PIONEER FOODS

2019

ANNUAL FINANCIAL STATEMENTS

CONTENTS

PIONEER FOOD GROUP LTD

GROUP FINANCIAL STATEMENTS

For the year ended 30 September 2019

FOR MOMS AROUND THE WORLD, PIONEER FOODS IS THE FOOD AND BEVERAGE COMPANY THAT DEVELOPS AND DELIVERS PRODUCTS THAT HELP THEM AND THEIR FAMILIES REALISE THEIR FULL POTENTIAL AND LIVE BETTER LIVES THROUGH PIONEER FOODS' QUEST AND PURPOSE TO CONSISTENTLY ESTABLISH NEW AND ENHANCED WAYS OF PRODUCING, DISTRIBUTING, MARKETING AND SELLING PRODUCTS.

Navigational icons:
The following icons are applied throughout the report to improve usability and to highlight integration between relevant content elements:

Pioneer Foods' website:
www.pioneerfoods.co.za

PG Page reference

Directors' responsibility

In accordance with the requirements of the Companies Act, Act 71 of 2008, as amended from time to time, the Board of directors ("the Board") is responsible for the preparation of the annual financial statements as well as the consolidated annual financial statements of Pioneer Food Group Ltd ("Pioneer Foods"). The aforementioned comply with International Financial Reporting Standards and fairly present the state of affairs of Pioneer Foods and its subsidiaries ("the Group") at the end of the financial year, and the financial performance and cash flows for the stated period.

The Board is responsible for the information in the annual financial statements. It is also responsible for the information in the annual integrated report, for both its accuracy and consistency with the financial statements.

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

The Board is ultimately accountable for the Group's governance practices which include, amongst other, internal control processes. Management enables the Board to meet its responsibilities in this regard. Applicable standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the Group's financial records and its financial statements. The Board and management are committed to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates are applied on a consistent and going concern basis. Systems and controls include proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and reasoning provided by management as well as the internal and external auditors in their respective capacity as assurance providers, the Board is of the view that the financial reporting controls are sufficient for the purposes required and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities.

During the year under review and at the publication date of this report, nothing has come to the Board's and/or management's attention that indicates or implies a breakdown in the functioning of the said controls, resulting in a material loss to the Group.

The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue operating in the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

The annual financial statements which appear on pages 7 to 145 were approved by the Board on 14 November 2019 and are herewith signed on its behalf by:

ZL Combi
Chairman

TA Carstens
Chief Executive Officer

Notice in terms of section 29

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

Secretarial certification

In accordance with section 88 of the Companies Act, Act 71 of 2008 ("the Act"), as amended from time to time, for the year ended 30 September 2019, it is hereby certified that the Group has lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Act and that such returns are true, correct and up to date.

J Jacobs
Company Secretary

Report of the audit committee ("the report")

The audit committee ("the committee") is pleased to present its report in terms of section 94(7)(f) of the Companies Act, Act 71 of 2008, as amended from time to time ("the Companies Act"). This report sets out how the committee discharged its statutory and Board assigned duties in respect of the financial year ended 30 September 2019.

As a statutory body, the committee is accountable to the Board and to the shareholders of Pioneer Food Group Ltd ("the Group"). This committee is the audit committee for all companies in the Group. For the year ended 30 September 2018, Sasguard Insurance Company Ltd had its own audit committee, however this committee also acted as audit committee for this entity for the year ended 30 September 2019 as it is now dormant.

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

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

Members of the audit committee

Mr Christoff Botha, who was appointed as a non-executive director on 12 December 2018, was subsequently appointed as chairman of the audit committee with effect from 15 February 2019.

The committee currently comprises of four members, all of which are independent, non-executive directors who were appointed at the Group's annual general meeting on recommendation of the Board.

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

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

Meeting attendance

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

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

NAME OF COMMITTEE MEMBER	NUMBER OF MEETINGS ATTENDED	13 NOVEMBER 2018	14 FEBRUARY 2019	15 MAY 2019	24 JULY 2019
CG Botha (chairman)*	1	Not applicable	Not applicable	Present	Apologies
NW Thomson**	4	Present	Present	Present	Present
LE Mthimunye	4	Present	Present	Present	Present
SS Ntsaluba	3	Apologies	Present	Present	Present

* Elected as chairman. Meeting held on 15 May 2019 was chaired by Mr CG Botha.
** Other meetings were chaired by Mr NW Thomson, former chairman of the committee.

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

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

Roles and responsibilities of the audit committee

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

- It reviewed the interim, preliminary and summary results, as well as the year-end financial statements, and recommended these to the Board for approval. During the year under review, the committee satisfied itself that the Group complied, in all material respects, with the requirements of the Companies Act, the International Financial Reporting Standards, the SAICA Financial Reporting Guides and applicable legislation.
- The committee reviewed the external audit reports on the Group's annual financial statements and afforded specific attention to the following material matters:
  - Derivative financial instruments – forward purchase contracts on own equity;
  - Commodity hedge accounting;
  - Annual assessment of useful lives and residual values of items of property, plant and equipment and intangible assets;
  - Share-based payment charges in terms of IFRS 2;
  - The conclusion of the Phase II B-BBEE equity transaction and the consequential derecognition of the previously consolidated special-purpose vehicle companies;
  - Hedge accounting applied in respect of the interest rate swap agreements entered into;
  - The key assumptions used in determining the recoverable amounts of cash-generating units for purposes of the Group's impairment testing and the resulting impairment provisions recognised on items of property, plant and equipment and intangible assets;
  - The application of changes in accounting policies due to changes necessitated by new accounting standards, IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers and the preparation for the implementation of IFRS 16 – Leases which will be applicable to the Group from 1 October 2019; and
  - The disclosure consequent to the offer by PepsiCo to acquire all the shares of Pioneer Food Group Ltd.
- The committee was satisfied with the disclosure and accounting treatment of all these matters.
- The committee reviewed the representation made by the external auditors and satisfied itself that the external auditor is independent of the Group, as set out in section 94(8) of the Companies Act, and suitable for re-appointment by considering, *inter alia*, the information stated in paragraph 22.15(h) of the JSE Ltd Listings Requirements.
- In considering the recommendation for the appointment of external auditors for the 2019 financial year, the committee noted that the current auditors were re-appointed after a comprehensive competitive bidding process in 2016. The committee is planning to recommend audit firm rotation before the end of 2023. For the 2020 financial year, the committee is recommending the re-appointment of PwC.
- Consideration was given to the rotation requirement of the designated lead external audit partner, Mr Duncan Adriaans. His final audit as partner will be 2020 and succession plans are in place for his replacement.
- The committee determined and approved the audit fees and the terms of engagement of the external auditors.
- The committee satisfied itself that the provision of non-audit services rendered by the external auditor complied with Group policy in this regard. The committee also approved the contractual terms for the provision of all non-audit services rendered by the external auditors.
- The committee is structured to deal appropriately with concerns and complaints relating to:
  - the Group's accounting practices and internal audit;
  - the content and auditing of the Group's financial statements;
  - the Group's internal financial controls; and
  - any other related matter.

  However, no complaints were received.
- The committee had oversight of the financial reporting process, including the integrated report and the annual financial statements and at its meeting held on 13 November 2019, has recommended the integrated report and the annual financial statements for approval by the Board.
- The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report, to ensure consistency with other known information. The committee was satisfied that the sustainability related information presented is reliable and consistent with the Group's financial results.
- The committee received and considered the JSE's report on proactive monitoring of financial statements in 2018 for compliance with IFRS. These proposals were implemented where appropriate and practical. The requisite information was sent to the JSE.

Internal audit

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

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

The committee performed an evaluation of the effectiveness of the internal audit function as well as that of the chief audit executive. The committee is pleased to report that the internal audit function under leadership of the chief audit executive continued to operate efficiently and with the necessary independence and stature within the Group. In 2018, the committee approved the extension of the outsourced internal auditors' service agreement to 30 September 2020.

Combined assurance

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

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

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

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

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

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

Internal controls

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

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

Compliance

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

Going concern

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

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

NW Thomson
Acting Chairman: Audit Committee

Tyger Valley
13 November 2019

Directors' report

for the year ended 30 September 2019

Principal activities and business review

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

Financial results

The annual financial statements on pages 7 to 145 set out fully the financial position as at 30 September 2019 and the results of operations and the cash flows for the year ended 30 September 2019. Further information is provided in the financial review in the integrated report.

Share capital

The authorised share capital consists of 400,000,000 (2018: 400,000,000) ordinary shares of 10 cents each and 18,130,000 (2018: 18,130,000) class A ordinary shares of 10 cents each. At year-end 221,828,298 (2018: 233,177,067) ordinary shares and 2,650,060 (2018: 2,878,680) class A ordinary shares are in issue.

The movement in issued share capital is disclosed in note 22 to the annual financial statements. During the year, the Company issued 249,660 (2018: 423,880) listed ordinary shares of 10 cents at an average of R99.89 (2018: R121.54) per share in terms of the management share appreciation rights scheme.

The Company bought back and cancelled 35,416 (2018: 626,258) listed ordinary shares during the year at R77.38 (2018: R108.34) per share. In addition, 11,563,013 listed ordinary shares of 10 cents each were repurchased (and cancelled) at an average of R78.19 per share from the transaction participants of the Phase II B-BBEE equity transaction as part of the conclusion of this transaction.

There was no movement (2018: Nil) in the treasury shares held by a subsidiary. This subsidiary held 17,982,056 (2018: 17,982,056) ordinary shares at year-end.

The Pioneer Foods Broad-Based BEE Trust held 10,745,350 (2018: 10,745,350) ordinary shares at year-end.

The Company bought back and cancelled 228,620 (2018: 296,240) class A ordinary shares during the year at a premium of R54.02 (2018: R88.73) per share in addition to the par value of 10 cents per share.

Borrowings

No material new borrowings were obtained by the Group. Changes in borrowings mainly reflect repayments made in terms of agreements. For further detail of borrowings refer to note 25 of the annual financial statements. For the carrying amounts of property, plant and equipment, inventories and trade and other receivables encumbered and bank accounts ceded as security for borrowings, refer to notes 12, 18, 20 and 21 of the Group annual financial statements.

As part of its overall risk management strategy the Group decided to hedge against a possible increase in interest rates by entering into a 2-year and 3-year interest rate swap agreement ("swaps") with a nominal value of R250 million each. The swaps commenced on 1 July 2019. Interest payments are linked to the 3-month Jibar and are settled quarterly. Refer to note 19 of the financial statements for further detail.

Dividends

A final gross dividend of 219 cents (2018: 260 cents) per ordinary share was declared. This is in addition to the interim gross dividend of 105 cents (2018: 105 cents) per ordinary share.

The interim dividend for the year amounted to R223,676,987 (2018: R236,386,949) and the final dividend for the year will be approximately R466,978,119 (2018: R583,954,264). The exact amount will be dependent on the number of shares in issue at the record date. These amounts include the dividends paid or payable to the Pioneer Foods Broad-Based BEE Trust.

The 10,745,350 Pioneer Foods shares held by the Pioneer Broad-Based BEE Trust are entitled to 20% of the gross interim and final dividends per share as indicated above, i.e. 21.0 cents per share (2018: 21.0 cents) and 43.8 cents (2018: 52.0 cents) respectively. This gross interim dividend for the year amounted to R2,256,524 (2018: R2,256,524) and the final dividend for the year will amount to R4,706,463 (2018: R5,587,582).

The dividend is payable on 3 February 2020 to shareholders recorded as such in the share register of the Company on 31 January 2020 (the record date). The last date of trading cum dividend will be 28 January 2020.

Directors

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

Litigation statement

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

Events after the reporting period

On 15 October 2019 shareholders voted in favour of the PepsiCo Offer to acquire all the ordinary shares of Pioneer Foods. The terms of the offer are detailed in the combined circular distributed to Pioneer Foods shareholders on 29 August 2019. The effective date of the transaction is still subject to various conditions precedent.

Further to the approval of the PepsiCo offer, ordinary resolutions passed will give effect to an amendment to the Phantom Share Plan as well as a payment to certain direct or indirect participants in the 2012 Phase II B-BBEE equity transaction that elected to sell their Pioneer Foods ordinary shares, held directly or indirectly, to Pioneer Foods during March 2019. This payment will amount to R7.50 per share for the 11,563,013 Pioneer Foods ordinary shares repurchased from such Phase II B-BBEE equity transaction participants in terms of the March B-BBEE repurchase, totalling R86,722,598.

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

Auditors

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

Directors' remuneration report

for the year ended 30 September 2019

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

	NUMBER OF SHARES#			% OF ISSUED ORDINARY SHARE CAPITAL
	DIRECT	INDIRECT*	TOTAL	
Directors' interest in shares				
The direct and indirect interests of the directors in the issued share capital of the Company are reflected in the table below:				
30 September 2019				
TA Carstens	363 688	–	363 688	0.16
F Lombard	83 947	11 208	95 155	0.04
	447 635	11 208	458 843	0.20
30 September 2018				
TA Carstens (1 October 2017)**	363 688	–	363 688	0.15
F Lombard	83 947	11 208	95 155	0.04
ZL Combi	–	172 295	172 295	0.07
Prof ASM Karaan	–	86 147	86 147	0.04
NS Mjoli-Mncube	–	86 147	86 147	0.04
G Pretorius	–	30 000	30 000	0.01
AH Sangqu	–	86 147	86 147	0.04
	447 635	471 944	919 579	0.39

Note:

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

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

** Appointed as director.

Director's share appreciation rights (SARs)

	NUMBER OF SARs INITIALLY ALLOCATED	DATE AWARDED	EXERCISABLE UP TO DATE	STRIKE PRICE CENTS	FAIR VALUE PER SAR AT GRANT DATE (FOR CURRENT YEAR GRANTS) CENTS
30 September 2019					
Executive directors					
TA Carstens	160 392	2014/02/28	2019/08/31	8 155	–
	150 000	2015/09/21	2021/03/21	19 871	–
	42 362	2015/02/13	2020/08/13	15 419	–
	17 624	2016/02/15	2021/08/15	13 021	–
	52 782	2017/02/22	2022/08/22	16 620	–
	237 394	2018/02/14	2023/08/14	13 496	–
	384 808	2019/02/22	2024/08/22	8 011	2 328
F Lombard	186 900	2014/02/28	2019/08/31	8 155	–
	150 000	2015/09/21	2021/03/21	19 871	–
	25 845	2015/02/13	2020/08/13	15 419	–
	17 226	2016/02/15	2021/08/15	13 021	–
	60 776	2017/02/22	2022/08/22	16 620	–
	89 810	2018/02/14	2023/08/14	13 496	–
	273 871	2019/02/22	2024/08/22	8 011	2 328
30 September 2018					
Executive directors					
TA Carstens (1 October 2017)*	–	2013/02/06	2023/02/05	5 542	–
	–	2014/02/28	2019/08/31	8 155	–
	–	2015/09/21	2021/03/21	19 871	–
	–	2015/02/13	2020/08/13	15 419	–
	–	2016/02/15	2021/08/15	13 021	–
	–	2017/02/22	2022/08/22	16 620	–
	237 394	2018/02/14	2023/08/14	13 496	3 427
F Lombard	4 386	2013/02/06	2023/02/05	5 542	–
	186 900	2014/02/28	2019/08/31	8 155	–
	150 000	2015/09/21	2021/03/21	19 871	–
	25 845	2015/02/13	2020/08/13	15 419	–
	17 226	2016/02/15	2021/08/15	13 021	–
	60 776	2017/02/22	2022/08/22	16 620	–
	89 810	2018/02/14	2023/08/14	13 496	3 427
Former executive director					
PM Roux (30 September 2017)**	249 509	2013/04/01	2023/02/09	6 452	–
	469 794	2014/02/28	2019/08/31	8 155	–
	54 682	2015/02/13	2020/08/13	15 419	–
	48 552	2016/02/15	2021/08/15	13 021	–
	117 701	2017/02/22	2022/08/22	16 620	–

Notes:

* Appointed as director.

** Retired as director.

FAIR VALUE OF TOTAL SARs GRANTED DURING THE YEAR RAND	NUMBER OF SARs REDEEMED CUMULATIVE	NUMBER OF SARs REDEEMED IN CURRENT YEAR	NUMBER OF SARs FORFEITED CUMULATIVE	NUMBER OF SARs FORFEITED IN CURRENT YEAR	SHARE PRICE AT DATE OF REDEMPTION CENTS	VALUE INCREASE FROM STRIKE PRICE TO PRICE AT REDEMPTION RAND	CHANGE IN DIRECTOR-SHIP: NUMBER OF SARs	NUMBER OF SARs NOT REDEEMED
–	80 196	40 098	80 196	40 098	10 350	880 151	–	–
–	–	–	50 000	50 000	–	–	–	100 000
–	–	–	28 240	21 180	–	–	–	14 122
–	–	–	5 875	5 875	–	–	–	11 749
–	–	–	–	–	–	–	–	52 782
–	–	–	–	–	–	–	–	237 394
8 958 330	–	–	–	–	–	–	–	384 808
–	93 451	46 726	93 449	46 724	10 350	1 025 636	–	–
–	–	–	50 000	50 000	–	–	–	100 000
–	–	–	17 230	12 922	–	–	–	8 615
–	–	–	5 742	5 742	–	–	–	11 484
–	–	–	–	–	–	–	–	60 776
–	–	–	–	–	–	–	–	89 810
6 375 717	–	–	–	–	–	–	–	273 871
–	4 701	4 701	–	–	13 630	380 217	4 701	–
–	40 098	40 098	40 098	40 098	13 630	2 195 366	160 392	80 196
–	–	–	–	–	–	–	150 000	150 000
–	–	–	7 060	7 060	–	–	42 362	35 302
–	–	–	–	–	–	–	17 624	17 624
–	–	–	–	–	–	–	52 782	52 782
8 135 492	–	–	–	–	–	–	–	237 394
–	4 386	4 386	–	–	13 630	354 740	–	–
–	46 725	46 725	46 725	46 725	13 630	2 558 194	–	93 450
–	–	–	–	–	–	–	–	150 000
–	–	–	4 308	4 308	–	–	–	21 537
–	–	–	–	–	–	–	–	17 226
–	–	–	–	–	–	–	–	60 776
3 077 789	–	–	–	–	–	–	–	89 810
–	199 607	–	–	–	–	–	(49 902)	–
–	156 598	–	–	–	–	–	(313 196)	–
–	–	–	–	–	–	–	(54 682)	–
–	–	–	–	–	–	–	(48 552)	–
–	–	–	–	–	–	–	(117 701)	–

Remuneration of directors and former executive director

	BASIC SALARY R'000	TRAVEL ALLOWANCES R'000	BONUSES AND INCENTIVES R'000	RETIREMENT FUND CONTRIBUTIONS R'000	DIRECTORS' FEES R'000	RESTRAINT OF TRADE PAYMENT R'000	TOTAL R'000
30 September 2019							
Executive directors							
TA Carstens	5 163	148	–	1 011	–	–	6 322
F Lombard	4 677	183	–	332	–	–	5 192
	9 840	331	–	1 343	–	–	11 514
Non-executive directors							
ZL Combi	–	–	–	–	1 179	–	1 179
CG Botha (12 December 2018)*	–	–	–	–	423	–	423
N Celliers	–	–	–	–	573	–	573
Prof ASM Karaan	–	–	–	–	562	–	562
NS Mjoli-Mncube	–	–	–	–	431	–	431
PJ Mouton	–	–	–	–	431	–	431
LE Mthimunye	–	–	–	–	605	–	605
SS Ntsaluba	–	–	–	–	695	–	695
G Pretorius (15 February 2019)**	–	–	–	–	387	–	387
AH Sangqu	–	–	–	–	577	–	577
NW Thomson	–	–	–	–	1 136	–	1 136
	–	–	–	–	6 999	–	6 999
Total directors	9 840	331	–	1 343	6 999	–	18 513

Notes:

* Appointed as director.

** Retired as director.

Remuneration of directors and former executive director continued

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

Notes:

* Appointed as director.

** Retired as director.

Independent auditor's report to the Shareholders of Pioneer Food Group Ltd

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Pioneer Food Group Ltd (the Company) and its subsidiaries (together the Group) as at 30 September 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Pioneer Food Group Ltd's consolidated and separate financial statements set out on pages 19 to 145 comprise:

- the consolidated and separate statements of financial position as at 30 September 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the notes to the annual financial statements; and
- the accounting policy.

