholders, has been accounted for as a dividend payable to shareholders at 30 September 2014.

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

COMPANY		
	2014 R'000	2013 R'000
<b>8. Trade and other receivables</b>		
Prepayments	<b>103</b>	–
Receivables from related parties (refer to note 14)	<b>4 432</b>	3 384
	<b>4 535</b>	3 384
<b>9. Investment in subsidiaries</b>		
<i>Unlisted – at cost</i>		
Pioneer Foods Holdings Ltd	–	–
Quantum Foods Holdings Ltd	<b>198 253</b>	–
<i>Capital contribution towards subsidiaries</i>		
Pioneer Foods Holdings Ltd	<b>2 206 660</b>	2 206 660
Pioneer Foods (Pty) Ltd	<b>367 521</b>	280 268
Ceres Fruit Juices (Pty) Ltd	<b>56 262</b>	31 033
	<b>2 828 696</b>	2 517 961
<b>10. Cash and cash equivalents</b>		
Cash at bank	<b>9 117</b>	4 306
Short-term bank deposits	<b>6 144</b>	2 276
	<b>15 261</b>	6 582
For the purposes of the statement of cash flows, the year-end cash, cash equivalents and bank overdrafts comprise the following:		
Cash and short-term deposits	<b>15 261</b>	6 582

# FINANCIAL RESULTS – PIONEER FOOD GROUP LTD CONTINUED

## Notes to the financial statements for the year ended 30 September 2014

COMPANY		
	2014 Number	2013 Number
<b>11. Share capital</b>		
<b>Issued and fully paid – number of ordinary listed shares</b>		
At beginning of year	220 406 859	219 714 498
Shares issued in terms of management share appreciation rights scheme	685 034	692 361
At end of year	221 091 893	220 406 859
<i>Shares issued in terms of the share appreciation rights scheme</i>		
During the year 685,034 (2013: 692,361) listed ordinary shares of 10 cents each were issued at an average of R97.47 (2013: R71.64) per share in terms of the management share appreciation rights scheme.		
<i>Shares issued in terms of the B-BBEE equity transaction</i>		
In terms of the B-BBEE equity transaction in 2012, 17,488,631 and 603,030 listed ordinary shares of 10 cents each were issued at R55.14 and R58.04 to BEE strategic partners and current and former BEE directors respectively. 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.		
The shares issued to the Pioneer Foods Broad-Based BEE Trust is consolidated in terms of IFRS since the Pioneer Foods Broad-Based BEE Trust acts as an agent on behalf of the Company.		
<b>Issued and fully paid – number of ordinary unlisted class A shares</b>		
At beginning of year	7 367 360	8 198 120
Shares bought back and cancelled	(1 323 420)	(830 760)
At end of year	6 043 940	7 367 360
During 2006 the Company introduced a broad-based employee share scheme for all employees other than management qualifying for the share-based compensation scheme. 18,130,000 class A ordinary shares of 10 cents each were authorised. The issued shares are all held by the employee share scheme trust.		
During the year the Company bought back 1,323,420 (2013: 830,760) class A ordinary shares at an average premium of R56.56 (2013: R39.31) per share in addition to the par value of R0.10 per share.		
Class A ordinary shares are not listed on the JSE Ltd. These shares have full voting rights, similar to those of the ordinary shares. Refer to note 22 of the Group financial statements for further detail.		

COMPANY		
	2014 R'000	2013 R'000
<b>12. Share-based payment liability</b>		
Balance at beginning of year	251 424	108 249
Share-based payment and repurchase of class A ordinary shares from leavers	112 482	145 888
Dividends paid on class A ordinary shares	(2 934)	(2 713)
	360 972	251 424
For the purposes of the statement of financial position the share-based payment liability is presented as follows:		
Non-current portion	245 178	251 424
Current portion	115 794	–
	360 972	251 424
<b>13. Trade and other payables</b>		
Trade payables	308	1 100
Accrued expenses	137	–
Value-added tax	273	166
Other	434	415
	1 152	1 681
<b>14. Related-party transactions</b>		
During the financial year the Company conducted the following transactions with its subsidiaries:		
<b>Rendering of services</b>		
Administration fees charged to Pioneer Foods (Pty) Ltd	2 818	2 968
<b>Income received from related party</b>		
Income received from Pioneer Foods (Pty) Ltd	4 339	–
<b>Receivables from related party</b>		
Receivables from Pioneer Foods (Pty) Ltd	3 212	3 384
Receivables from Quantum Foods (Pty) Ltd	1 220	–
	4 432	3 384
<b>Loan to related party</b>		
Loan to Pioneer Foods (Pty) Ltd		
Beginning of year	305 854	282 776
Loans advanced during the year	(739 964)	(311 786)
Loans repaid during the year	523 858	334 864
End of year	89 748	305 854
Unsecured interest-free loan with no fixed terms of repayment.		