Certain required disclosures have been presented elsewhere in the document titled "Pioneer Foods Annual Financial Statements 2019", rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018),* parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview

Overall group materiality

- R60.89 million, which represents 5% of consolidated profit before income tax.

Group audit scope

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

Key audit matters

- Accounting for commodity trading positions and foreign currency contracts.

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

Materiality

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

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

Overall Group materiality	R60.89 million
How we determined it	5% of consolidated profit before income tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-orientated companies in this sector.

How we tailored our Group audit scope

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

The consolidated financial statements are comprised of twelve subsidiaries, which include the Group's operating businesses and centralised functions, equity-accounted earnings of five joint ventures and four associates. Full scope audits were performed on six subsidiaries of the Group representing more than 85% of consolidated profit before tax and consolidated assets of the Group. Full scope audits were also performed on four joint ventures and one associate representing 91% of the carrying amount of the total investment in joint ventures and associates as at the reporting date, with analytical review procedures performed on the remaining joint ventures and associates to obtain sufficient appropriate audit evidence to express an opinion on the consolidated financial statements as a whole.

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

Key audit matters

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

Consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
Accounting for commodity trading positions and foreign currency contracts Due to the nature of the Group's operations, the Group is exposed to commodity price risk that arises from the Group's need to buy specific quantities and qualities of raw materials to meet its milling and manufacturing requirements. Furthermore, the Group is also exposed to foreign exchange risk from commodities procured and denominated in a foreign currency. The Group enters into exchange-for-physical contracts, options, commodity futures and forward contracts to hedge itself against the price risk of these commodities. The Group also uses forward exchange contracts to hedge against foreign currency risk. The exchange-for-physical contracts, options, commodity futures and forward contracts as well as forward exchange contracts are recognised and accounted for as derivative financial instruments. The Group elected to retain the hedge accounting requirements as set out in IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") upon adoption of IFRS 9 – *Financial Instruments* in the current financial year. To the extent that these derivative financial instruments qualify for hedge accounting under IAS 39, the effective portion of the movement in fair values of these derivatives are accounted for as either cash flow hedges or fair value hedges (refer to notes 19 and 31). As at 30 September 2019, a loss of R3.2 million before income tax (2018: R8.9 million loss) has been deferred in equity. We considered the accounting for commodity trading positions and foreign currency contracts to be a matter of most significance to our current year audit due to the following: • the documentation requirements to apply hedge accounting; • the manual process applied for each hedge transaction in determining the effectiveness of the hedging instrument; • the magnitude and high volume of these transactions; and • the volatility of commodity prices and foreign exchange rates.	Our audit procedures included evaluating and testing the design and effectiveness of the relevant controls over hedge accounting of commodities for inventory. We performed, amongst others, procedures to test whether: • Proper segregation of duties exists for trading activities between the derivatives trader and the finance function; and • Trading takes place within the pre-determined mandate. We evaluated the Group's hedge policies for exchange-for-physical contracts, options, commodity futures and forward contracts as well as forward exchange contracts for compliance with the relevant accounting standards. We selected a sample of hedged transactions and recalculated management's analysis of the effectiveness of these derivative financial instruments and noted no material differences. In respect of the open derivative financial instruments at year-end, we directly confirmed the existence of these derivative financial instruments with the counterparties. Counterparty confirmations also assisted us in assessing the completeness of derivative instruments accounted for by the Group at year end. We also tested the fair value measurement of the derivatives based on market data and we investigated, where applicable, whether the effectiveness of the hedge accounting strategies is supported by effectiveness testing documentation. No material differences were noted.

Separate financial statements

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Pioneer Foods Annual Financial Statements 2019", which includes the Directors' report, the Report of the audit committee and the Secretarial certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Pioneer Foods Integrated Report 2019", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Pioneer Food Group Ltd for 23 years. The business of Pioneer Food Group Ltd was previously transacted through Bokomo (Pty) Ltd and Sasko (Pty) Ltd, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 69 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D Adriaans
Registered Auditor

Stellenbosch
15 November 2019

Accounting policy

for the year ended 30 September 2019

1. Basis of preparation

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

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

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

1.1 New and amended accounting standards effective in 2019

The Group have adopted the following new pronouncements and amendments that became effective for the current reporting period beginning on 1 October 2018:

IFRS 9 – Financial Instruments

IFRS 15 – Revenue from Contracts with Customers

Amendments to IFRS 2 – Share-based Payments: Classification and Measurement of Share-based Payment Transactions

Annual Improvements 2014 – 2016 cycle

Amendments to IAS 40 – Investment Property: Transfers to Investment Property

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The adoption of IFRS 9 and IFRS 15 resulted in changes to the Group's accounting policies and adjustments to opening retained earnings as at 1 October 2018. Refer to note 53 in the notes to the annual financial statements for detail on the impact of the adoption of these new accounting standards.

The other pronouncements did not have a material impact on the financial position and results of the Group.

1. Basis of preparation continued

1.2 New accounting standards that are not yet effective and have not been early adopted by the Group

The following standard is considered significant to the Group. The standard is not yet effective and has not been early adopted by the Group:

IFRS 16 – Leases

IFRS 16 – Leases replaces IAS 17 – Leases and will be effective for the Group's financial year commencing 1 October 2019.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise an asset representing the right to use the leased item and a related liability to pay rentals. The only exceptions are short-term and low-value leases and the Group will elect to adopt these exemptions.

The Group will consider a lease agreement with a non-cancellable period of 12 months or less (after due consideration of an option to extend, or an option to terminate, if the Group is reasonably certain to exercise the extension option, or not to exercise the termination option) as a short-term lease. A lease agreement of which the underlying asset's value is R100,000 or less will be considered a low-value lease.

The Group's implementation project is being finalised and includes the development of an IT solution to capture and maintain data for reporting purposes. The nature of leases within the Group that qualify for capitalisation in terms of IFRS 16 mainly relate to distribution warehouses, production and administration buildings, computer equipment and forklifts.

In accordance with the transitional provisions of IFRS 16, the Group will adopt the modified retrospective application option on adoption of the new standard with the cumulative impact recognised as an adjustment to opening retained earnings at the date of initial application. The measurement of the right-of-use asset was done retrospectively or at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments recognised immediately before the date of initial application of IFRS 16. This election was made on a lease by lease basis. As a result, comparative information will not be restated. The Group has re-assessed all leases under the requirements of IFRS 16 and the assessment of which contracts contain a lease will not be grandfathered.

The expected quantitative impact of the initial application of the new accounting standard is illustrated below:

	30 SEPTEMBER 2019 AS DISCLOSED R'm	ESTIMATED IFRS 16 IMPACT R'm	1 OCTOBER 2019 ON INITIAL APPLICATION R'm
Statement of financial position			
Assets			
Non-current and current assets			
Property, plant and equipment	5 710.2	748.9	6 459.1
– Right-of-use assets	–	748.9	748.9
Trade and other receivables	2 508.2	(12.9)	2 495.3
– Prepayments	101.9	(12.9)	89.0
Total assets	8 218.4	736.0	8 954.4
Equity and liabilities			
Capital and reserves			
Retained earnings	7 227.2	(17.9)	7 209.3
Total capital and reserves	7 227.2	(17.9)	7 209.3
Non-current and current liabilities			
Borrowings	1 438.1	793.1	2 231.2
– Lease agreements	62.8	793.1	855.9
Deferred income tax	824.4	(3.8)	820.6
Trade and other payables	3 116.6	(35.4)	3 081.2
– Deferred income	37.7	(32.0)	5.7
– Other: operating leases straight-lining liability	57.8	(3.4)	54.4
Total liabilities	5 379.1	753.9	6 133.0
Total equity and liabilities	12 606.3	736.0	13 342.3

Apart from the expected impact on the statement of financial position as illustrated above, the initial application will also result in a reduction in the operating lease expense in the income statement and an increase in depreciation charges (on the right-of-use assets) and finance costs (interest expense on the lease liability). The impact of these cannot be quantified at this stage.

1. Basis of preparation continued

1.2 New accounting standards that are not yet effective and have not been early adopted by the Group continued

IFRS 16 – Leases continued

The Group's activities as a lessor are not material and hence a significant impact on the financial statements is not expected from these activities other than additional disclosures in this regard.

The impact of other pronouncements that are not yet effective is not expected to be material to the Group in the current or future reporting periods.

1.3 Use of adjusted measures

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

1.4 Items of a capital nature

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

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

2. Significant accounting policies

2.1 Revenue from contracts with customers

The Group adopted IFRS 15 – Revenue from Contracts with Customers from 1 October 2018 which resulted in changes in its accounting policy relating to revenue recognition. The Group elected not to restate comparative information and for this reason the accounting policy relating to the previous financial year has been included in note 54 of the notes to the annual financial statements for referencing purposes. The new accounting policy is set out below.

Sale of goods

Timing of recognition

The Group manufactures and sells a range of fast moving consumer goods to retailers and wholesalers. Contracts with the Group's customers contain a single performance obligation to deliver the goods ordered by the customer.

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has accepted inventory risk related to the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the Group has a present right to payment.

Delivery occurs when the products have been shipped to or delivered at the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

Measurement of revenue

Revenue reflects the listed sales price net of value-added tax, rebates and discounts, other incentives, adjustments for expected returns of good stock, stock write-offs and price differences. Accumulated experience is used to estimate and provide for discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as sales are made with short-term credit terms, which is consistent with market practice.

2. Significant accounting policies continued

2.1 Revenue from contracts with customers continued

Accounting for credit notes – good stock

When the customer has a right to return a product within a given period, the Group is obliged to refund the purchase price. A refund liability (trade and other payables) for the expected refunds to customers is recognised as an adjustment to revenue. At the same time, the Group has the right to recover the product from the customer and the Group recognises an asset (inventory) and a corresponding adjustment to cost of sales. The asset is measured with reference to the former carrying value of the product. The refund liability is determined using the expected value method with reference to historical experience of actual returns.

The costs to recover the products are not material as the products are usually returned during the normal distribution process.

Accounting for credit notes – other than good stock

The Group recognises an allowance for expected credit notes relating to price differences and stock write-offs. The allowance is based on past experience using the expected value method and is accounted for as an adjustment to revenue and trade receivables.

Variable consideration

Goods are often sold with retrospective growth incentives payable to customers and are typically based on aggregate sales over a 12 month period. A provision is recognised for expected growth incentives payable to customers in relation to sales made until the end of the reporting period with a corresponding adjustment to revenue. Historical experience is used to estimate and provide for the growth incentives, using the expected value method.

Accounting for loyalty programmes

The Group makes payments to customers linked to a loyalty programme. These payments are not considered as payments for distinct goods or services received from the customer and as a result the amounts payable are recognised as adjustments to revenue. A contract liability is recognised for loyalty awards payable based on actual sales volumes adjusted with historical experience of non-redemptions. Revenue is recognised when the points are redeemed or when they expire.

2.2 Interest income

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

Interest income on credit-impaired financial assets at amortised cost is recognised using the original effective interest rate. The effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is included in 'investment income' in profit or loss.

2.3 Dividend income

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

2.4 Segment reporting

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

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

2. Significant accounting policies continued

2.5 Basis of consolidation

Subsidiaries

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

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

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

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 – Financial Instruments either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

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

2. Significant accounting policies continued

2.5 Basis of consolidation continued

Treasury shares

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

Associates

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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

Joint arrangements

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

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

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

Consolidation of special purpose entities

The special purpose entities ("SPEs") established in terms of the Phase II B-BBEE equity transaction implemented in March 2012, have been consolidated in the Group results until the conclusion of the transaction on 15 March 2019. When the transaction was effected in March 2012 it was established that these entities were controlled entities, mainly due to the fact that the Group retained residual or ownership risks relating to the SPEs.

The terms of the financing provided to the SPEs matured on 15 March 2019 which resulted in the termination of the Phase II B-BBEE equity transaction. As of the conclusion date, the SPEs are no longer required to be consolidated in terms of IFRS. Refer to note 43.2 of the notes to the annual financial statements for further detail.

2. Significant accounting policies continued

2.6 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Translation differences are recognised in profit or loss for items measured at fair value through profit or loss and in other comprehensive income for items measured through other comprehensive income.

Group entities

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

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

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

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

2.7 Property, plant and equipment

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

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

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

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

2. Significant accounting policies continued

2.7 Property, plant and equipment continued

The expected useful lives are as follows:

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

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

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

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

2.8 Intangible assets

Goodwill

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

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

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

Trademarks and intellectual property

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

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

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

Computer software

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

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

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

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

2. Significant accounting policies continued

2.9 Impairment of non-financial assets

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

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

2.10 Financial instruments

Financial instruments comprise investments in equity securities, loans receivable, trade and other receivables, cash and cash equivalents, borrowings, bank overdrafts, derivatives and trade and other payables. It excludes prepayments, accruals, government grants, deferred income and amounts relating to value-added tax.

The Group adopted IFRS 9 – Financial Instruments from 1 October 2018 which resulted in changes in its accounting policy relating to financial instruments. The Group also adopted the consequential amendments to IFRS 7 – Financial Instruments: Disclosure. In accordance with the transitional provisions in IFRS 9, the Group elected not to restate comparative information. For this reason the accounting policy relating to the previous financial year has been included in note 54 of the notes to the annual financial statements for referencing purposes. The new accounting policy is set out below.

2.10.1 Classification

Financial assets

The Group classifies its financial assets in the following categories:

- at amortised cost
- at fair value through other comprehensive income ("Fair value through OCI")
- at fair value through profit or loss

Management determines the classification of its financial assets at initial recognition. The classification depends on the business model for managing the financial asset and the characteristics of the cash flows related to it.

Financial assets with embedded derivatives are considered in their entirety when determining their cash flows characteristics.

Financial assets are not reclassified unless the Group changes its business model. In rare circumstances where the Group does change its business model, reclassifications are done prospectively from the date that the Group changes its business model.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as at amortised cost.

Financial assets in this category comprise 'trade and other receivables', 'loans to joint ventures', 'loans to associates' and 'cash and cash equivalents' in the statement of financial position. These items are included in current assets unless their expected maturities exceed 12 months after the reporting date.

Fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are classified as at fair value through other comprehensive income ("FVOCI").

For investments in equity instruments that are held as long-term investments rather than held for short-term trading, the Group has made the irrevocable election to account for the equity investment at FVOCI.

Financial assets in this category comprise non-listed equity investments presented as 'equity investments at fair value through OCI' in the statement of financial position. These items are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

2. Significant accounting policies continued

2.10 Financial instruments continued

2.10.1 Classification continued

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through OCI are classified as at fair value through profit or loss (FVTPL).

Financial assets in this category comprise 'derivative financial instruments' in the statement of financial position. They are classified as current assets if expected to be settled within 12 months of the reporting date.

Financial liabilities

Financial liabilities are classified as measured at amortised cost except for derivative liabilities that are measured at FVTPL. Financial liabilities are classified as non-current if the Group has an unconditional right to defer payment for more than 12 months from the reporting date.

2.10.2 Recognition and derecognition

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss in 'other gains/(losses) – net'.

2.10.3 Measurement

Amortised cost

Financial instruments at amortised cost are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method.

Any gain or loss arising upon derecognition is recognised directly in profit or loss and presented in 'other gains/(losses) – net'.

Fair value through OCI

Financial assets at FVOCI are initially recognised at fair value plus transaction costs and subsequently carried at fair value with gains or losses arising from changes in the fair value being recognised in OCI.

Where the Group has elected to present fair value movements on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as 'investment income' when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Financial instruments at FVTPL are initially recognised at fair value and transaction costs are expensed in profit or loss. These items are subsequently carried at fair value with gains or losses arising from changes in the fair value being recognised in profit or loss in 'other gains/(losses) – net'.

2.10.4 Impairment

The Group has the following financial assets that are subject to the expected credit loss impairment model in terms of IFRS 9:

- Trade and other receivables
- Loans receivable
- Cash and cash equivalents

The Group determines impairment provisions by taking into account available forward looking information which could adversely impact a debtor's ability to pay. This includes an assessment of the local short- to medium-term economic outlook, the specific industry the counter party operates in as well as the regulatory and economic environment of the country it operates in.

2. Significant accounting policies continued

2.10 Financial instruments continued

2.10.4 Impairment continued

A financial asset is considered to be credit impaired (non-performing) when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events: significant financial difficulty of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments.

Financial assets subject to impairment are written off when there is no reasonable expectation of recovery and the amount is recognised in profit or loss within 'other operating expenses'. Subsequent recoveries of amounts previously written off are credited against the same line item.

Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, all the Group's recovery actions have been exhausted and once legal actions have been unsuccessful.

Trade receivables

The Group adopted the simplified approach for measuring impairment provisions for trade receivables. In terms of this approach, the impairment provisions are calculated with reference to lifetime expected credit losses ("ECLs"). The Group determines impairment provisions on both an individual and collective basis.

ECLs are determined on an individual basis for credit impaired financial assets as the risk profiles relating to these customers are different to the categories identified in the collective assessment.

The ECL on a collective basis is calculated using a formula incorporating the following parameters: Exposure at Default ("EAD"), Probability of Default ("PD") and Loss Given Default ("LGD") (i.e. PD x LGD x EAD = ECL). To determine the PD, exposures are segmented by customer type (e.g multi-national, listed or private company etc.), whether collateral is held and the primary economic environment in which the customer operates. This is done to allow for risk differentiation. The Standard & Poor's ("S&P") credit rating for the country in which the customer operates is assigned to a category and adjusted to take into account specific risk factors identified based on the information included above.

The impairment provision for trade receivables is deducted from the gross carrying amount of the assets with the corresponding movement in the provision presented as 'other operating expenses' in profit or loss.

Other financial assets at amortised cost

Impairment provisions relating to loans receivable and cash and cash equivalents are determined in terms of the general expected credit loss model.

In terms of this model the Group considers the PD upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information that could be indicative of a deterioration in the counterparty's ability to pay and includes the following indicators:

- credit ratings (to the extent available)
- actual and expected defaults on contractual payments
- significant changes in the actual or expected operating results of the counterparty (to the extent available)
- actual or expected adverse changes in the industry, financial or economic environment the counterparty operates in that are expected to affect its ability to pay
- significant changes in the value of the collateral supporting the obligation
- macroeconomic indicators such as market interest rates and growth rates of the relevant country in which the counterparty operates

The Group presumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

A default on a financial asset occurs when the counterparty fails to make contractual payments within 60 days of when they fall due.

The Group uses three categories for loans which reflect their credit risk and how the loss provision for the loan is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as S&P.

2. Significant accounting policies continued

2.10 Financial instruments continued

2.10.4 Impairment continued

Other financial assets at amortised cost continued

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	Definition of category	Basis for recognition of ECL provision
Performing	Loans with a credit risk in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are up to 30 days past due (see above for more detail)	Lifetime expected losses (stage 2)
Non-performing (credit impaired)	Interest and/or principal repayments are more than 30 days and up to 60 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (stage 3)
Write-off	Interest and/or principal repayments are more than 60 days past due, failure of a debtor to engage in a repayment plan, all recovery actions have been exhausted and legal actions have been unsuccessful	Asset is written off

Loans receivable consist mainly of enterprise development loans extended to qualifying recipients as well as loans to associates and joint ventures.

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of counterparty, and adjusts for forward-looking macroeconomic data.

The risk ratings of the counterparties where cash and cash equivalents and restricted cash balances are held are taken into account in determining the likelihood that a counterparty will fail to meet its obligations. For counterparties with the following risk ratings management does not expect the counterparty to fail to meet its obligations: long-term (local) credit rating of BBB/A or higher and a short-term (local) credit rating of A-2/P-2 or higher in terms of the S&P or Moody's credit rating scales respectively. Cash and cash equivalents are considered to have minimal credit risk due to low probability of default for the financial institutions where the Group's cash is held.

Impairment provisions relating to loans receivable and cash and cash equivalents are deducted from the gross carrying amount of the assets with the corresponding movements in the provisions presented as 'other operating expenses' in profit or loss.

2.10.5 Offsetting financial instruments

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

2.11 Derivative financial instruments and hedging activities

The Group adopted IFRS 9 from 1 October 2018 which introduces new rules for hedge accounting, however the Group elected to retain the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

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

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

2. Significant accounting policies continued

2.11 Derivative financial instruments and hedging activities continued

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

Cash flow hedges

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

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

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

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

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in 'cost of goods sold' in the case of inventory or in 'depreciation' in the case of property, plant and equipment. The gain or loss relating to the effective portion of interest rate swaps that hedges variable interest rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in profit or loss within 'other gains/losses – net'.

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

Embedded derivatives

Embedded derivatives are derivative instruments that are embedded in another contract or host contract. The Group has designated embedded derivatives as at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated.

Derivatives that do not qualify for hedge accounting

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

2.12 Inventories

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

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

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

2. Significant accounting policies continued

2.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the normal course of business. These amounts are generally due for settlement in the short term and don't contain significant financing components.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Refer to 2.10.4 of the accounting policies for a description of the Group's impairment policy on financial assets.

2.14 Borrowings

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

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as "other income" or "finance costs".

2.15 Trade payables

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

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

2.16 Cash and cash equivalents

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

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

Cash and cash equivalents are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.17 Current and deferred income tax

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

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

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

2. Significant accounting policies continued

2.17 Current and deferred income tax continued

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

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

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

2.18 Share-based payments

Share-based compensation

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

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

Broad-based employee share scheme

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

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

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

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

2.19 Broad-Based Black Economic Empowerment ("B-BBEE") transactions

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

B-BBEE transactions, where employees are involved, are measured and accounted for on the same basis as share-based compensation (refer to 2.18 of the accounting policy).

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

3. Other less significant accounting policies

3.1 Accounting for leases: Group company is the lessee

Finance leases

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

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

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

Operating leases

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

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

3.2 Accounting for leases: Group company is the lessor

Operating leases

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

3.3 Employee benefits

Retirement scheme arrangements

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

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

Post-retirement medical benefits

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

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

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

Other long-term employee benefits

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

3. Other less significant accounting policies continued

3.3 Employee benefits continued

Termination benefits

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

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

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

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

Bonus plans

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

Leave pay

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

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

3.4 Government grants

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

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

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

3.5 Dividend distribution

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

3.6 Borrowing costs

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

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

3.7 Share capital

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

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

Statement of comprehensive income

for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Revenue	44	22 272 629	20 151 853
Cost of goods sold		(16 134 562)	(14 356 322)
Gross profit		6 138 067	5 795 531
Other income	3	138 026	218 247
Other gains/(losses) – net	3	(8 103)	(20 859)
Sales and distribution costs	4	(3 139 951)	(2 779 199)
Marketing costs	4	(350 523)	(315 470)
Administrative expenses	4	(828 725)	(786 956)
Other operating expenses	4	(567 297)	(538 971)
Items of a capital nature	5	(80 511)	73 228
Operating profit		1 300 983	1 645 551
Investment income	6	30 348	27 987
Finance costs	7	(200 793)	(197 467)
Share of profit/(loss) of joint ventures	15	74 359	(13 770)
Share of profit of associated companies	16	12 803	13 811
Profit before income tax		1 217 700	1 476 112
Income tax expense	8	(302 001)	(398 998)
Profit for the year		915 699	1 077 114
Other comprehensive (loss)/income for the year			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-retirement medical benefit obligations		(1 605)	2 174
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		4 091	(12 178)
For the year		(16 488)	3 623
Current income tax effect		2 967	(5 658)
Deferred income tax effect		1 650	4 643
Reclassified to profit or loss		22 169	(20 537)
Current income tax effect		(1 564)	5 079
Deferred income tax effect		(4 643)	672
Fair value adjustments on equity investments at fair value through other comprehensive income (2018: available-for-sale financial assets)		(17 187)	568
For the year		(17 187)	18 744
Deferred income tax effect		–	6 400
Reclassified to profit or loss		–	(24 576)
Share of other comprehensive income of investments accounted for applying the equity method		8 145	7 437
Movement on foreign currency translation reserve			
Currency translation differences		14 499	26 077
Total comprehensive income for the year		923 642	1 101 192
Profit for the year attributable to:			
Owners of the parent		909 815	1 072 600
Non-controlling interest		5 884	4 514
		915 699	1 077 114
Total comprehensive income for the year attributable to:			
Owners of the parent		914 628	1 090 857
Non-controlling interest		9 014	10 335
		923 642	1 101 192
Earnings per ordinary share (cents)	9	479.0	574.6
Diluted earnings per ordinary share (cents)	9	479.0	546.5

Statement of financial position

as at 30 September 2019

	Notes	2019 R'000	2018 R'000
Assets			
Non-current assets		8 113 215	7 953 382
Property, plant and equipment	12	5 710 206	5 653 909
Intangible assets	13	1 263 700	1 200 001
Investments in joint ventures	15	625 160	580 586
Loans to joint ventures	15	7 980	14 448
Investments in associates	16	235 835	196 241
Derivative financial instruments	19	141 411	128 687
Equity investments at fair value through other comprehensive income	17	4 022	–
Available-for-sale financial assets	17	–	77 912
Trade and other receivables	20	48 779	45 751
Deferred income tax	26	76 122	55 847
Current assets		6 550 395	6 587 690
Inventories	18	3 536 753	3 176 590
Derivative financial instruments	19	42 775	28 024
Trade and other receivables	20	2 459 359	2 244 104
Current income tax		229	10 202
Cash and cash equivalents	21	511 279	1 128 770
Total assets		14 663 610	14 541 072
Equity and liabilities			
Capital and reserves attributable to owners of the parent		8 911 950	8 379 678
Share capital	22	22 184	23 319
Share premium		1 657 160	2 537 963
Treasury shares	22	(187 113)	(1 186 401)
Other reserves	24	192 491	188 884
Retained earnings		7 227 228	6 815 913
Non-controlling interest	28	44 360	35 346
Total equity		8 956 310	8 415 024
Non-current liabilities		2 354 624	2 396 148
Borrowings			
Syndicated and other	25	1 283 273	1 405 080
Derivative financial instruments	19	3 304	–
Deferred income tax	26	824 389	766 105
Share-based payment liability	29	128 411	112 768
Provisions for other liabilities and charges	27	115 247	112 195
Current liabilities		3 352 676	3 729 900
Trade and other payables	30	3 116 596	3 018 509
Current income tax		15 341	15 157
Borrowings			
B-BBEE equity transaction third-party finance	25	–	451 494
Syndicated and other	25	154 816	165 517
Loan from joint venture	15	21 500	21 040
Derivative financial instruments	19	12 676	32 864
Dividends payable		1 566	1 551
Share-based payment liability	29	30 181	23 768
Total liabilities		5 707 300	6 126 048
Total equity and liabilities		14 663 610	14 541 072

Statement of changes in equity

for the year ended 30 September 2019

	SHARE CAPITAL ORDINARY SHARES R'000	SHARE PREMIUM R'000	TREASURY SHARES R'000	TRANSLATION RESERVE R'000
Balance as at 1 October 2018 – previously reported	23 319	2 537 963	(1 186 401)	105 792
Effect of change in accounting policy	–	–	–	–
Balance as at 1 October 2018 – restated	23 319	2 537 963	(1 186 401)	105 792
Profit for the year	–	–	–	–
Other comprehensive income/(loss) for the year	–	–	–	19 555
Employee share scheme – repurchase of class A ordinary shares from leavers	–	(23)	–	–
Dividends paid – final and interim net of treasury shares	–	–	–	–
Transaction cost on shares bought back	–	–	–	–
Recognition of share-based payments – share appreciation rights	–	–	–	–
Deferred income tax on share-based payments	–	–	–	–
Ordinary shares issued – share appreciation rights	25	24 913	–	–
Shares bought back and cancelled	(4)	(2 737)	–	–
Shares bought back from B-BBEE equity transaction participants	(1 156)	(902 956)	–	–
Derecognition of previously consolidated Phase II BEE equity transaction participants	–	–	999 288	–
Balance as at 30 September 2019	22 184	1 657 160	(187 113)	125 347

FAIR VALUE RESERVE R'000	HEDGING RESERVE R'000	EQUITY COMPENSATION RESERVE R'000	OTHER RESERVES: TOTAL R'000	RETAINED EARNINGS R'000	NON-CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
29 667	(6 782)	60 207	188 884	6 815 913	35 346	8 415 024
–	–	–	–	(2 289)	–	(2 289)
29 667	(6 782)	60 207	188 884	6 813 624	35 346	8 412 735
–	–	–	–	909 815	5 884	915 699
(17 187)	4 049	–	6 417	(1 605)	3 130	7 942
–	–	–	–	–	–	(23)
–	–	–	–	(687 113)	–	(687 113)
–	–	–	–	(10 160)	–	(10 160)
–	–	28 152	28 152	–	–	28 152
–	–	6 456	6 456	–	–	6 456
–	–	(24 938)	(24 938)	–	–	–
–	–	–	–	–	–	(2 741)
–	–	–	–	–	–	(904 112)
(12 480)	–	–	(12 480)	202 667	–	1 189 475
–	(2 733)	69 877	192 491	7 227 228	44 360	8 956 310

Statement of changes in equity

for the year ended 30 September 2018

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

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

Statement of cash flows

for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Net cash flow from operating activities			
Net cash profit from operating activities	36	1 894 794	2 072 528
Working capital changes	37	(527 232)	281 099
Cash effect from hedging activities		(5 010)	2 067
Net cash generated from operations		1 362 552	2 355 694
Settlement of share-based payment liability		(12 373)	(26 317)
Cash effect of forward purchase contracts related to share-based payments		19 256	25 547
Income tax paid	39	(248 045)	(364 351)
		1 121 390	1 990 573
Net cash flow from investment activities		(606 859)	(866 603)
Additions to property, plant and equipment	12	(480 507)	(252 672)
Replacements of property, plant and equipment	12	(50 445)	(328 368)
Additions to intangible assets	13	(129 335)	(45 183)
Proceeds on disposal of property, plant, equipment and intangible assets	40	14 254	106 633
Proceeds on disposal of available-for-sale financial assets	41	–	86 468
Business combinations	43	–	(511 355)
Loans repaid by joint ventures and associates	15	6 928	35 382
Investments in associates	16	(23 868)	–
Investment in equity investments at fair value through other comprehensive income (2018: available-for-sale financial assets)		(3 000)	(7 544)
Investments in joint venture	15	–	(15 000)
Loans granted to other parties		(5 785)	(35 243)
Interest received	6	17 228	16 127
Dividends received	6	12 664	11 447
Dividends received from joint ventures	14	35 007	52 061
Dividends received from associate	16	–	20 644
Net cash flow from financing activities		(1 067 454)	(395 916)
Proceeds from borrowings – new syndicated and other borrowings	25	–	1 206 972
Repayment of Phase II BEE equity transaction third-party finance	25	(427 790)	–
Repayments of other borrowings	25	(89 456)	(61 722)
External funding to Phase II BEE equity transaction participant	43	429 253	–
Repayment of syndicated bullet loans	25	–	(600 000)
Ordinary shares bought back and cancelled		(2 741)	(67 846)
Derecognition of cash and cash equivalents of previously consolidated Phase II BEE equity transaction participants	43	(77 153)	–
Transaction cost on shares bought back		(10 160)	(397)
Interest paid		(199 279)	(189 199)
Dividends paid to Group ordinary shareholders	38	(687 098)	(680 423)
Dividends paid to class A ordinary shareholders	29	(3 030)	(3 301)
Effect of exchange rate changes on cash and cash equivalents		2 188	3 009
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(550 735)	731 063
Net cash, cash equivalents and bank overdrafts at beginning of year		1 033 512	302 449
Net cash, cash equivalents and bank overdrafts at end of year	21	482 777	1 033 512

Notes to the annual financial statements

for the year ended 30 September 2019

1. Accounting policies

The principal accounting policies incorporated in the preparation of these financial statements are set out on pages 19 to 35.

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/estimates

Estimates

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.

Share-based payments

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

Customer growth incentives

Goods are often sold with retrospective growth incentives payable to customers that are typically based on aggregate sales growth over a 12-month period. A provision is recognised for expected growth incentives payable to customers in relation to sales made until the end of the reporting period with a corresponding adjustment to revenue. Historical experience is used to estimate and provide for the growth incentives, using the expected value method.

Customer credit notes

An allowance for credit notes is recognised for expected stock returns, stock write-offs and possible price claims in relation to sales made during the reporting period. The allowance is based on historical experience and is accounted for as an adjustment to revenue and trade receivables.

Judgements

Property, plant and equipment

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

Intangible assets with finite useful lives

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

Intangible assets with indefinite useful lives

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

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

2. Critical accounting estimates and judgements continued

Key assumptions and critical judgements continued

Judgements continued

Deferred income tax

Utilisation of tax losses is dependent on sufficient taxable income being earned in the future by the subsidiaries concerned. The tax losses relate mainly to Pioneer Foods Wellingtons (Pty) Ltd with a tax loss at year-end of R364,893,207 (2018: R288,534,365). Pioneer Foods Wellingtons (formerly known as Heinz Food SA (Pty) Ltd) became a subsidiary of the Group during the previous financial year and since its integration into the Group measures have been introduced to return the business to profitability.

The Group believes that this entity will generate sufficient taxable income in the future to utilise this tax loss on the basis that the ambient business continues to make a positive contribution towards earnings. The Group thus concluded that the deferred income tax asset will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary.

Derivative financial instruments – forward purchase contracts on own equity

During 2016, the Group entered into forward purchase contracts on its own equity to hedge against the upside price risk of the Pioneer Food Group Ltd share price that the Group is exposed to in respect of the cash-settled broad-based employee share scheme. Refer to notes 19 and 23.1.

The forward purchase contracts on own equity have been classified as derivative financial instruments. One of the characteristics of a derivative is that it has no initial net investment, or one that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

An amount of R493.3 million accrued to the counterparty at inception of the respective contracts on 8 July 2016 and was paid on 3 October 2016. This amount represented 79% of the market value of the shares at inception.

The Group is of the opinion that it meets the initial net investment criteria as this amount is smaller than, and does not approximate, the market price of the shares.

Impairment of trade and other receivables

Impairment provisions in terms of IFRS 9 relating to financial assets at amortised cost are based on judgements on the credit risk and expected loss rates relating to the counterparties. Refer to note 31.1(b) for a sensitivity analysis on impairment provisions recognised and to note 2.10.4 of the accounting policies for details of the judgements applied.

	2019 R'000	2018 R'000
3. Other income and other gains/(losses) – net		
3.1 Other income		
Administration fees received	3 077	2 381
Government grant amortisation	4 203	4 191
Rental income	82 024	96 315
Sundry income and commissions	48 490	37 448
Insurance claims received	232	77 912
	138 026	218 247
3.2. Other gains/(losses) – net		
Net gains		
Foreign exchange differences	21 303	61 744
Financial assets at fair value through profit or loss		
Fair value adjustments on foreign exchange contracts	10 163	3 995
Fair value adjustments on embedded derivatives	1 409	–
Cash flow hedging ineffective gains		
Fair value adjustments on foreign exchange contracts	13 667	2 263
Fair value adjustments on futures	–	3 009
Total net gains	46 542	71 011
Net losses		
Foreign exchange differences	(19 554)	(12 838)
Financial assets at fair value through profit or loss		
Fair value adjustments on foreign exchange contracts	(32 118)	(51 784)
Fair value adjustments on embedded derivatives	(67)	(1 991)
Cash flow hedging ineffective losses		
Fair value adjustments on foreign exchange contracts	(226)	(25 257)
Fair value adjustments on futures	(2 680)	–
Total net losses	(54 645)	(91 870)
Other gains/(losses) – net	(8 103)	(20 859)

4. Sales and distribution costs, marketing costs, administrative expenses and other operating expenses

The following expenditure by nature is included in the line items as indicated above as well as within cost of goods sold.

	2019 R'000	2018 R'000
Employee costs	2 983 166	2 689 856
Wages and salaries	2 611 046	2 315 668
Termination benefits	656	14 593
Other personnel costs	152 377	132 958
Pension costs	190 641	169 910
Share-based payments	28 446	56 727
Technical services from non-employees	72 180	54 602
Auditors' remuneration	15 543	13 109
Audit – current year	13 485	11 997
Audit – under provision previous year	331	101
Tax-related services	983	871
Other consultation services	744	140
Machine rental	70 171	65 863
Rental of vehicles	11 415	10 579
Rental of premises	115 165	106 999
Depreciation and amortisation (refer to notes 12 and 13)	466 606	437 726
Own assets	427 155	399 198
Leased assets	2 649	2 649
Intangible assets	36 802	35 879
Inventory written off	192 984	183 657
Change in provision for impairment of trade receivables – loss/(gain)	13 352	(8 968)
Change in allowance for outstanding credit notes other than good stock – loss/(gain)	1 648	(692)
Change in net allowance for outstanding credit notes for good stock – loss	1 319	–
Impairment of trade and other receivables – loans receivable	2 507	400
Research and development costs	52 277	44 369
Administration fees paid	1 070	1 020
Post-retirement medical benefits (refer to note 27)	52	92
Long-service awards (refer to note 27)	6 790	7 311
Actuarial (gain)/loss	(2 599)	180
Service costs	9 389	7 131
Share-based payments	28 446	56 727
Broad-based share incentive scheme	37 436	(26 017)
Fair value adjustment on forward purchase contracts on own equity	(37 142)	56 109
Management share appreciation rights	28 152	26 635
Transaction costs – business combinations	–	7 095

5. Items of a capital nature

	2019 R'000	2018 R'000
Net (loss)/profit on disposal of property, plant and equipment and intangible assets	(6 201)	28 567
Gross	(9 256)	35 214
Tax effect	3 055	(6 647)
Net profit on disposal of available-for-sale financial assets	–	19 209
Gross	–	24 576
Tax effect	–	(5 367)
Fair value adjustment of step-up from joint venture to subsidiary	–	13 438
Gross	–	13 438
Tax effect	–	–
Impairment of property, plant and equipment (refer to note 12)	(27 886)	–
Gross	(36 820)	–
Tax effect	8 934	–
Impairment of intangible assets (refer to note 13)	(24 794)	–
Gross	(34 435)	–
Tax effect	9 641	–
Items of a capital nature before those of associates and joint ventures	(58 881)	61 214
Gross	(80 511)	73 228
Tax effect	21 630	(12 014)
Items of a capital nature of associates	49	–
Gross	71	–
Tax effect	(22)	–
Items of a capital nature of joint ventures	(2 176)	(6 049)
Gross	(2 407)	(7 309)
Tax effect	231	1 260
Total	(61 008)	55 165
Gross	(82 847)	65 919
Tax effect	21 839	(10 754)

	2019 R'000	2018 R'000
6. Investment income		
Interest income on financial assets: loans and receivables at amortised cost (2018: loans and receivables)	17 684	16 540
Joint ventures and associates	1 628	1 693
Accretions of discount	456	413
Call accounts and other	15 600	14 434
Dividend income on equity investments at fair value through other comprehensive income (2018: available-for-sale financial assets)	12 664	11 447
Listed shares	12 664	11 433
Unlisted shares	–	14
	30 348	27 987
7. Finance costs		
Interest cost on financial liabilities measured at amortised cost		
Joint ventures and associates	1 872	2 013
Borrowings	110 214	76 051
Accretions of discount	706	5 338
Provisions: unwinding of discount	9 245	9 237
Call loans and bank overdrafts	67 633	68 349
Redeemable preference shares B-BBEE equity transaction	19 253	42 786
Fair value loss on financial liabilities measured at fair value through profit or loss		
Effective portion: swaps realised	307	–
Borrowing costs capitalised	(8 437)	(6 307)
	200 793	197 467

8. Income tax expense

	2019 R'000	2018 R'000
Current income tax	259 607	358 749
Current year	258 968	359 722
Under/(over) provision previous years	639	(973)
Deferred income tax		
Current year	42 394	40 249
	302 001	398 998

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% (2018: 28%) as follows:

	2019 %	2018 %
Standard rate for companies	28.0	28.0
Increase/(decrease) in rate:		
Exempt income (dividend income and government grants)	(0.4)	(0.3)
Under/(over) provision previous years	0.1	(0.1)
Non-deductible expenditure		
– Finance cost on redeemable preference shares B-BBEE equity transaction	0.4	0.8
– Other	1.2	0.9
Impact of share-based payment charge/(gain) on broad-based share incentive scheme	0.9	(0.5)
Other non-taxable income		
– Fair value adjustment of step-up from joint venture to subsidiary	–	(0.3)
Effect of capital gains tax	–	(0.2)
Investment allowance on industrial policy projects	(1.4)	(1.3)
Other differences		
– Foreign jurisdictions tax rate differential	(1.1)	(0.3)
– Various other	(0.9)	0.3
Share of profit from associates and joint ventures	(2.0)	–
Effective rate	24.8	27.0

	2019 R'000	2018 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	371 205	305 365
Less: Utilised in reduction of deferred income tax	(371 205)	(305 365)
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. The tax losses relate mainly to Pioneer Foods Wellingtons (Pty) Ltd with a tax loss at year-end of R364 893 207 (2018: R288 534 365). Pioneer Foods Wellingtons (formerly known as Heinz Food SA (Pty) Ltd) became a subsidiary of the Group during the previous financial year and since its integration into the Group measures have been introduced to return the business to profitability.