## FINANCIAL RESULTS – PIONEER FOOD GROUP LTD CONTINUED

### Notes to the financial statements for the year ended 30 September 2014

COMPANY		
	2014 R'000	2013 R'000
<b>14. Related-party transactions (continued)</b>		
<i>Key management personnel compensation</i>		
Non-executive directors		
Fees	2 818	2 749
<b>15. Net cash loss from operating activities</b>		
Reconciliation of profit before income tax and cash loss from operating activities:		
Profit before income tax	338 225	254 826
Adjusted for:		
Dividends received	(339 464)	(260 467)
Interest received	(425)	(418)
	<b>(1 664)</b>	<b>(6 059)</b>
<b>16. Working capital changes</b>		
Increase in trade and other receivables	(1 151)	(354)
(Decrease)/increase in trade and other payables	(529)	1 134
	<b>(1 680)</b>	<b>780</b>
<b>17. Income tax paid</b>		
Amounts unpaid at beginning of year	(10)	(84)
As disclosed in profit or loss	(544)	(477)
Amounts (receivable)/unpaid at end of year	(37)	10
	<b>(591)</b>	<b>(551)</b>
<b>18. Dividends paid</b>		
<i>Ordinary shareholders</i>		
Amounts unpaid at beginning of year	(336)	(515)
As disclosed in statement of changes in equity	(1 824 545)	(255 294)
Amounts unpaid at end of year	1 491 540	336
	<b>(333 341)</b>	<b>(255 473)</b>
<i>Class A ordinary shareholders</i>		
As accounted for against share-based payment liability	(2 934)	(2 713)

COMPANY			
	Capital R'000	Interest R'000	Total R'000
<b>19. Maturity analysis of financial liabilities</b>			
<b>30 September 2014</b>			
Not later than 1 year			
Trade and other payables	879	–	879
Dividends payable	1 491 540	–	1 491 540
	<b>1 492 419</b>	<b>–</b>	<b>1 492 419</b>
<b>30 September 2013</b>			
Not later than 1 year			
Trade and other payables	1 515	–	1 515
Dividends payable	336	–	336
	<b>1 851</b>	<b>–</b>	<b>1 851</b>

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

### 20. Events after the reporting period

Events after the reporting period are those events that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified, adjusting events and non-adjusting events.

Adjusting events are those events that provide evidence of conditions that existed at the reporting date. These events require the Company to adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date.

Non-adjusting events are those events that are indicative of conditions that arose after the reporting date. The Company shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. If, however, non-adjusting events are material, the entity is required to disclose certain information about the events. No adjusting events after the reporting period occurred which may have a material effect on the Company.

### 21. Going concern

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

# FINANCIAL RESULTS – PIONEER FOOD GROUP LTD CONTINUED

## Notes to the financial statements for the year ended 30 September 2014

### COMPANY

		Loans and receivables R'000	Total R'000
22.	<b>Financial instruments by category</b>		
	<b>30 September 2014</b>		
	<b>Assets as per statement of financial position</b>		
	Trade and other receivables	4 535	4 535
	Loan to subsidiary	89 748	89 748
	Cash and cash equivalents	15 261	15 261
	<b>Total</b>	<b>109 544</b>	<b>109 544</b>

		Financial liability at fair value R'000	Other financial liabilities R'000	Total R'000
	<b>Liabilities as per statement of financial position</b>			
	Trade and other payables	–	879	879
	Dividends payable	1 491 217	323	1 491 540
	<b>Total</b>	<b>1 491 217</b>	<b>1 202</b>	<b>1 492 419</b>

		Loans and receivables R'000	Total R'000
	<b>30 September 2013</b>		
	<b>Assets as per statement of financial position</b>		
	Trade and other receivables	3 384	3 384
	Loan to subsidiary	305 854	305 854
	Cash and cash equivalents	6 582	6 582
	<b>Total</b>	<b>315 820</b>	<b>315 820</b>

		Financial liability at fair value R'000	Other financial liabilities R'000	Total R'000
	<b>Liabilities as per statement of financial position</b>			
	Trade and other payables	–	1 515	1 515
	Dividends payable	–	336	336
	<b>Total</b>	<b>–</b>	<b>1 851</b>	<b>1 851</b>

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