The Group believes that this entity will generate sufficient taxable income in the future to utilise this tax loss on the basis that the ambient business continues to make a positive contribution towards earnings. The Group thus concluded that the deferred income tax asset will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary.

	2019 R'000	2018 R'000
9. Earnings per ordinary share		
Basic		
The calculation of basic earnings per ordinary share is based on earnings attributable to owners of the parent	909 815	1 072 600

Divided by the weighted average ordinary shares in issue during the year of 189,947,256 (2018: 186,668,153).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. Share options and appreciation rights issued in terms of share incentive schemes have a dilutive effect on earnings per ordinary share. A calculation is made to determine the number of shares that could have been acquired at fair value (determined at the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options as well as share appreciation rights.

The calculation of diluted earnings per ordinary share is based on earnings attributable to owners of the parent	909 815	1 072 600

Divided by the diluted weighted average ordinary shares in issue during the year of 189,951,852 (2018: 196,274,705).

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

	2019 Number	2018 Number
Reconciliation of weighted average ordinary shares in issue during the year		
Weighted average ordinary shares	189 947 256	186 668 153
Adjusted for share appreciation rights	4 596	–
Adjusted for B-BBEE equity transaction deemed options	–	9 606 552
Weighted average ordinary shares for diluted earnings	189 951 852	196 274 705

	2019 R'000	2018 R'000

9. Earnings per ordinary share continued

Reconciliation between earnings and headline earnings

Earnings attributable to owners of the parent	909 815	1 072 600
Remeasurements (refer to note 5)		
Gross	82 847	(65 919)
Tax effect	(21 839)	10 754
Net of tax effect	61 008	(55 165)
Headline earnings	970 823	1 017 435
Earnings per ordinary share (cents)	479.0	574.6
Headline earnings per ordinary share (cents)	511.1	545.0
Diluted earnings per ordinary share (cents)	479.0	546.5
Diluted headline earnings per ordinary share (cents)	511.1	518.4

10. Dividend per ordinary share

Interim		
21.0 cents (2018: 21.0 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	2 257	2 257
105.0 cents (2018: 105.0 cents) per ordinary share of other shareholders	221 420	234 130
Final		
43.8 cents (2018: 52.0 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	4 706	5 588
219.0 cents (2018: 260.0 cents) per ordinary share of other shareholders	462 272	578 365
	690 655	820 340

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 in respect of this financial year. The final dividend for the year will be accounted for as an appropriation of retained earnings in the following year.

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

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

11. Directors' remuneration

	2019 R'000	2018 R'000
Non-executive directors		
Fees	6 999	5 921
Executive directors	11 514	13 432
Salaries	10 171	9 644
Retirement benefits	1 343	1 275
Bonuses and incentives	–	2 513
Former executive director		
Restraint of trade payment	–	6 933
Annual remuneration	18 513	26 286
Paid by subsidiaries	(11 514)	(20 365)
Paid by the Company	6 999	5 921

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

	2019 Number '000	2018 Number '000
Executive directors' share incentive scheme		
At beginning of year	1 006	1 029
Change in directorship	–	(156)
Forfeited	(233)	(98)
Redeemed	(87)	(96)
New offer at R134.96 per share	–	327
New offer at R80.11 per share	659	–
Share appreciation rights at end of year	1 345	1 006
At R81.55 per share, exercisable up to 31 August 2019	–	174
At R154.19 per share, exercisable up to 13 August 2020	23	57
At R198.71 per share, exercisable up to 21 March 2021	200	300
At R130.21 per share, exercisable up to 15 August 2021	23	35
At R166.20 per share, exercisable up to 22 August 2022	113	113
At R134.96 per share, exercisable up to 14 August 2023	327	327
At R80.11 per share, exercisable up to 22 August 2024	659	–
Share appreciation rights at end of year	1 345	1 006

Refer to the directors' remuneration report on page 10 for further detail.

	2019 R'000	2018 R'000

12. Property, plant and equipment

12.1 Property, plant and equipment – summary

Land and buildings	1 817 570	1 747 541
Plant, machinery and equipment	3 410 364	3 401 643
Vehicles	482 272	504 725
Net carrying value	5 710 206	5 653 909

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	73 816	93 207
Additions	28 662	7 341
Transfers	(11 963)	(25 946)
Disposals	(2 521)	(786)
	87 994	73 816
Accumulated depreciation		
As at beginning of year	44 277	55 229
Charge for the year	3 425	2 637
Additions and transfers	2 811	(13 201)
Disposals	(1 780)	(388)
	48 733	44 277
Net carrying value	39 261	29 539

Refer to note 12.2 for further detail.

Property, plant and equipment in the course of construction amounts to R207,541,803 (2018: R253,093,721).

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

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

Leased assets with a carrying value of R54,331,816 (2018: R56,980,950) serve as security for capitalised lease agreements.

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

During the current financial year borrowing costs of R8,436,649 (2018: R6,307,575) were capitalised against qualifying items of property, plant and equipment and intangible assets per note 13.2. The capitalisation rate used varied between 8.0% and 8.4% (2018: 7.3% and 8.3%).

Impairment losses

During the current reporting period impairment losses were recognised for assets that form part of the following CGUs:

Quick cooking maize processing and packing equipment

An impairment loss of R22,984,363 (pre-tax) was recognised on the plant, machinery and equipment associated with the quick cooking super maize meal processing and packing product line. The impairment was due to lower than expected demand for this innovative super maize meal offering with profitability below expectations given price support required to sustain growth.

The recoverable amount of this CGU was determined with reference to its value-in-use and amounted to R30,134,241. The growth rates used represent the long-term growth rate based on a medium-term outlook on forecasted inflation rates. The discount rate represents a pre-tax rate based on the weighted average cost of capital. The key assumptions used in determining the value-in-use were as follows:

Pre-tax discount rate of 21.6%

Growth rate of 5.3%

12. Property, plant and equipment continued

12.1 Property, plant and equipment – summary continued

Impairment losses continued

Werda prepared salads

An impairment loss of R13,835,752 (pre-tax) was recognised on the property, plant and equipment of the Werda prepared salads business following management's firm commitment to dispose of this business. The Group intends to retain the distribution and sales rights attached to products of this business.

The assets of this CGU have not been reclassified as "non-current assets held-for-sale" and its performance not disclosed as "discontinued operations" since this CGU is not significant from the Group's perspective.

The recoverable amount of the CGU was determined with reference to its fair value less costs to sell and amounted to R10,000,000. The selling price was based on indicative terms of the draft sales agreement, representing management's assessment of the highest and best use of the related assets. The selling price along with the costs of disposal are considered unobservable inputs. The fair value is thus classified as a level 3 fair value. Refer to note 31.3 for a description of the Group's fair value categories.

Impairment losses on property, plant and equipment can be ascribed to the following operating segments:

	2019 R'000	2018 R'000
Essential Foods	22 984	–
Groceries	13 836	–
	36 820	–

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 a decrease of R2,186,246 (2018: an increase of R173,852).

12. Property, plant and equipment continued

12.2 Property, plant and equipment – detail

	OWN ASSETS			LEASED ASSETS
	LAND AND BUILDINGS R'000	PLANT, MACHINERY AND EQUIPMENT R'000	VEHICLES R'000	PLANT, MACHINERY AND EQUIPMENT R'000
30 September 2019				
Cost				
At 1 October 2018	2 222 091	5 982 416	762 088	65 409
Additions	116 456	374 805	39 691	–
Transfers	8 035	(8 035)	–	–
Borrowing costs capitalised	2 054	4 794	–	–
Foreign exchange adjustment	2 616	9 642	270	–
Disposals	(2 305)	(86 023)	(33 149)	–
At 30 September 2019	2 348 947	6 277 599	768 900	65 409
Accumulated depreciation				
At 1 October 2018	474 550	2 637 754	257 363	8 428
Charge for the year	51 413	324 936	50 806	2 649
Impairments	5 750	31 046	24	–
Transfers	1	(1)	–	–
Foreign exchange adjustment	747	3 015	135	–
Depreciation on disposals	(1 084)	(75 183)	(21 700)	–
At 30 September 2019	531 377	2 921 567	286 628	11 077
Net carrying value at 30 September 2019	1 817 570	3 356 032	482 272	54 332
Total – 2019	5 655 874			54 332
Total property, plant and equipment – 2019	5 710 206			

12. Property, plant and equipment continued

12.2 Property, plant and equipment – detail continued

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

	2019 R'000	2018 R'000

13. Intangible assets

13.1 Intangible assets – summary

Trademarks	567 573	602 807
Goodwill	436 013	433 962
Intellectual property	29 980	32 534
Computer software	230 134	130 698
Net carrying value	1 263 700	1 200 001

Refer to note 13.2 for further detail.

The carrying values of the trademarks below are included in the following CGUs (in bold):

Ceres Fruit Juices		
Ceres	121 654	121 654
Fruit Concentrate Mixtures		
Wild Island	17 144	17 144
W Daly and W Daly & Sons – 10 years (2018: 11 years)	4 186	4 584
Spreads		
Marmite	33 288	33 288
Bovril	33 886	33 886
Pecks	–	7 202
Redro	–	5 328
Baking Aids		
Moir's	55 741	55 741
Smash	21 506	21 506
Tower	2 116	2 116
Maizena		
Maizena	18 820	18 820
ProNutro		
ProNutro	3 450	3 450
Nature's Source		
Nature's Source	2 650	2 650
Food Concepts Pioneer		
Butterfields – 18 years (2018: 19 years)	17 944	18 955
Yum Yum – 18 years (2018: 19 years)	8 040	8 492
The Good Carb Food Company		
Lizi's	193 438	191 604
Ambient Foods		
Wellington's	30 118	30 118
Frozen Foods		
Today	–	10 571
Mamas	–	6 346
Big Jack	–	2 871
Man's Meal	–	2 118
Other – nil to 7 years (2018: nil to 8 years)	3 592	4 363
	567 573	602 807

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

	2019 R'000	2018 R'000

13. Intangible assets continued

13.1 Intangible assets – summary continued

Impairment test for goodwill and intangible assets with indefinite useful lives

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):

	2019 R'000	2018 R'000
Essential Foods	3 280	3 280
Groceries	178 353	178 353
SAD	69 293	69 293
Spreads	40 755	40 755
Maizena	6 033	6 033
Other	5 877	5 877
Fruit Concentrate Mixtures	31 540	31 540
Ceres Fruit Juices	24 855	24 855
International	254 380	252 329
Pioneer Foods (UK)	28 909	28 676
Streamfoods (UK)	85 681	84 990
Food Concepts Pioneer (Nigeria)	38 321	38 012
The Good Carb Food Company (UK)	101 469	100 651
	436 013	433 962

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

The CGUs have been allocated to the operating segments as set out in note 44.

Testing of CGUs for impairment

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

Key assumptions used for value-in-use calculations:

CGUs of Pioneer Foods (UK) legal entities

Growth rate of 2.0% (2018: 2.7%)

Discount rates of 13.3% to 17.2% (2018: 10.1% to 14.0%)

Food Concepts Pioneer (Nigeria)

Growth rate of 5.3% (2018: 5.3%)

Discount rate of 33.7% (2018: 23.5%)

Other CGUs

Growth rate of 5.3% (2018: 5.3%)

Discount rates from 16.3% to 30.8% (2018: 19.6% to 40.5%)

13. Intangible assets continued

13.1 Intangible assets – summary continued

Testing of CGUs for impairment continued

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

Impairment losses

During the current reporting period impairment losses were recognised for intangible assets allocated to the following CGUs:

Frozen Foods

The trademarks of the Frozen Foods business were fully impaired as a longer period is required to grow its profitability to the Group's target profitability in the current constrained South African economic environment.

Only the intangible assets of this CGU were impaired and an impairment loss of R21,905,664 (pre-tax) was recognised. The recoverable amount of this CGU was determined with reference to its value-in-use and amounted to R84,422,018.

The impairment loss was limited to the fair value less costs to sell of the individual items of property, plant and equipment comprising the CGU. In determining the fair value less costs to sell on these individual items, independent market-related valuations were obtained to assess the price at which the assets could be sold in an orderly transaction between market participants.

Market values obtained were specific to the assets of the entity and thus along with the costs of disposal are considered unobservable inputs. The fair value is thus classified as a level 3 fair value. Refer to note 31.1 for a description of the Group's fair value categories. The following key assumptions were used in the calculation of the value-in-use:

Pre-tax discount rate of 16.3%
Growth rate of 5.3%

Fish paste spreads

During 2017, the Redro and Peck's trademarks were impaired to their recoverable amounts of R7,201,484 and R5,328,298 respectively. In the current reporting period these trademarks were fully impaired following the Group's ongoing portfolio analysis and category optimisation processes. The assessment was impacted by slow growth, reflective of continued pressure on consumer income as well as changes in consumer preferences.

Only the intangible assets of this CGU were impaired in 2019 and an impairment loss of R12,529,782 (pre-tax) was recognised. The recoverable amount of this CGU was determined with reference to its value-in-use and it amounted to R7,822,783. The following key assumptions were used:

Pre-tax discount rate of 20.9%
Growth rate of 5.3%

Impairment lossses on intangible assets can be ascribed to the following operating segments:

	2019 R'000	2018 R'000
Groceries	34 435	–

13. Intangible assets continued

13.2 Intangible assets – detail

	TRADEMARKS R'000	GOODWILL R'000	INTELLECTUAL PROPERTY R'000	COMPUTER SOFTWARE R'000
30 September 2019				
Cost				
At 1 October 2018	706 314	502 171	51 019	392 199
Additions	–	–	–	129 335
Borrowing costs capitalised	–	–	–	1 589
Foreign exchange adjustment	1 839	2 051	169	73
Disposals	–	–	–	(2 040)
At 30 September 2019	708 153	504 222	51 188	521 156
Accumulated amortisation				
At 1 October 2018	103 507	68 209	18 485	261 501
Charge for the year	2 632	–	2 671	31 499
Impairments	34 435	–	–	–
Foreign exchange adjustment	6	–	52	62
Amortisation on disposals	–	–	–	(2 040)
At 30 September 2019	140 580	68 209	21 208	291 022
Net carrying value at 30 September 2019	567 573	436 013	29 980	230 134
Total intangible assets – 2019	1 263 700			
30 September 2018				
Cost				
At 1 October 2017	427 675	399 492	33 359	349 721
Additions	–	–	–	45 183
Transfers	–	–	–	(1 519)
Business combinations	241 477	99 522	17 462	–
Foreign exchange adjustment	2 162	3 157	198	72
Disposals	–	–	–	(1 258)
Transferred from disposal group classified as held for sale	35 000	–	–	–
At 30 September 2018	706 314	502 171	51 019	392 199
Accumulated amortisation				
At 1 October 2017	78 383	68 209	16 088	232 626
Charge for the year	2 643	–	2 317	30 919
Transfers	–	–	–	(865)
Foreign exchange adjustment	11	–	80	79
Amortisation on disposals	–	–	–	(1 258)
Transferred from disposal group classified as held for sale	22 470	–	–	–
At 30 September 2018	103 507	68 209	18 485	261 501
Net carrying value at 30 September 2018	602 807	433 962	32 534	130 698
Total intangible assets – 2018	1 200 001			

14. Investments in joint ventures

	2019 R'000	2018 R'000
At beginning of year	580 586	665 006
Investment in joint venture	–	15 000
Disposal of investments	–	(36 362)
Share of profit/(loss) after income tax	74 359	(13 770)
Share of other comprehensive income	5 222	2 773
Dividends received	(35 007)	(52 061)
At end of year	625 160	580 586

Refer to note 15 for further detail.

	BOKOMO BOTSWANA (PTY) LTD 2019 R'000	BOKOMO BOTSWANA (PTY) LTD 2018 R'000	BOKOMO NAMIBIA (PTY) LTD 2019 R'000	BOKOMO NAMIBIA (PTY) LTD 2018 R'000
15. Investments in and loans to/(from) joint ventures				
15.1 Investments in joint ventures – equity accounting				
Summarised statement of financial position				
As at 30 September				
Non-current assets	199 009	160 109	118 770	89 111
Current assets	323 248	257 670	180 473	148 939
Non-current liabilities	(14 900)	(12 148)	(60 663)	(37 030)
Current liabilities	(105 229)	(55 175)	(69 005)	(42 763)
Net assets	402 128	350 456	169 575	158 257
Reconciliation of carrying amount				
Opening carrying amount at 1 October	350 456	322 229	158 257	165 275
Effect of change in accounting policy	(27)	–	(104)	–
Investment in and disposal of joint ventures	–	–	–	–
Share of other comprehensive income	10 442	5 547	–	–
Dividend received	(10 013)	(9 122)	–	–
Profit/(loss) after income tax for the year	51 270	31 802	11 422	(7 018)
Subtotal	402 128	350 456	169 575	158 257
Disposal of investment	–	–	–	–
Closing net assets at 30 September	402 128	350 456	169 575	158 257
Group's share (%)	50.0%	50.0%	50.0%	50.0%
Group's share at 30 September	201 064	175 216	84 787	79 129
Property, plant and equipment	–	(1)	–	–
Goodwill	–	–	–	–
Trademarks	–	–	–	–
Customer relationships	–	–	–	–
Unrealised profit in closing stock	(14 666)	(7 405)	(3 807)	(4 093)
Deferred income tax on unrealised profit in closing stock	4 106	2 073	1 066	1 146
Deferred income tax on intangible assets	–	–	–	–
Deferred income tax on customer relationships	–	–	–	–
Cost to issue shares recognised against share premium	–	–	44	44
Disposal of investments	–	–	–	–
Effect of change in accounting policy	24	–	53	–
Carrying amount at 30 September	190 528	169 883	82 143	76 226

PIONEER FOODS WELLINGTONS (PTY) LTD 2019 R'000	PIONEER FOODS WELLINGTONS (PTY) LTD 2018 R'000	FUTURE LIFE HEALTH PRODUCTS (PTY) LTD 2019 R'000	FUTURE LIFE HEALTH PRODUCTS (PTY) LTD 2018 R'000	OTHER 2019 R'000	OTHER 2018 R'000	TOTAL 2019 R'000	TOTAL 2018 R'000
–	–	46 353	38 461	230 085	229 467	594 217	517 148
–	–	165 129	125 933	118 805	117 629	787 655	650 171
–	–	–	–	(48 785)	(64 927)	(124 348)	(114 105)
–	–	(56 606)	(43 171)	(85 610)	(71 412)	(316 450)	(212 521)
–	–	154 876	121 223	214 495	210 757	941 074	840 693
–	281 272	121 223	127 222	210 757	176 256	840 693	1 072 254
–	–	(48)	–	(97)	–	(276)	–
–	–	–	–	–	30 000	–	30 000
–	–	–	–	–	–	10 442	5 547
–	–	–	(40 000)	(60 000)	(55 000)	(70 013)	(104 122)
–	(139 349)	33 701	34 001	63 835	59 501	160 228	(21 063)
–	141 923	154 876	121 223	214 495	210 757	941 074	982 616
–	(141 923)	–	–	–	–	–	(141 923)
–	–	154 876	121 223	214 495	210 757	941 074	840 693
–	49.9%	50.0%	50.0%	50.0%	50.0%	50.0%	49.9% – 50.0%
–	70 816	77 438	60 612	107 247	105 380	470 536	491 153
–	(1 451)	–	–	–	–	–	(1 452)
–	(26 455)	74 521	74 521	–	–	74 521	48 066
–	(9 579)	118 450	118 450	3 834	3 834	122 284	112 705
–	–	5 603	6 511	–	–	5 603	6 511
–	18	–	–	(132)	(20)	(18 605)	(11 500)
–	(3)	–	–	37	6	5 209	3 222
–	3 016	(33 033)	(33 033)	–	–	(33 033)	(30 017)
–	–	(1 569)	(1 823)	–	–	(1 569)	(1 823)
–	–	–	–	38	39	82	83
–	(36 362)	–	–	–	–	–	(36 362)
–	–	24	–	31	–	132	–
–	–	241 434	225 238	111 055	109 239	625 160	580 586

15. Investments in and loans to/(from) joint ventures continued

15.1 Investments in joint ventures – equity accounting continued

Summarised statement of comprehensive income

For the year ended 30 September

	BOKOMO BOTSWANA (PTY) LTD 2019 R'000	BOKOMO BOTSWANA (PTY) LTD 2018 R'000	BOKOMO NAMIBIA (PTY) LTD 2019 R'000	BOKOMO NAMIBIA (PTY) LTD 2018 R'000
Revenue	1 171 589	929 007	626 229	543 446
EBITDA	71 959	47 638	24 728	3 046
Depreciation, amortisation and impairment	(7 508)	(6 333)	(8 286)	(9 329)
Interest income	760	1 050	358	262
Finance costs	(589)	(975)	(3 286)	(3 272)
Income tax expense	(13 352)	(9 578)	(2 092)	2 275
Profit/(loss) after income tax	51 270	31 802	11 422	(7 018)
Group's share (%)	50.0%	50.0%	50.0%	50.0%
Share of net profit/(loss)	25 635	15 901	5 711	(3 509)
Eliminate intergroup unrealised profit on property, plant and equipment after income tax	1	–	–	–
Unrealised profit in closing stock after income tax	(5 228)	(2 741)	206	(396)
Depreciation on intellectual property after income tax	–	–	–	–
Share of profit/(loss) after income tax	20 408	13 160	5 917	(3 905)
Share of other comprehensive income	5 222	2 773	–	–
Cash and cash equivalents	32 991	12 677	56	18 386

15.2 Loans to/(from) joint ventures

	2019 R'000	2018 R'000
Non-current		
Interest-free loans		
Alpen Food Company South Africa (Pty) Ltd	7 980	–
Interest-bearing loans		
Alpen Food Company South Africa (Pty) Ltd	–	14 448
	7 980	14 448
Current		
Interest-bearing loans		
Bowman Ingredients (SA) (Pty) Ltd	(21 500)	(21 040)
	(21 500)	(21 040)
	(13 520)	(6 592)

Loans are secured and interest-bearing, except where indicated otherwise, with no fixed terms of repayment. The interest rate at year-end applicable to the interest-bearing loan was 10.0% for 2018.

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 are considered to be good based on historical default rates.

The Group applies the general impairment model in terms of IFRS 9 for loans receivable from related parties. The Group has considered the related party's financial performance, other external debt, future cash flows, net asset values as well as changes in it's operating environment and concluded that expected credit losses relating to these balances are negligible.

PIONEER FOODS WELLINGTONS (PTY) LTD 2019 R'000	PIONEER FOODS WELLINGTONS (PTY) LTD 2018 R'000	FUTURE LIFE HEALTH PRODUCTS (PTY) LTD 2019 R'000	FUTURE LIFE HEALTH PRODUCTS (PTY) LTD 2018 R'000	OTHER 2019 R'000	OTHER 2018 R'000	TOTAL 2019 R'000	TOTAL 2018 R'000
–	360 440	340 497	284 344	433 456	386 454	2 571 771	2 503 691
–	(178 330)	48 310	45 544	120 656	98 287	265 653	16 185
–	(12 994)	(5 351)	(3 184)	(13 428)	(13 220)	(34 573)	(45 060)
–	319	3 910	5 147	1 872	3 779	6 900	10 557
–	(1 615)	(7)	(1)	(6 389)	(4 973)	(10 271)	(10 836)
–	53 271	(13 161)	(13 505)	(38 876)	(24 372)	(67 481)	8 091
–	(139 349)	33 701	34 001	63 835	59 501	160 228	(21 063)
–	49.9%	50.0%	50.0%	50.0%	50.0%	50.0%	49.9% – 50.0%
–	(69 535)	16 850	17 000	31 918	29 751	80 114	(10 392)
–	414	–	–	–	–	1	414
–	13	–	–	(80)	(14)	(5 102)	(3 138)
–	–	(654)	(654)	–	–	(654)	(654)
–	(69 108)	16 196	16 346	31 838	29 737	74 359	(13 770)
–	–	–	–	–	–	5 222	2 773
–	–	68 994	43 826	22 481	5 247	124 522	80 136

	2019 R'000	2018 R'000

16. Investments in and loans to associates

Investments in associates

	2019 R'000	2018 R'000
At beginning of year	196 241	198 410
Investment in associates	23 868	–
Share of profit after income tax	12 803	13 811
Share of other comprehensive income	2 923	4 664
Dividend received	–	(20 644)
At end of year	235 835	196 241

Investments in associates consist of:

	FREESWEET FOODS (PTY) LTD 2019 R'000	FREESWEET FOODS (PTY) LTD 2018 R'000	BUTTANUTT TREE NUT SPREADS (PTY) LTD 2019 R'000	BUTTANUTT TREE NUT SPREADS (PTY) LTD 2018 R'000
Summarised statement of financial position				
As at 30 September				
Non-current assets	3 696	–	2 635	–
Current assets	3 379	–	6 229	–
Non-current liabilities	–	–	(240)	–
Current liabilities	(3 590)	–	(2 592)	–
Net assets	3 485	–	6 032	–
Reconciliation of carrying amount				
At beginning of year	–	–	–	–
Investment in associates	11 616	–	6 205	–
Share of other comprehensive income	–	–	–	–
Dividend received	–	–	–	–
(Loss)/profit for the year	(8 131)	–	(173)	–
Closing net assets at 30 September	3 485	–	6 032	–
Group's share (%)	50.0%	–	30.0%	–
Group's share at 30 September	1 743	–	1 810	–
Goodwill	6 192	–	3 304	–
Trademarks	–	–	–	–
Unrealised profit in closing stock	–	–	–	–
Deferred income tax on unrealised profit in closing stock	–	–	–	–
Customer relationships	–	–	–	–
Deferred income tax on intangible assets	–	–	–	–
Deferred income tax on customer relationships	–	–	–	–
Carrying amount at 30 September	7 935	–	5 114	–

TWO GREEN LEMONS (PTY) LTD 2019 R'000	TWO GREEN LEMONS (PTY) LTD 2018 R'000	WEETABIX EAST AFRICA LTD 2019 R'000	WEETABIX EAST AFRICA LTD 2018 R'000	TOTAL 2019 R'000	TOTAL 2018 R'000
1 140	–	39 714	40 371	47 185	40 371
6 717	–	134 081	100 471	150 406	100 471
(581)	–	(3 639)	(4 163)	(4 460)	(4 163)
(2 636)	–	(26 890)	(33 849)	(35 708)	(33 849)
4 640	–	143 266	102 830	157 423	102 830
–	–	102 830	105 936	102 830	105 936
4 740	–	–	–	22 561	–
–	–	5 861	9 348	5 861	9 348
–	–	–	(41 378)	–	(41 378)
(100)	–	34 575	28 924	26 171	28 924
4 640	–	143 266	102 830	157 423	102 830
25.9%	–	49.89%	49.89%	25.9% to 50.0%	49.89%
1 202	–	71 475	51 302	76 230	51 302
5 472	–	109 166	109 166	124 134	109 166
–	–	46 489	46 489	46 489	46 489
–	–	(144)	(292)	(144)	(292)
–	–	40	82	40	82
–	–	4 332	4 916	4 332	4 916
–	–	(13 946)	(13 947)	(13 946)	(13 947)
–	–	(1 300)	(1 475)	(1 300)	(1 475)
6 674	–	216 112	196 241	235 835	196 241

16. Investments in and loans to associates continued

Investments in associates continued

Summarised statement of comprehensive income

For the year ended 30 September

	FREESWEET FOODS (PTY) LTD 2019 R'000	FREESWEET FOODS (PTY) LTD 2018 R'000	BUTTANUTT TREE NUT SPREADS (PTY) LTD 2019 R'000	BUTTANUTT TREE NUT SPREADS (PTY) LTD 2018 R'000
Revenue	1 308	–	5 770	–
Net (loss)/profit after income tax	(8 131)	–	(173)	–
Group's share (%)	50.0%	–	30.0%	–
Share of associate's net (loss)/profit after income tax	(4 066)	–	(52)	–
Depreciation on customer relationships after income tax	–	–	–	–
Unrealised profit in closing stock after income tax	–	–	–	–
Share of profit/(loss) after income tax	(4 066)	–	(52)	–
Share of other comprehensive income				
Translation reserve	–	–	–	–

TWO GREEN LEMONS (PTY) LTD 2019 R	TWO GREEN LEMONS (PTY) LTD 2018 R	WEETABIX EAST AFRICA LTD 2019 R'000	WEETABIX EAST AFRICA LTD 2018 R'000	TOTAL 2019 R'000	TOTAL 2018 R'000
2 862	–	211 796	180 319	221 736	180 319
(100)	–	34 575	28 924	26 171	28 924
25.9%	–	49.89%	49.89%	25.9% to 50.0%	49.89%
(26)	–	17 250	14 430	13 106	14 430
–	–	(409)	(409)	(409)	(409)
–	–	106	(210)	106	(210)
(26)	–	16 947	13 811	12 803	13 811
–	–	2 923	4 664	2 923	4 664

	2019 R'000	2018 R'000
17. Equity investments at fair value through other comprehensive income (2018: Available-for-sale financial assets)		
Shares in other companies		
Listed		
At cost	47 218	47 218
Beginning of year	47 218	101 208
Disposals	–	(61 534)
Other movements	–	7 544
Fair value balance at end of year	12 485	29 672
Fair value balance at beginning of year	29 672	35 504
Fair value adjustment for year	(17 187)	18 744
Fair value adjustment reclassified to profit or loss	–	(24 576)
	59 703	76 890
Unlisted		
At cost	4 022	1 022
Beginning of year	1 022	1 380
Additions/(disposals)	3 000	(358)
	4 022	1 022
Derecognition of previously consolidated Phase II BEE equity transaction participants	(59 703)	–
Equity investments at fair value through other comprehensive income	4 022	77 912

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

Equity investments at fair value through other comprehensive income 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.

During 2018 the fair value adjustments reclassified to profit or loss related to the disposal of shares.

These financial assets were formerly disclosed as available-for-sale financial assets. Refer to note 53.1.2 (i) for further detail.

	2019 R'000	2018 R'000
18. Inventories		
Raw materials	1 479 007	1 331 294
Manufactured products	1 581 093	1 412 476
Packaging and consumables	476 653	432 820
	3 536 753	3 176 590

Inventory carried at net realisable value amounts to R3,010,719 (2018: R2,413,491).

Inventories, with carrying values of R3,233,650,170 (2018: R2,911,109,614), of certain Group companies are pledged as security for general and revolving banking facilities of some of the Group's subsidiaries. Refer to note 25 for further detail.

	2019 R'000	2018 R'000

19. Derivative financial instruments

19.1 Derivative financial instruments – summary

Embedded derivatives	(67)	(1 410)
Foreign exchange contracts – not earmarked for hedging	16 616	(18 677)
Foreign exchange contracts – cash flow hedges	(9 673)	(5 748)
Interest rate swaps – cash flow hedges	(6 240)	–
Forward purchase contracts on own equity – not earmarked for hedging	167 570	149 682
	168 206	123 847

For the purposes of the statement of financial position derivative financial instruments are presented as follows:		
Non-current assets	141 411	128 687
Current assets	42 775	28 024
Non-current liabilities	(3 304)	–
Current liabilities	(12 676)	(32 864)
	168 206	123 847

As part of its overall risk management strategy the Group entered into a 2-year and a 3-year floating-to-fixed interest rate swap with a nominal value of R250 million each. These interest rate swap agreements commenced on the 1st of July 2019, are settled quarterly and are linked to the 3-month Jibar. The interest rate swaps were entered into to hedge against the interest rate risk the Group is exposed to through the syndicated loans obtained (for further detail refer to note 25).

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, payment dates, maturities and notional amount. The Group does not hedge 100% of its term borrowings, therefore the hedged item is identified as a proportion of the outstanding debt up to the notional amount of the swaps. An economic relationship exists as all critical terms matched during the reporting period.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. Ineffectiveness may occur due to the credit/debit value adjustment on the interest rate swaps which is not matched by the underlying borrowings and differences in critical terms between the interest rate swaps and underlying borrowings.

During the year ended 30 September 2016, the Group entered into forward purchase contracts on its own equity to hedge against the upside price risk of the Pioneer Food Group Ltd share price that the Group is exposed to in respect of the cash-settled broad-based employee share scheme (for further detail refer to note 23.1).

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

The forward purchase contracts are settled in cash on the respective settlement dates. The amounts to be settled are calculated as the difference between a volume-weighted average price ("VWAP") of the Pioneer Food Group Ltd share price prior to the settlement date and the forward price. In the event that this difference is positive, the counterparty will settle this difference with the Group; should the difference be negative, the Group is required to settle this difference with the counterparty. Any differences between the projected dividend as per the contract and the actual dividend paid is to be settled in cash between the parties.

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

Refer to note 19.2 for further detail.

	2019 FOREIGN AMOUNT '000	2019 RAND AMOUNT R'000	2019 FAIR VALUE R'000
19. Derivative financial instruments continued			
19.2 Derivative financial instruments – detail			
19.2.1 Derivative instruments earmarked for hedging (cash flow hedges)			
19.2.1.1 Commodity instruments			
Futures (refer to note 1 below)			2 674
19.2.1.2 Currency forward contracts			
Purchases of foreign exchange contracts			(3 217)
US dollar	61 017	926 579	(3 259)
British pound	407	7 685	51
Euro	10	168	(9)
Sales of foreign exchange contracts			
US dollar	14 881	229 331	(6 456)
FEC gains realised to be recycled in future periods			199
Base cost adjustment to stock on unrealised FEC losses/(gains)			9 823
19.2.1.3 Interest rate derivatives			
Swaps			(6 240)
Hedging reserve (before income tax)			(3 217)
19.2.2 Other derivative instruments			
19.2.2.1 Currency forward contracts			
Purchases of foreign exchange contracts			5 773
US dollar	8 172	124 981	4 834
British pound	81	1 516	12
Swiss franc	16	248	12
Euro	4 857	60 688	915
Sales of foreign exchange contracts			(2 824)
US dollar	7 077	107 878	(2 824)
Singapore dollar	–	–	–
Euro	–	–	–
Less: Ineffective part of FECs			13 667
19.2.2.2 Embedded derivative financial instruments			
Options – supplier purchase contracts			(67)
19.2.3 Forward purchase contracts on own equity			167 570

Note 1: Disclosed within cash and cash equivalents.

2018 FOREIGN AMOUNT '000	2018 RAND AMOUNT R'000	2018 FAIR VALUE R'000
		7 684
		7 022
61 505	871 661	7 194
–	–	–
172	2 865	(172)
10 753	154 870	(12 770)
		–
		(10 834)
		–
		(8 898)
		3 976
8 592	122 620	5 901
41	768	(33)
32	474	14
6 570	110 780	(1 906)
		(4 003)
12 797	182 533	(4 232)
213	2 222	102
630	10 455	127
		(18 650)
		(1 410)
		149 682

20. Trade and other receivables

	2019 R'000	2018 R'000
Trade receivables	2 128 380	2 090 749
Trade receivables from related parties (refer to note 35)	97 573	59 559
Allowance for outstanding credit notes (other than for good stock)	(27 068)	(35 277)
Provision for impairment	(31 187)	(14 591)
Net trade receivables	2 167 698	2 100 440
Employees	204	274
Prepayments	101 946	61 782
Value-added tax	151 106	65 156
Loans receivable	44 405	37 167
Loans receivable	47 312	37 567
Provision for impairment	(2 907)	(400)
Other	42 779	25 036
	2 508 138	2 289 855
For the purposes of the statement of financial position trade and other receivables are presented as follows:		
Non-current assets	48 779	45 751
Current assets	2 459 359	2 244 104
	2 508 138	2 289 855

At year-end trade receivables with a carrying value of R1,906,211,861 (2018: R1,702,075,331) 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.

The carrying value of trade and other receivables approximates their fair value at the reporting date.

Movements in the provision for impairment of trade receivables

30 September 2019		
Individual impairment provision		
At 1 October	14 591	10 640
Provision for impairment of receivables raised	16 683	12 094
Provision for impairment utilised during the year	(1 516)	(1 029)
Unused amounts reversed	(950)	(7 122)
Foreign exchange translation adjustment	70	8
At 30 September	28 878	14 591
Collective impairment provision		
At 1 October – previously reported	–	–
Effect of change in accounting policy	3 184	–
At 1 October	3 184	–
Provision for impairment of receivables raised	347	–
Provision for impairment utilised during the year	(1 232)	–
Foreign exchange translation adjustment	10	–
At 30 September	2 309	–
Total impairment provision at 30 September	31 187	14 591

The impairment provision for 2019 is based on the expected credit loss model in terms of the simplified approach. Impairment provisions are determined on a collective basis using the simplified parameter-based approach and on an individual basis for credit impaired financial assets. Refer to note 2.10.4 of the accounting policy for further detail on the Group's impairment policy.

The impairment provision for 2018 is based on an incurred loss model in terms of which impairments are only recognised when a loss event occurs. Refer to note 54 for further detail on the impairment policy that applied to the previous financial year.

20. Trade and other receivables continued

Exposures are segmented by customer type (e.g. multi-national, listed or private company ect.), whether collateral is held and the primary economic environment in which the customer operates. This is done to allow for risk differentiation. The Standard & Poors ("S&P") credit rating for the country in which the customer operates is assigned to a category and adjusted to take into account specific risk factors identified based on the information included above, to assign an internal credit risk rating to customers. Customers are categorised in the table below with reference to their internal credit risk rating.

Refer to the Group's provision for impairment using the simplified parameter-based approach below:

	INTERNAL CREDIT RISK RATING	EXPECTED LOSS RATE	GROSS CARRYING AMOUNT[1] R'000	PROVISION FOR IMPAIRMENT R'000
As at 30 September 2019				
Collective impairments				
Category 1	A-	0.01910%	254 515	49
Category 2	BBB	0.13093%	1 706	2
Category 3	BB+	0.04569%	1 540 837	704
Category 4	BB	0.06625%	76 135	50
Category 5	BB-	0.61341%	9 789	60
Category 6	B+	0.25270%	181 084	458
Category 7	B	0.42624%	137 969	588
Category 8	B-	0.84375%	17 363	147
Category 9	CCC/C	1.78930%	788	14
Category 10	SD	4.12517%	5 767	237
			2 225 953	2 309
Individual impairments			–	28 878
Total			2 225 953	31 187

Note 1: Includes amounts from related parties.

Movements in the provision for impairment of loans receivable

	2019 R'000	2018 R'000
At 1 October	400	–
Provision for impairment of receivables raised	2 507	400
Total impairment provision as at 30 September	2 907	400

The impairment provision for 2019 is based on the expected credit loss model in terms of the general approach. The Group uses three categories for loans which reflect their credit risk and how the impairment provision is determined for each category. Refer to note 2.10.4 of the accounting policy for further detail on the Group's impairment policy.

The impairment provision for 2018 is based on an incurred loss model in terms of which impairments are only recognised when a loss event occurs. Refer to note 54 for further detail on the impairment policy that applied to the previous financial year.

The Group provided for credit losses against loans receivable as follows:

	GROUP INTERNAL CREDIT RATING	EXTERNAL CREDIT RATING	EXPECTED LOSS RATE	GROSS CARRYING AMOUNT R'000	PROVISION FOR IMPAIRMENT R'000
As at 30 September 2019					
Performing (stage 1)	Low	AAA, AA, A	–	–	–
Underperforming (stage 2)	Moderate	BBB, BB, B	3%	36 402	1 407
Non-performing (stage 3)	High	CCC, CC, C	13%	10 910	1 500
				47 312	2 907

Refer to note 31.1 (b) for a sensitivity analysis on the Group's impairment provisions for trade receivables and loans receivable.

The Group holds a number of categories of collateral as security for trade and other receivable balances. These collateral categories include mortgage bonds and notarial bonds, credit insurance, cession of trade receivables, various guarantees and letters of credit.

20. Trade and other receivables continued

	2019 R'000	2018 R'000
Fair value of collateral held against individual impaired trade and other receivables (limited to the individual receivable balance):		
Trade receivables	735 747	671 189
Loans receivable	825	–
	736 572	671 189
Fair value of collateral held against collective impaired trade and other receivables (limited to the individual receivable balance):		
Trade receivables	–	–
Loans receivable	25 094	–
	25 094	–
Fair value of collateral held against total trade and other receivables (limited to the individual trade receivable balance):		
Trade receivables	735 747	671 189
Loans receivable	25 919	–
	761 666	671 189
The carrying amount of the Group's trade receivables is denominated in the following currencies:		
Covered by means of foreign exchange contracts	107 445	193 372
Euro	–	10 369
US dollar	107 445	180 831
Other currencies	–	2 172
Uncovered	2 020 935	1 897 377
Euro	20 448	9 574
British pound	242 458	263 051
US dollar	57 977	40 009
SA rand	1 678 273	1 573 057
Other currencies	21 779	11 686
Total	2 128 380	2 090 749
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	242 440	263 051

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

	2019 R'000	2018 R'000

21. Cash and cash equivalents

Cash at bank and on hand	144 858	589 123
Short-term bank deposits	366 421	539 647
	511 279	1 128 770

The effective interest rate at reporting date on short-term bank deposits was 6.5% (2018: between 6.0% and 7.5%).

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	511 279	1 128 770
Short-term borrowings		
Bank overdrafts	(28 502)	(95 258)
	482 777	1 033 512

The Group's cash equivalents and short-term deposits are placed with creditable financial institutions with acceptable credit ratings and are considered to have a minimal credit risk due to low probability of default. Refer to note 31.1 for further details.

As a result of the above, while cash and cash equivalents are subject to impairment, the impairment provision calculated was immaterial.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

Euro	1 819	1 385
British pound	15 099	35 636
US dollar	3 042	1 323
SA rand	479 279	1 034 273
Other currencies	12 040	56 153
Total	511 279	1 128 770

The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:

British pound	15 099	35 636

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

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

At year-end bank accounts with a carrying value of R477,100,757 (2018: R868,171,875) were ceded as security for general and revolving banking facilities of some of the Group's subsidiaries.

Restricted balances:

Cash and cash equivalents include restricted balances of R49.1 million (2018: R45.6 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the subsidiary company when the related derivative positions are closed. The subsidiary company has the discretion to close these derivative positions at any time.

	2019 R'000	2018 R'000
22. Share capital		
Authorised – ordinary shares of 10 cents each		
400,000,000 (2018: 400,000,000) ordinary shares	**40 000**	40 000
Authorised – class A ordinary shares of 10 cents each		
18,130,000 (2018: 18,130,000) class A ordinary shares	**1 813**	1 813
Total issued and fully paid – ordinary shares of 10 cents each		
At beginning of year: 233,177,067 (2018: 233,379,445) ordinary shares	**23 319**	23 340
Issued to management in terms of share appreciation rights scheme: 249,660 (2018: 423,880) ordinary shares	**25**	42
Shares bought back and cancelled: 11,598,429 (2018: 626,258) ordinary shares	**(1 160)**	(63)
At end of year: 221,828,298 (2018: 233,177,067) ordinary shares	**22 184**	23 319

Shares issued in terms of share appreciation rights scheme

During the year, the Company issued 249,660 (2018: 423,880) ordinary shares of 10 cents each at an average of R99.89 (2018: R121.54) per share in terms of the share appreciation rights scheme.

Shares issued in terms of the B-BBEE equity transaction

During 2012, the Company issued 28,691,649 shares to the value of R1,000,347,998 to special purpose vehicles ("SPVs") that were formed in terms of a B-BBEE equity transaction. In terms of the transaction 17,488,631 ordinary shares were issued to strategic BEE partners at a subscription price of R55.14 per share and 603,030 ordinary shares to current and former black directors of the Company at a subscription price of R58.04 per share. A further 10,599,988 shares were issued to the Pioneer Foods Broad-Based BEE Trust ("BEE Trust") at a subscription price of R0.10 per share. The BEE Trust also acquired a further 145,362 listed ordinary shares in 2015.

These SPVs were consolidated as wholly owned subsidiaries in terms of IFRS and these issued shares of the Company were consequently treated as treasury shares of the Group. The B-BBEE equity transaction was in accordance with the Company's memorandum of incorporation and the Companies Act, Act 71 of 2008, as amended from time to time.

Following the conclusion of this Phase II B-BBEE equity transaction these SPVs, that were previously consolidated, are no longer consolidated. Refer to note 43.2 for further detail in this regard.

Shares bought back and cancelled

During the year, the Company bought back and cancelled 35,416 (2018: 626,258) listed ordinary shares at R77.38 (2018: R108.34) per share. In addition, 11,563,013 listed ordinary shares of 10 cents each were repurchased at an average of R78.19 per share from the B-BBEE transaction participants as part of the conclusion of the Phase II B-BBEE equity transaction. The purchase consideration paid for these ordinary shares bought back was R904,111,986. This represents a total of 11,598,429 ordinary shares repurchased at an average price of R78.19.

	2019 R'000	2018 R'000
22. Share capital continued		
Treasury shares of 10 cents each – nominal value		
Treasury shares held by B-BBEE equity transaction participants		
At beginning of year: 18,091,661 (2018: 18,091,661) ordinary shares	1 809	1 809
Shares bought back and cancelled by the Group: 11,563,013 (2018: Nil)	(1 156)	–
Derecognition of previously consolidated B-BBEE transaction participants: 6,528,648 (2018: Nil)	(653)	–
At end of year: Nil (2018: 18,091,661) ordinary shares	–	1 809
Treasury shares held by Pioneer Foods Broad-Based BEE Trust		
At beginning and at end of year: 10,745,350 (2018: 10,745,350) ordinary shares	1 075	1 075
Treasury shares held by subsidiary		
At beginning and at end of year: 17,982,056 (2018: 17,982,056) ordinary shares	1 798	1 798
Total treasury shares – nominal value		
At beginning of year	4 682	4 682
Shares of B-BBEE equity transaction participants bought back and cancelled	(1 156)	–
Derecognition of previously consolidated B-BBEE transaction participants	(653)	–
At end of year	2 873	4 682
Net listed ordinary share capital – nominal value		
Total issued and fully paid ordinary shares	22 184	23 319
Treasury shares held by B-BBEE equity transaction participants	–	(1 809)
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	(1 075)	(1 075)
Treasury shares held by subsidiary	(1 798)	(1 798)
	19 311	18 637

The unissued ordinary shares in the Company, limited to 5% of the ordinary shares in issue at the last year-end date, are placed under the control of the directors until the next annual general meeting and they are authorised to issue any such shares as they may deem fit, subject to some restraints relating to the issue price.

Treasury shares – carrying amount		
Consist of:		
Treasury shares held by B-BBEE equity transaction participants	–	999 288
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	24 000	24 000
Treasury shares held by subsidiary	163 113	163 113
	187 113	1 186 401
Issued and fully paid – unlisted class A ordinary shares of 10 cents each held by employee share scheme trust		
At beginning of year: 2,878,680 (2018: 3,174,920) class A ordinary shares	288	318
Bought back and cancelled: 228,620 (2018: 296,240) class A ordinary shares	(23)	(30)
At end of year: 2,650,060 (2018: 2,878,680) class A ordinary shares	265	288

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

	2019 Number	2018 Number

23. Share-based payments

23.1 Broad-based employee share scheme (cash-settled)

During 2006, the Group introduced a broad-based employee share scheme for all employees employed at that time, other than management qualifying for the share-based compensation scheme. In terms of the scheme, employees received class A ordinary shares with full voting rights and dividend rights equal to 30% of that of ordinary shares. Once the notional threshold debt has been repaid, class A ordinary shares will convert into ordinary shares.

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 at 31 January 2011, therefore subsequent to this date every leaver is regarded as a 'good leaver'.

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 up to 31 January 2011, were purchased by the Company at R0.01.

Reconciliation of number of class A ordinary shares

	2019 Number	2018 Number
Balance at beginning of year	2 878 680	3 174 920
Good leavers – purchased by the Company	(228 620)	(296 240)
Balance at end of year	2 650 060	2 878 680

	2019	2018

23. Share-based payments continued

23.1 Broad-based employee share scheme (cash-settled) continued

The estimated fair value of a class A ordinary share on 30 September 2019 was R72.74 (2018: R59.90).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 amounted to R37,436,064 (2018: a gain of R26,017,392).

These fair values were calculated using the Actuarial Binomial Option Pricing Model. The principal assumptions were as follows:

	2019	2018
Ordinary share price at 30 September (cents per share)	10 601	9 200
Notional loan amount at 30 September (cents per share)	3 270	3 281
Prime rate at 30 September	10.0%	10.0%
Expected volatility	30.9% – 53.9%	23.9% – 28.0%
Expected duration to repay notional debt (years)	Note 1	Note 1
Expected dividend yield	2.5%	2.5%
Risk-free rate	7.2% – 8.3%	7.7% – 9.0%

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

The principal assumptions used to calculate the expected number of shares that will vest, are as follows:

	2019	2018
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.

	2019 Number '000	2018 Number '000

23. Share-based payments continued

23.2 Management share appreciation rights scheme (equity-settled)

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.

Number of share appreciation rights made available		
Number at beginning of year	6 892	6 946
Expired/forfeited	(1 744)	(799)
Redeemed	(953)	(1 079)
New allocation at R134.96 per share	–	1 824
New allocation at R80.11 per share	3 653	–
Number at end of year	7 848	6 892

Number of share appreciation rights		
At R24.20 per share, exercisable up to 26 February 2019	–	20
At R33.89 per share, exercisable up to 8 February 2020	206	263
At R48.74 per share, exercisable up to 7 February 2021	56	71
At R60.34 per share, exercisable up to 9 February 2022	143	177
At R60.34 per share, exercisable up to 16 February 2022 (BEE special grant)	48	65
At R55.42 per share, exercisable up to 5 February 2023	97	158
At R55.42 per share, exercisable up to 5 February 2023 (BEE special grant)	6	16
At R80.41 per share, exercisable up to 30 September 2023	–	19
At R81.55 per share, exercisable up to 31 August 2019	–	1 212
At R81.55 per share, exercisable up to 28 February 2024 (BEE special grant)	87	231
At R111.66 per share, exercisable up to 1 February 2020	12	37
At R154.19 per share, exercisable up to 13 August 2020	193	514
At R154.19 per share, exercisable up to 13 February 2025 (BEE special grant)	78	82
At R185.56 per share, exercisable up to 1 December 2021	34	43
At R198.71 per share, exercisable up to 21 March 2021	333	500
At R182.05 per share, exercisable up to 3 June 2021	34	51
At R130.21 per share, exercisable up to 15 August 2021	465	735
At R130.21 per share, exercisable up to 15 February 2026 (BEE special grant)	110	119
At R166.20 per share, exercisable up to 22 August 2022	714	772
At R134.96 per share, exercisable up to 14 August 2023	1 656	1 807
At R80.11 per share, exercisable up to 22 August 2024	3 576	–
	7 848	6 892

	2019	2018

23. Share-based payments continued

23.2 Management share appreciation rights scheme (equity-settled) continued

Share appreciation rights were granted on 22 February 2019 at a strike price of R80.11. Vesting takes place over a five-year period with the first 33.3% vesting on 22 February 2022 subject to certain time and performance based criteria.

The net estimated weighted average fair value per share appreciation right at 30 September 2019 is R21.33 (2018: R22.08). 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 R28,152,399 (2018: R26,635,100).

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

The principal assumptions were as follows:

	2019	2018
Weighted average share price at grant date (cents per share)	8 130	8 554
Expected volatility	18.5% – 30.9%	18.5% – 30.9%
Expected dividend yield	2.0% – 4.1%	2.0% – 4.1%
Risk-free rate	5.4% – 8.9%	5.4% – 8.9%
Expected life (years)	1 – 6	1 – 6

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

The Board initially approved a maximum number of 14,500,000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2019, 9,670,330 (2018: 9,919,990) ordinary shares were still available for issue.

24. Other reserves

	2019 R'000	2018 R'000
Fair value reserve	–	29 667
Foreign currency translation reserve	125 347	105 792
Hedging reserve	(2 733)	(6 782)
Equity compensation reserve	69 877	60 207
	192 491	188 884

The fair value reserve relates to the difference between the fair value and cost price of investments in listed and unlisted shares, classified as equity investments at fair value through other comprehensive income (2018: available-for-sale financial assets).

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

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

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

	2019 R'000	2018 R'000

25. Borrowings

25.1 Borrowings – summary

Non-current		
Secured financing		
Lease agreements	61 290	61 498
Syndicated	1 186 636	1 184 868
Instalment sale agreements	17 087	137 347
Other	18 260	21 367
Total non-current	1 283 273	1 405 080
Current		
Secured financing		
Lease agreements	1 485	1 388
Syndicated	223	686
B-BBEE equity transaction: redeemable preference shares	–	451 494
Instalment sale agreements	119 843	67 447
Other	4 763	738
Bank overdrafts	28 502	95 258
Total current	154 816	617 011
Total borrowings	1 438 089	2 022 091
The carrying values of borrowings approximate their fair values at the reporting date and are denominated in the following currencies:		
British pound	215 078	280 124
US dollar	–	1
SA rand	1 199 929	1 719 861
Other currencies	23 082	22 105
Total	1 438 089	2 022 091
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	215 078	280 124

Refer to note 25.2 for further detail.

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

25. Borrowings continued

25.1 Borrowings – summary continued

Security provided for syndicated and other loans

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

These loans and facilities are secured by mortgages over certain immovable properties with carrying values of R1,129,478,661 (2018: R1,117,880,133) at year-end, special notarial bonds over certain items of plant and equipment with carrying values of R1,741,738,685 (2018: R1,889,055,913) at year-end and general notarial bonds over all movable assets of Pioneer Foods (Pty) Ltd, Pioneer Foods Groceries (Pty) Ltd and Ceres Fruit Juices (Pty) Ltd.

Security provided includes cessions of certain Group companies' inventories and trade receivables, as well as all insurance policies and bank accounts. At year-end inventories, trade receivables and bank accounts ceded as security for this purpose amounted to R3,233,650,170 (2018: R2,911,109,614), R1,906,211,861 (2018: R1,702,075,331) and R477,100,757 (2018: R868,171,875) respectively.

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

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

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

At 30 September 2019 the Group complied with the financial covenants of the syndicated borrowing facilities as indicated in note 31.

25. Borrowings continued

25.1 Borrowings – summary continued

B-BBEE equity transaction

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

In order to give effect to the financial assistance provided, the BEE Investors' SPVs issued variable rate cumulative A preference shares to RMB at a dividend rate of 82.5% of the prime interest rate and B preference shares to Pioneer Foods at a dividend rate of 99% of the prime interest rate. During the 2013 financial year certain issuers of the A preference shares elected to fix, from 1 April 2013, the A preference share dividend rate at 9.5% per annum for the remainder of the financing period. The total outstanding value of the issued A preference shares at 30 September 2019 is Rnil (2018: R451,494,165) of which Rnil (2018: R421,196,055) is at a fixed dividend rate of 9.5%.

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

As at 30 September 2019, the preference share obligation has been settled in full (refer to note 43.2).

Security provided for B-BBEE equity transaction

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

Security provided for other borrowings

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

The borrowings outstanding at year-end in respect of these agreements amounted to R136,929,793 (2018: R204,794,491).

The borrowings are secured by the vehicles purchased in terms of the instalment sale agreements. The carrying value of these assets as at 30 September 2019 amounted to R217,457,728 (2018: R244,602,254).

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

25. Borrowings continued

25.2 Borrowings – detail

25.2.1 Secured financing

	YEAR OF REDEMPTION	INTEREST RATE AT YEAR-END (%)	2019 R'000	2018 R'000
Lease agreements			62 775	62 886
Monthly payments Instalment of R94,951 (2018: R94,951).	2028	6.5	7 800	8 411
Monthly payments Instalment of R132,128 (2018: R132,128).	2029	7.0	11 114	11 892
Monthly payments Instalment of R36,011 (2018: R37,119).	2041	9.3	8 054	7 850
Monthly payments Instalment of R42,311 (2018: R42,311).	2042	10.8	8 826	8 541
Monthly payments Instalment of R76,373 (2018: R69,930).	2041	9.2	13 277	12 954
Monthly payments Instalment of R22,979 (2018: R21,040).	2041	10.1	3 627	3 519
Monthly payments Instalment of R19,577 (2018: R19,577).	2041	9.6	4 135	4 018
Monthly payments Instalment of R44,717 (2018: R40,943).	2042	12.9	5 942	5 701
Syndicated loans			1 186 859	1 185 554
Quarterly payments (bullet loan) Instalment (interest only) of R7,094,586 (2018: R7,436,301).	2021	8.0	350 077	350 237
Quarterly payments (bullet loan) Instalment (interest only) of R641,748 (2018: R642,690).	2021	2.8	93 318	92 434
Quarterly payments (bullet loan) Instalment (interest only) of R641,748 (2018: R642,690).	2021	2.8	93 318	92 434
Quarterly payments (bullet loan) Instalment (interest only) of R3,040,537 (2018: R3,186,986).	2021	8.0	150 033	150 102
Quarterly payments (bullet loan) Instalment (interest only) of R10,387,178 (2018: R10,880,822).	2023	8.2	500 113	500 347
Secured by mortgages over immovable property, special notarial bonds over specific items of property, plant and equipment and general notarial bonds over all movable assets of specific Group subsidiaries, as well as cessions of certain Group bank accounts and insurance policies. Refer to note 25.1 for further detail.				
Redeemable preference shares: Accumulated dividends and capital are repaid as dividend income from investments are received. Secured by a guarantee of R100 million by a Group subsidiary.	–	–	–	451 494
Other loans:				
Monthly payments Instalment of R2,463,478 (2018: R368,417). Secured by a charge over specific assets of the subsidiary company.	2023	9.0	23 023	22 105
Quarterly payments Instalment of R33,548,072 (2018: R13,189,936). Carrying value of vehicles encumbered in terms of instalment sale agreements.	2020 – 2021	8.0	136 930	204 794
Total amount owing – secured financing			1 409 587	1 926 833
Portion of liabilities payable within one year included in current liabilities			(126 314)	(521 753)
Secured financing				
Lease agreements			(1 485)	(1 388)
Syndicated and other			(124 829)	(68 871)
Redeemable preference shares			–	(451 494)
			1 283 273	1 405 080

	2019 R'000	2018 R'000

25. Borrowings continued

25.2 Borrowings – detail continued

25.2.2 Finance lease liabilities

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:

	2019 R'000	2018 R'000
Capital amount		
Not later than one year	1 485	1 388
Later than one year, but not later than five years	7 057	6 595
Later than five years	54 233	54 903
	62 775	62 886
Interest cost		
Not later than one year	4 534	4 352
Later than one year, but not later than five years	19 718	19 587
Later than five years	68 102	74 045
	92 354	97 984
Instalment		
Not later than one year	6 019	5 740
Later than one year, but not later than five years	26 775	26 182
Later than five years	122 335	128 948
	155 129	160 870

26. Deferred income tax

	2019 R'000	2018 R'000
Balance at beginning of year – previously reported	710 258	661 849
Effect of change in accounting policy	(895)	–
Balance at beginning of year – restated	709 363	661 849
Charge in profit or loss	42 394	40 249
Foreign exchange translation adjustment	596	842
Deferred income tax on foreign exchange contracts charged to equity	4 741	(5 315)
Deferred income tax on swaps charged to equity	(1 747)	–
Deferred income tax on share-based payment of share appreciation rights	(6 456)	15 419
Deferred income tax on fair value adjustments of available-for-sale financial assets charged to equity	–	(6 400)
Deferred income tax on remeasurement of post-retirement medical benefits	(624)	846
Business combinations	–	2 768
	748 267	710 258
Due to the following temporary differences:		
Capital allowances, including trademarks	1 087 323	1 045 645
Inventories	1 860	(8 347)
Provision for post-retirement medical benefits and long-service awards	(32 269)	(31 415)
Leave accrual	(40 220)	(37 707)
Bonus accrual	(23 305)	(28 748)
Audit fees accrual	(2 052)	(2 137)
Prepaid expenses	12 650	9 856
Provision for impairment of trade receivables	(4 206)	(1 880)
Rebates, growth incentives and settlement discount accruals	(44 078)	(36 865)
Assessed losses	(103 267)	(84 172)
Hire-purchases and leased assets	(2 364)	(1 653)
Allowance for credit notes	(10 708)	(9 877)
Deferred income	(4 647)	(4 209)
Derivative financial instruments	(43 932)	(66 107)
Share-based payments	(23 261)	(15 905)
Accruals	(8 763)	(6 640)
Other	(10 494)	(9 581)
	748 267	710 258
For the purposes of the statement of financial position deferred income tax is presented as follows:		
Non-current assets	76 122	55 847
Non-current liabilities	(824 389)	(766 105)
	(748 267)	(710 258)

For further detail on deferred income tax assets refer to note 8.

	2019 R'000	2018 R'000

27. Provisions for other liabilities and charges

27.1 Post-retirement medical benefits

Balance at beginning of year	54 425	57 700
Interest cost	4 636	4 883
Remeasurements	2 229	(3 020)
Actuarial loss/(gain) from change in demographic assumptions	3 377	(936)
Actuarial gain from change in financial assumptions	(1 148)	(2 084)
Service cost	52	92
Payments	(5 230)	(5 230)
	56 112	54 425

The amount recognised in the statement of financial position was determined as follows:

Present value of unfunded obligations	56 112	54 425

The historical present values for the three years prior to the comparative period of the unfunded obligation were as follows:
2017 – R57,700,000.
2016 – R59,727,000.
2015 – R61,061,000.

Expected maturity analysis of undiscounted post-employment medical benefits:

Not later than a year	5 929	5 387
Later than one year, but not later than two years	5 687	5 465
Later than two years, but not later than five years	15 954	15 308
Later than five years	114 076	114 868
Total	141 646	141 028

The weighted average duration of the defined obligation is 9.2 years (2018: 8.6 years).

Existing provisions are based on the following important assumptions:
Medical inflation rate: 7.3% (2018: 7.4%) p.a.
Discount rate: 8.9% (2018: 9.0%) p.a.
Normal retirement age: 60 (2018: 60) years
The date of the most recent actuarial valuation is 30 September 2019.

	2019 R'000	2018 R'000
27. Provisions for other liabilities and charges continued		
27.1 Post-retirement medical benefits continued		
The effect of a 1% increase in the assumed health cost trend is as follows:		
Increase in the defined benefit obligation	4 268	4 288
Increase in the aggregate of current service and interest cost	408	393
The effect of a 1% decrease in the assumed health cost trend is as follows:		
Decrease in the defined benefit obligation	3 787	3 791
Decrease in the aggregate of current service and interest cost	328	348
The effect of a 1% increase in the assumed discount rate trend is as follows:		
Decrease in the defined benefit obligation	3 681	3 822
The effect of a 1% decrease in the assumed discount rate trend is as follows:		
Increase in the defined benefit obligation	3 964	4 399
The effect of a one-year increase in the assumed expected retirement age trend is as follows:		
Decrease in the defined benefit obligation	140	195
The effect of a one-year decrease in the assumed expected retirement age trend is as follows:		
Increase in the defined benefit obligation	98	127

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

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

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

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities.

Inflation risk

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

Life expectancy

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

	2019 R'000	2018 R'000

27. Provisions for other liabilities and charges continued

27.2 Long-service awards

Balance at beginning of year	57 770	54 731
Interest cost	4 609	4 354
Actuarial (gain)/loss	(2 599)	180
Service cost	9 389	7 131
Payments	(10 034)	(8 626)
	59 135	57 770

The amount recognised in the statement of financial position was determined as follows:

Present value of unfunded obligations	59 135	57 770

Existing provisions are based on the following important assumptions:
Discount rate: 8.0% (2018: 8.5%) p.a.
Salary increases: 5.7% (2018: 6.7%) p.a.
Normal retirement age: 60 (2018: 60) years
The date of the most recent actuarial valuation is 30 September 2019.

27.3 Total provision for other liabilities and charges

Consists of:

Post-retirement medical benefits	56 112	54 425
Long-service awards	59 135	57 770
	115 247	112 195

For the purposes of the statement of financial position the total provision for other liabilities and charges is presented as follows:

Non-current liabilities	115 247	112 195

28. Non-controlling interest

Balance at beginning of year	35 346	25 011
Profit for the year	5 884	4 514
Share of other comprehensive income	3 130	5 821
Balance at end of year	44 360	35 346

The carrying amount of the non-controlling interest relates to Food Concepts Pioneer Ltd. The Group obtained control of this entity (formerly a joint venture) after increasing its shareholding during 2017.

29. Share-based payment liability – employee share scheme

Balance at beginning of year	136 536	192 141
Share-based payment	37 436	(26 017)
Repurchase of class A ordinary shares from leavers	(12 350)	(26 287)
Dividends paid on class A ordinary shares	(3 030)	(3 301)
	158 592	136 536

Refer to note 23.1 for further detail.

For the purposes of the statement of financial position the share-based payment liability is presented as follows:

Non-current liabilities	128 411	112 768
Current liabilities	30 181	23 768
	158 592	136 536

	2019 R'000	2018 R'000
30. Trade and other payables		
Trade payables	2 544 604	2 470 941
Refund liability – credit notes on good stock	55 222	–
Accrued expenses	131 862	130 189
Related parties (refer to note 35)	1 331	1 976
Deferred income	37 656	33 665
Government grants	52 676	56 879
Value-added tax	1 447	12 991
Accrual for leave	144 069	134 759
Accrual for 13th cheque	81 008	73 614
Accrual for performance bonus	8 872	30 762
Other	57 849	72 733
	3 116 596	3 018 509
For the purposes of the statement of financial position trade and other payables are presented as follows:		
Current liabilities	3 116 596	3 018 509
	3 116 596	3 018 509
The carrying amounts of the Group's trade payables are denominated in the following currencies:		
Covered by means of foreign exchange contracts	682 647	728 308
Euro	10 698	9 738
British pound	377	–
US dollar	671 572	718 570
Uncovered	1 861 957	1 742 633
Euro	12 374	9 882
British pound	300 735	178 753
US dollar	547	7 857
SA rand	1 534 701	1 531 620
Other	13 600	14 521
Total	2 544 604	2 470 941
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	300 735	178 512

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

	2019 R'000	2018 R'000

31. Financial risk management

31.1 Financial risk factors

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.

(a) Market risk

(i) Interest rate risk

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:

	2019 R'000	2018 R'000
Variable rate	1 352 291	1 515 904
Fixed rate	85 798	506 187
Total loans	1 438 089	2 022 091

	2019 %	2018 %
Percentage of total loans:		
Variable rate	94	75
Fixed rate	6	25
Total loans	100	100

Refer to note 25 for detail regarding interest rates.

31. Financial risk management continued

31.1 Financial risk factors continued

(a) Market risk continued

(i) Interest rate risk continued

Based on various scenarios the Group manages its interest rate risk by entering into interest rate 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. Where such instruments qualify for hedge accounting, hedge accounting principles are applied in accounting for these hedging instruments.

At year-end R500 million of the Group's interest-bearing borrowings were hedged by means of interest rate swaps (2018: 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 the agreed notional amounts.

Effects of hedge accounting on the financial position and performance

The effects of hedge accounting of the interest rate swaps on the Group's financial position and performance are as follows:

	2019	2018
Carrying amount (current and non-current liability) (R'000)	6 240	–
Notional amount (R'000)	500 000	–
Maturity dates	30/06/2021 & 30/06/2022	–
Hedge ratio	1:1	–
Change in fair value of outstanding instruments since 1 July 2019 (R'000)	6 240	–
Change in fair value of hedged item used to determine hedge effectiveness (R'000)	5 300	–
Weighted average hedged rate for the year (%)	50% of syndicated SA bullet facilities	–

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 R366,421,465 (2018: R539,647,230) was invested at a rate of 6.5% (2018: 6.0% to 7.5%).

At year-end loans to joint ventures were granted interest-free, but for 2018 interest-bearing loans were also granted at a variable rate of 10.0%.

31. Financial risk management continued

31.1 Financial risk factors continued

(a) Market risk continued

(ii) Foreign exchange risk

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

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

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

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

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

(iii) Price risk

The Group is exposed to price risk relating to equity investments classified as financial assets at fair value through OCI, however this investment is not material.

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

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

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.

31. Financial risk management continued

31.1 Financial risk factors continued

(a) Market risk continued

(iv) Sensitivity analysis

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

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

Change in foreign currency

Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in the US dollar of 10.0% (2018: 10.0%), British pound of 10.0% (2018: 10.0%), Botswana pula of 5.0% (2018: 5.0%) and euro of 10.0% (2018: 10.0%), with all other variables held constant. The reasonably possible changes in the relevant risk variables are based on management's economic outlook for the next 12 months. Changes to these risk variables are due to a revised economic outlook.

	2019 R'000	2018 R'000
Rand depreciates against foreign currencies		
– *Increase/(decrease) in profit after income tax*		
Trade receivables	13 442	17 377
Trade payables	(50 162)	(53 598)
Cash and cash equivalents	334	209
Derivative financial instruments not earmarked for hedging	51 770	54 064
– *Increase in equity after income tax*		
Derivative financial instruments earmarked for hedging	3 245	717
	18 629	18 769

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

Change in interest rate

The summary below reflects the results of an expected change in the interest rate of 0.25% (2018: 0.25%) with all other variables held constant.

Interest rate increases		
– *Increase/(decrease) in profit after income tax*		
Short-term bank deposits	650	960
Interest-bearing borrowings	(2 538)	(2 696)
	(1 888)	(1 736)

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

Derivative financial instruments affected by changes in the interest rate include interest rate swaps. The effect of a decrease in the 3-month Jibar of 0.5% (2018: nil) on these derivative financial instruments will result in:		
– *Decrease in equity after tax*		
Derivative financial instruments earmarked for hedging	(3 105)	–
Derivative financial instruments affected by changes in the interest rate include interest rate swaps. The effect of a increase in the 3-month jibar of 0.5% (2018: nil) on these derivative financial instruments will result in:		
– *Increase in equity after income tax*		
Derivative financial instruments earmarked for hedging	3 062	–

	2019 R'000	2018 R'000

31. Financial risk management continued

31.1 Financial risk factors continued

(a) Market risk continued

(iv) Sensitivity analysis continued

Change in commodity prices

Derivative financial instruments affected by changes in the commodity prices relate to futures and options. The summary below reflects the results of an expected change in the wheat price of 10.0% (2018: 10.0%) and an expected change in the maize price of 10.0% (2018: 10.0%), with all other variables held constant.

Commodity price increase		
– *Increase in equity after income tax*		
Derivative financial instruments earmarked for hedging	54 969	57 476

A decrease in these commodity prices will result in a decrease in reserves of the same amount.

Change in security prices

Equity investments at fair value through OCI relate to investments in securities. The summary below reflects the results of an expected change in the security prices of Nil% (2018: 5.0%), with all other variables held constant.

Security prices increase		
– *Increase in equity after income tax*		
Equity investments at fair value	–	2 983

A decrease in these security prices will result in a decrease in reserves of the same amount.

Change in forward purchase contracts on own equity

The summary below reflects the results of an expected change in the security prices of 5.0% (2018: 5.0%), with all other variables held constant.

Security prices increase		
– *Increase in profit after income tax*		
Derivative financial instruments on own equity	9 251	9 495

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

31. Financial risk management continued

31.1 Financial risk factors continued

(b) Credit risk

Financial assets that expose the Group to a concentration of credit risk consist principally of cash and cash equivalents, trade receivables, loans receivable, derivative financial instruments, as well as credit exposure relating to financial guarantees issued.

The Group's credit risk exposure relating to cash and cash equivalents, derivative financial instruments and deposits with financial institutions is managed on a Group level. Cash equivalents and short-term deposits are placed with a limited group of creditable financial institutions, all of which have at a minimum an A-2 or P-2 short-term credit rating according to the ratings published by Standard & Poor's or Moody's respectively. These minimum ratings indicate that the issuer has an acceptable ability to repay short-term debt obligations.

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

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

	2019 R'000	2018 R'000
Change in expected credit loss on trade receivables The summary below reflects the results of a change in the expected credit losses on trade receivables, if the country credit rating risk is adjusted downwards or upwards by one grade with all other variables held constant.		
Increase in expected credit loss on trade receivables – *Decrease in profit after income tax* Provision for impairment	(1 319)	–
Decrease in expected credit loss on trade receivables – *Increase in profit after income tax* Provision for impairment	756	–
Change in expected credit loss on loans receivable The summary below reflects the results of a change in the expected credit losses on loans receivable, if the country credit rating risk is adjusted downwards or upwards by one grade with all other variables held constant.		
Increase in expected credit loss on loans receivable – *Decrease in profit after income tax* Provision for impairment	(463)	–
Decrease in expected credit loss on loans receivable – *Increase in profit after income tax* Provision for impairment	382	–

31. Financial risk management continued

31.1 Financial risk factors continued

(c) Liquidity risk

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

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

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

At the reporting date, the Group held short-term bank deposits of R366,421,465 (2018: R539,647,230) that are held for purposes of meeting short-term cash commitments rather than for investment purposes.

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

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

	2019 R'000	2018 R'000
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	4 146 903	4 684 693
Net interest-bearing liabilities (refer to note 42)	(926 810)	(893 321)
	3 220 093	3 791 372

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

Refer to note 49 for a maturity analysis that analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period. Other derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

31.2 Capital risk management

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

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

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

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

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

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

At 30 September 2019, the Group complied with these covenants with these ratio's being 0.5:1 and 10.2:1 (2018: 0.2:1 and 13.2:1) respectively.

31. Financial risk management continued

31.3 Fair values

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

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

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

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity investments) 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 equity investments at fair value through other comprehensive income (2018: available-for-sale).

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

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

The fair values of the forward purchase contracts on own equity are determined at each reporting date and any changes in the values are recognised in profit or loss. The fair values of the forward purchase contracts have been determined by an independent external professional financial instruments specialist by using a discounted cash flow model. The inputs to this valuation method include the risk free rate, dividend yield, contractual forward price and the spot price at year-end.

The fair values of the interest rate swaps are calculated as the present value of the estimated future cash flows based on observable swap rates. These observable inputs represent the swap rate of an instrument with similar remaining maturity as at year-end and was obtained from the relevant derivative dealers.

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

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

Refer to note 51 for detail on fair value measurements by level of fair value measurement hierarchy.

	2019 R'000	2018 R'000

32. Commitments and contingent liabilities

32.1 Operating lease commitments

Not later than one year	154 848	139 169
Later than one year, but not later than five years	417 065	465 179
Later than five years	488 583	500 058
	1 060 496	1 104 406

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 25 years and the majority of lease agreements are renewable at the end of the lease period at market rates.

The Group also leases various items of plant and machinery under cancellable operating lease agreements. The Group is usually required to give a six-month notice for the termination of these agreements. The lease expenditure charged to profit or loss during the year is disclosed in note 4.

32.2 Operating lease receivables

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

Not later than one year	1 079	498
Later than one year, but not later than five years	1 706	819
Later than five years	1 385	–
	4 170	1 317

32.3 Future capital commitments

Contractually committed		
– for next financial year	169 867	156 656
Approved by the Board, but not yet contractually committed	617 574	1 068 350
– for next financial year	547 014	614 440
– for year following next financial year	70 560	453 910
Share of items of joint ventures and associates	67 819	56 690
	855 260	1 281 696
Allocated as follows:		
Property, plant and equipment	855 260	1 281 696

The expenditure will be financed from operating income and borrowed funds, in accordance with a budget approved by the Board.

32.4 Contingent liabilities

There are no contingent liabilities or matters of litigation that pose a material financial risk to the Group.

	2019 R'000	2018 R'000

33. Retirement benefits

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.

34. Government grants

Cumulative amounts received	83 459	83 459
Cumulative amounts amortised	(30 783)	(26 580)
Receipts deferred	52 676	56 879

The Group benefits from government grants for capital expenditure.

35. Related-party transactions

35.1 Parent

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

35.2 Subsidiaries

The details of effective interests in subsidiaries are disclosed in note 46.

35.3 Associates and joint ventures

Details of the effective interests in associates are disclosed in notes 16 and 48. Details of effective interests in and loans to and from joint ventures are disclosed in notes 15 and 47.

35.4 Key management personnel

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

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

	2019 R'000	2018 R'000

35. Related-party transactions continued

35.5 Transactions and balances

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.

	2019 R'000	2018 R'000
Sale of goods		
Joint ventures	637 037	520 286
Associates	6 750	13 916
Rendering of services		
Joint ventures	16 801	18 591
Purchase of goods		
Joint ventures	6 703	5 258
Associates	2 492	–
Net interest (paid)/received		
Joint ventures	(245)	(455)
Associates	–	135
Key management personnel compensation		
Salaries and other short-term employee benefits	126 907	111 542
Termination benefits	–	8 312
Post-employment benefits	14 509	12 923
Other long-term benefits	865	833
Share-based payments	14 789	15 887
	157 070	149 497

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. Refer to note 20 for details regarding the expected credit losses calculated in respect of these balances.

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

	2019 R'000	2018 R'000
35. Related-party transactions continued		
35.5 Transactions and balances continued		
Year-end balances arising from sales/purchases of goods/services		
Receivable from related parties		
Joint ventures	91 045	55 012
Associates	6 528	4 547
	97 573	59 559
Payable to related parties		
Joint ventures	902	1 976
Associates	429	–
	1 331	1 976
Loans (from)/to related parties		
Loans (from)/to joint ventures		
Beginning of year	(6 592)	21 197
Loans advanced during the year	1 412	–
Loan repayments received	–	(27 288)
Interest charged	1 408	1 512
Interest paid	(1 872)	(2 013)
Interest waived	(7 876)	–
End of year	(13 520)	(6 592)
No impairment was provided against loans to joint ventures (2018: Rnil).		
Loans to associates		
Beginning of year	–	7 593
Loan repayments received	–	(7 527)
Interest charged	–	135
Foreign exchange translation	–	(201)
End of year	–	–
No impairment was provided against the loan to an associate in 2018.		

	2019 R'000	2018 R'000
36. Net cash profit from operating activities		
Profit before income tax	1 217 700	1 476 112
Adjusted for:		
Depreciation and amortisation	466 606	437 726
Impairment of property, plant and equipment and intangible assets	71 255	–
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	9 256	(35 214)
Net profit on disposal of available-for-sale financial assets	–	(24 576)
Fair value adjustment of step-up from joint venture to subsidiary	–	(13 438)
Unrealised (profits)/losses on foreign exchange contracts and on foreign exchange differences	(6 168)	6 599
Fair value of embedded derivative financial instruments	67	1 410
Change in provision for impairment of trade receivables	13 352	(8 968)
Change in allowance for outstanding credit notes	1 648	(692)
Impairment of trade and other receivables – loans	2 507	–
Share-based payments	28 446	56 727
Changes in provisions for post-retirement medical benefits and long-service awards	6 842	7 403
Dividend income	(12 664)	(11 447)
Interest income	(17 684)	(16 540)
Finance costs	200 793	197 467
Share of profit of associated companies	(12 803)	(13 811)
Share of (profit)/loss of joint ventures	(74 359)	13 770
	1 894 794	2 072 528
37. Working capital changes		
Increase in inventory	(360 163)	(38 285)
Increase in trade and other receivables	(233 439)	(19 858)
Increase in trade and other payables	91 313	334 100
Changes to derivative financial instruments (assets and liabilities)	(9 679)	18 998
Provisions paid	(15 264)	(13 856)
	(527 232)	281 099
38. Dividends paid to Group ordinary shareholders		
Amounts unpaid at beginning of year	(1 551)	(598)
As disclosed in statement of changes in equity	(687 113)	(681 376)
Dividends declared to ordinary shareholders	(807 630)	(820 891)
Treasury dividends received by subsidiary	65 635	65 635
Treasury dividends received by participants to B-BBEE equity transaction	47 038	66 035
Treasury dividends received by Pioneer Foods Broad-Based BEE Trust	7 844	7 845
Amounts unpaid at end of year	1 566	1 551
	(687 098)	(680 423)
39. Income tax paid		
Amounts unpaid at beginning of year	(4 955)	(16 794)
Current income tax as disclosed in profit or loss	(259 607)	(358 749)
Business combination	–	6 816
Derecognition of previously consolidated Phase II BEE equity transaction participants	2	–
Hedging reserve – reversal of previous year income tax to profit or loss	2 152	1 573
Hedging reserve – income tax current year	(749)	(2 152)
Amounts unpaid at end of year	15 112	4 955
	(248 045)	(364 351)

	2019 R'000	2018 R'000
40. Proceeds on disposal of property, plant and equipment and intangible assets		
Carrying amount of property, plant and equipment and intangible assets	23 510	71 419
Net (loss)/profit on disposal of property, plant and equipment and intangible assets	(9 256)	35 214
	14 254	106 633
41. Proceeds on disposal of available-for-sale financial assets		
Cost price of available-for-sale financial assets	–	61 892
Net profit on disposal of available-for-sale financial assets	–	24 576
	–	86 468
42. Net debt reconciliation		
This following is an analysis of net debt and the movements in net debt for each of the periods pesented.		
Net debt		
Cash at bank and on hand	144 858	589 123
Short-term bank deposits	366 421	539 647
Cash and cash equivalents	511 279	1 128 770
Borrowings – repayable within one year (including bank overdrafts)	(154 816)	(617 011)
Lease agreements	(1 485)	(1 388)
Syndicated	(223)	(686)
B-BBEE equity transaction: redeemable preference shares	–	(451 494)
Instalment sale agreements	(119 843)	(67 447)
Other	(4 763)	(738)
Bank overdrafts	(28 502)	(95 258)
Borrowings – repayable after one year	(1 283 273)	(1 405 080)
Lease agreements	(61 290)	(61 498)
Syndicated	(1 186 636)	(1 184 868)
Instalment sale agreements	(17 087)	(137 347)
Other	(18 260)	(21 367)
	(926 810)	(893 321)
Cash	511 279	1 128 770
Gross debt – fixed interest rates	(85 798)	(506 187)
Gross debt – variable interest rates	(1 352 291)	(1 515 904)
	(926 810)	(893 321)

42. Net debt reconciliation continued

	CASH/BANK OVERDRAFTS R'000	LEASES DUE WITHIN 1 YEAR R'000	LEASES DUE AFTER 1 YEAR R'000	BORROWINGS DUE WITHIN 1 YEAR R'000	BORROWINGS DUE AFTER 1 YEAR R'000	TOTAL R'000
Net debt as at 1 October 2017	302 449	(1 298)	(61 494)	(681 561)	(637 230)	(1 079 134)
Cash flows	724 405	(90)	(4)	161 933	499 883	1 386 127
New borrowings	–	–	–	(737)	(1 206 235)	(1 206 972)
Business combinations	3 649	–	–	–	–	3 649
Foreign exchange adjustments	3 009	–	–	–	–	3 009
Net debt as at 30 September 2018	1 033 512	(1 388)	(61 498)	(520 365)	(1 343 582)	(893 321)
Cash flows	(552 923)	(97)	208	395 536	121 599	(35 677)
Foreign exchange adjustments	2 188	–	–	–	–	2 188
Net debt as at 30 September 2019	482 777	(1 485)	(61 290)	(124 829)	(1 221 983)	(926 810)

43. Business combinations and derecognition of cash and cash equivalents of previously consolidated Phase II B-BBEE equity transaction participants

43.1 Business combinations

	2019 R'000	2018 R'000
Effect on movement of:		
Property, plant and equipment	–	174 255
Intangible assets	–	258 939
Goodwill	–	99 522
Inventories	–	99 984
Trade and other receivables	–	232 743
Cash and cash equivalents	–	3 649
Borrowings	–	(148 876)
Deferred income tax	–	(2 768)
Loan from joint venture	–	(32 801)
Current income tax	–	6 816
Trade and other payables	–	(308 336)
	–	383 127
Fair value adjustment of step-up from joint venture to subsidiary	–	(13 438)
	–	369 689
Derecognition of investment in joint venture	–	(36 362)
Purchase consideration	–	333 327
Cash and cash equivalents acquired	–	(3 649)
Borrowings acquired	–	148 876
Loan acquired from joint venture	–	32 801
	–	511 355

	2019 R'000	2018 R'000

43. Business combinations and derecognition of cash and cash equivalents of previously consolidated Phase II B-BBEE equity transaction participants continued

43.2 Derecognition of cash and cash equivalents of previously consolidated Phase II B-BBEE equity transaction participants

	2019 R'000	2018 R'000
Equity investments at fair value through other comprehensive income	(59 702)	–
External funding to Phase II BEE equity transaction participant	429 253	–
Current income tax	2	–
Fair value reserve	12 480	–
Derecognition of treasury shares	(999 288)	–
Consideration in respect of shares bought back and cancelled	904 112	–
Loans written off	(7 037)	–
	279 820	–
Profit on disposal of Group treasury shares by Phase II BEE equity transaction participants and derecognition of these previously consolidated entities	(202 667)	–
Cash and cash equivalents derecognised	77 153	–

During 2012, the Company issued 18,091,661 ordinary shares to the value of R999 million to strategic BEE partners, former and current black directors of the Company (hereafter collectively referred to as "BEE investors") in terms of a B-BBEE equity transaction. The subscription price of these shares was mainly financed by Pioneer Foods' wholly owned subsidiary, Pioneer Foods (Pty) Ltd, and by third-party funding from Rand Merchant Bank Ltd ("RMB") in the form of redeemable preference shares.

The funding structure of the deal resulted in the establishment of a number of special-purpose vehicle companies ("SPVs") for the BEE investors. From inception of the Phase II B-BBEE equity transaction, the results and financial positions of these SPVs have been consolidated with those of the Group in terms of IFRS.

In October 2014, the Group unbundled its investment in Quantum Foods Holdings Ltd and the entity was subsequently listed on the JSE. As a result, the consolidated SPVs received 18,091,661 shares in Quantum Foods Holdings Ltd due to their shareholding in Pioneer Foods.

The terms of the financing provided to the BEE investors matured on 15 March 2019 which resulted in the conclusion of the Phase II B-BBEE equity transaction. Pioneer Food Group Ltd repurchased and cancelled 11,563,013 ordinary shares from the BEE investors for a total consideration of R904 million in terms of its pre-emptive right under the B-BBEE equity transaction. The proceeds from the repurchase was utilised towards settling the outstanding preference share funding due to both Pioneer Foods and RMB on the termination date.

The total amount of RMB redeemable preference share funding outstanding as at 15 March 2019 amounted to R428 million (30 September 2018: R451 million).

As of the conclusion date, the SPVs are no longer required to be consolidated in terms of IFRS. Quantum Foods Holdings Ltd repurchased its ordinary shares from the BEE investors in terms of its pre-emptive right under the B-BBEE equity transaction in May 2019.

Shareholders are further referred to the SENS announcements on 6 March 2019 and 12 March 2019 respectively for more detail on the share repurchase by Pioneer Foods.

44. Segment information

44.1 Operating segments

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

Operating segments are divided into the following:
Essential Foods
Groceries
International

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

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

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

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

Segment assets consist of property, plant and equipment, intangible assets, inventories, trade and other receivables and derivative financial instrument assets and exclude cash and cash equivalents, equity investments at fair value through other comprehensive income (2018: available-for-sale financial assets), investments in joint ventures, loans to joint ventures, investments in associates, loans to associates, deferred and current income tax assets and non-current trade and other receivables.

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

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

	2019 R'000	2018 R'000
Segment revenue	22 272 629	20 151 853
Essential Foods	13 184 895	11 859 292
Groceries	5 795 415	5 119 561
International	3 292 319	3 173 000

	2019 R'000	2018 R'000
44. Segment information continued		
44.1 Operating segments continued		
Segment results	1 381 787	1 602 415
Essential Foods	742 895	915 297
Groceries	362 738	419 239
International	294 368	285 039
Other	(18 214)	(17 160)
A reconciliation of the segments' results to operating profit before income tax is provided below:		
Segment results	1 381 787	1 602 415
Share-based payment on broad-based share incentive scheme and related hedge	(293)	(30 092)
Operating profit before items of a capital nature	1 381 494	1 572 323
Adjusted for:		
Items of a capital nature	(80 511)	73 228
Interest income	17 684	16 540
Dividend income	12 664	11 447
Finance costs	(200 793)	(197 467)
Share of profit/(loss) of joint ventures	74 359	(13 770)
Share of profit of associated companies	12 803	13 811
Profit before income tax per statement of comprehensive income	1 217 700	1 476 112
Segment assets	13 154 204	12 431 315
Essential Foods	6 551 643	5 993 742
Groceries	4 111 359	4 096 795
International	2 293 424	2 192 324
Other	197 778	148 454
A reconciliation of the segments' assets to the Group's assets is provided below:		
Segment assets per segment report	13 154 204	12 431 315
Adjusted for:		
Investments in joint ventures	625 160	580 586
Loans to joint ventures	7 980	14 448
Investments in associates	235 835	196 241
Equity investments at fair value through other comprehensive income	4 022	–
Available-for-sale financial assets	–	77 912
Trade and other receivables	48 779	45 751
Current and deferred income tax assets	76 351	66 049
Cash and cash equivalents	511 279	1 128 770
Total assets per statement of financial position	14 663 610	14 541 072
Total segment liabilities	3 406 415	3 300 104
Essential Foods	2 082 035	1 954 901
Groceries	791 681	845 654
International	361 445	360 258
Other	171 254	139 291

	2019 R'000	2018 R'000
44. Segment information continued		
44.1 Operating segments continued		
Total segment liabilities continued		
A reconciliation of the segments' liabilities to the Group's liabilities is provided below:		
Segment liabilities per segment report	3 406 415	3 300 104
Adjusted for:		
Non-current and current borrowings	1 438 089	2 022 091
Current and deferred income tax liabilities	839 730	781 262
Loan from joint venture	21 500	21 040
Dividends payable	1 566	1 551
Total liabilities per statement of financial position	5 707 300	6 126 048
Total segment capital expenditure (excluding business combinations)	660 287	626 223
Essential Foods	295 230	441 744
Groceries	184 607	85 641
International	61 582	57 298
Other	118 868	41 540
Total segment depreciation and amortisation	466 606	437 726
Essential Foods	272 821	260 571
Groceries	146 470	130 470
International	47 315	46 685
Items of a capital nature per segment		
(Loss)/profit on disposal of property, plant and equipment before income tax	(9 256)	35 214
Essential Foods	(3 938)	9 352
Groceries	(4 815)	22 637
International	(524)	3 225
Other	21	–
Fair value adjustment on step-up from joint venture to subsidiary		
Other	–	13 438
Impairment of property, plant and equipment	(36 820)	–
Essential Foods	(22 984)	–
Groceries	(13 836)	–
Impairment of intangible assets		
Groceries	(34 435)	–
Profit on disposal of available-for-sale financial assets before income tax		
Other	–	24 576
Items of a capital nature before income tax	(80 511)	73 228
Income tax effect	21 630	(12 014)
Items of a capital nature after income tax	(58 881)	61 214
Other material items of income or expenses per segment		
Inventory written off per segment	192 984	183 657
Essential Foods	67 170	56 515
Groceries	98 137	99 832
International	27 677	27 310

	2019 R'000	2018 R'000

44. Segment information continued

44.2 Geographical information

The Group mainly operates in South Africa. Other operations are located in the United Kingdom (three subsidiaries) and one subsidiary in Nigeria. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries are grouped together as a single geographical segment.

Revenue derived by Group companies domiciled in the Republic of South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.

	2019 R'000	2018 R'000
Segment revenue	22 272 629	20 151 853
South Africa	20 444 447	18 557 813
Foreign countries	1 828 182	1 594 040
Total segment non-current assets*	7 891 660	7 690 936
South Africa	7 159 695	7 012 473
Foreign countries	731 965	678 463

Note:

* Excluding deferred income tax, derivative financial instruments and equity investments at fair value through other comprehensive income (2018: available-for-sale financial assets).

44.3 Disaggregation of revenue

In terms of IFRS 15, revenue can be disaggregated into the following major product lines:

	2019 SOUTH AFRICA R'000	2019 INTERNATIONAL R'000
Essential Foods	13 184 893	253 454
Milling and baking	10 892 428	250 851
Other grains	2 292 465	2 603
Groceries	5 795 415	3 038 867
Cereals	1 609 012	1 488 232
Beverages	2 536 123	735 258
Snacks and other groceries	1 650 280	815 377
Sub total	18 980 308	3 292 321
Total	22 272 629	

	2018 SOUTH AFRICA R'000	2018 INTERNATIONAL R'000

44. Segment information continued

44.3 Disaggregation of revenue continued

Essential Foods	11 859 292	208 981
Milling and baking	9 678 177	205 313
Other grains	2 181 115	3 668
Groceries	5 119 561	2 964 019
Cereals	1 524 782	1 340 186
Beverages	2 345 957	769 234
Snacks and other groceries	1 248 822	854 599
Sub total	16 978 853	3 173 000
Total	20 151 853	

This represents the total revenue presented in the statement of comprehensive income which represents Revenue from Contracts with Customers within the scope of IFRS 15.

	2019 R'000	2018 R'000
44.4 Total segment capital expenditure (excluding business combinations)	660 287	626 223
South Africa	606 291	579 855
Foreign countries	53 996	46 368

44.5 Information regarding major customers

During the period under review, revenue from two customers exceeded 10% of Group revenue:

Customer A	3 787 573	2 989 701
Customer B	2 268 258	1 831 842

Revenue from these customers is reported within all operating segments except other.

45. Events after the reporting period

Dividend

A final dividend of 219 cents (2018: 260 cents) per ordinary share has been declared for the year. This will only be reflected in the statement of changes in equity for the next reporting period.

The 10,745,350 Pioneer Foods shares issued to the Pioneer Foods Broad-Based BEE Trust are entitled to 20% of the final gross dividend payable i.e. 43.8 cents (2018: 52.0 cents) per share.

Other events

On 15 October 2019 shareholders voted in favour of the PepsiCo offer to acquire all the ordinary shares of Pioneer Foods. The terms of the offer are detailed in the combined circular distributed to Pioneer Foods shareholders on 29 August 2019. The effective date of the transaction is still subject to various conditions precedent.

Further to the approval of the PepsiCo offer, ordinary resolutions passed will give effect to an amendment to the Phantom Share Plan as well as a payment to certain direct or indirect participants in the 2012 Phase II B-BBEE equity transaction that elected to sell their Pioneer Foods ordinary shares, held directly or indirectly, to Pioneer Foods during March 2019. This payment will amount to R7.50 per share for the 11,563,013 Pioneer Foods ordinary shares repurchased (and cancelled) from such Phase II B-BBEE equity transaction participants in terms of the March B-BBEE repurchase, totalling R86,722,598.

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

NAME OF SUBSIDIARY – PTY (LTD) UNLESS INDICATED OTHERWISE		COUNTRY OF INCORPORATION	ISSUED SHARE CAPITAL OF SUBSIDIARY 2019	ISSUED SHARE CAPITAL OF SUBSIDIARY 2018	PERCENTAGE INTEREST 2019 %	PERCENTAGE INTEREST 2018 %
			RAND – UNLESS INDICATED OTHERWISE			
46. Interest in subsidiaries						
46.1 Manufacturing						
Pioneer Foods (UK) Ltd		United Kingdom	GBP3 000 120	GBP3 000 120	100	100
Bokomo Zambia Ltd	&	Zambia				
– Ordinary shares			ZMK1 895 500	ZMK1 895 500	100	100
– Preference shares			ZMK200	ZMK200	100	100
Ceres Fruit Juices		South Africa	100 000	100 000	100	100
Pioneer Foods		South Africa	252	252	100	100
Pioneer Foods Groceries		South Africa	2 963 838 244	2 963 838 244	100	100
Streamfoods Ltd	@	United Kingdom	GBP188 000	GBP188 000	100	100
Food Concepts Pioneer Ltd		Nigeria	NGN48 000 000	NGN48 000 000	64	64
The Good Carb Food Company Ltd	@	United Kingdom	GBP10 000	GBP10 000	100	100
Pioneer Foods Wellingtons		South Africa	74 752 906	74 752 906	100	100
46.2 Properties and letting						
Sasned	&	South Africa	2	2	100	100
46.3 Investments						
Pioneer Foods Holdings Ltd		South Africa	220	220	100	100
46.4 Services						
Sasguard Insurance Company Ltd	&	South Africa	30 000	30 000	100	100

Notes:

& Dormant at 30 September 2019.

@ Became dormant on 1 October 2018 after the business and net assets were transferred to Pioneer Foods (UK) Ltd.

47. Interest in joint ventures

NAME OF JOINT VENTURE – PTY (LTD) UNLESS INDICATED OTHERWISE	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST 2019 %	2018 %
Manufacturing			
Alpen Food Company South Africa (Note 1)	South Africa	**50.0**	50.0
Bokomo Botswana (Note 2)	Botswana	**50.0**	50.0
Bokomo Namibia (Note 2)	Namibia	**50.0**	50.0
Bowman Ingredients (SA) (Note 3)	South Africa	**50.0**	50.0
Future Life Health Products (Note 1)	South Africa	**50.0**	50.0

Notes (nature of business):

1. Cereals.
2. Wheat and maize milling and distribution of Group products.
3. Food ingredients for industrial customers.

48. Interest in associates

NAME OF ASSOCIATE – PTY (LTD) UNLESS INDICATED OTHERWISE	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST 2019 %	2018 %
Manufacturing			
Weetabix East Africa Ltd (Note 1)	Kenya	**49.89**	49.89
Freesweet Foods (Note 2)	South Africa	**50.0**	–
Buttanutt Tree Nut Spreads (Note 3)	South Africa	**30.0**	–
Two Green Lemons (Note 4)	South Africa	**25.9**	–

Notes:

1. Cereals.
2. Sugar replacements. Interest acquired on 25 October 2018.
3. Spreads (tree fruit). Interest acquired on 1 April 2019.
4. Beverages (tonic water). Interest acquired on 1 July 2019.

49. Maturity analysis of financial liabilities

	CAPITAL R'000	INTEREST R'000	TOTAL R'000
30 September 2019			
Not later than one year			
Borrowings excluding bank overdrafts and leases	124 829	96 564	221 393
Borrowings – leases	1 485	4 534	6 019
Trade and other payables	2 790 868	–	2 790 868
Other derivative financial instruments	12 676	–	12 676
Dividends payable	1 566	–	1 566
Loan from joint venture	21 500	–	21 500
	2 952 924	101 098	3 054 022
Between one and two years			
Borrowings excluding bank overdrafts and leases	708 486	79 231	787 717
Borrowings – leases	1 589	3 688	5 277
Other derivative financial instruments	3 304	–	3 304
	713 379	82 919	796 298
More than two years			
Borrowings excluding bank overdrafts and leases	513 497	83 157	596 654
Borrowings – leases	59 701	84 133	143 834
	573 198	167 290	740 488
Total			
Borrowings excluding bank overdrafts and leases	1 346 812	258 952	1 605 764
Borrowings – leases	62 775	92 355	155 130
Trade and other payables	2 790 868	–	2 790 868
Other derivative financial instruments	15 980	–	15 980
Dividends payable	1 566	–	1 566
Loan from joint venture	21 500	–	21 500
	4 239 501	351 307	4 590 808
30 September 2018			
Not later than one year			
Borrowings excluding bank overdrafts	521 753	128 665	650 418
Trade and other payables	2 675 839	–	2 675 839
Other derivative financial instruments	32 864	–	32 864
Dividends payable	1 551	–	1 551
Loan from joint venture	21 040	–	21 040
	3 253 047	128 665	3 381 712
Between one and two years			
Borrowings excluding bank overdrafts	130 216	104 603	234 819
	130 216	104 603	234 819
More than two years			
Borrowings excluding bank overdrafts	1 274 864	254 401	1 529 265
	1 274 864	254 401	1 529 265
Total			
Borrowings excluding bank overdrafts	1 926 833	487 669	2 414 502
Trade and other payables	2 675 839	–	2 675 839
Other derivative financial instruments	32 864	–	32 864
Dividends payable	1 551	–	1 551
Loan from joint venture	21 040	–	21 040
	4 658 127	487 669	5 145 796

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

50. Financial instruments by category

	LOANS AND RECEIVABLES AT AMORTISED COST R'000	ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS R'000	DERIVATIVES USED FOR HEDGING R'000	EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPRE-HENSIVE INCOME R'000	TOTAL R'000
30 September 2019					
Assets as per statement of financial position					
Loan to joint venture	7 980	–	–	–	7 980
Equity investments at fair value through other comprehensive income	–	–	–	4 022	4 022
Derivative financial instruments	–	16 616	167 570	–	184 186
Trade and other receivables (refer to note 1 below)	2 255 086	–	–	–	2 255 086
Cash and cash equivalents	511 279	–	–	–	511 279
Total	2 774 345	16 616	167 570	4 022	2 962 553

	LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS R'000	DERIVATIVES USED FOR HEDGING R'000	OTHER FINANCIAL LIABILITIES AT AMORTISED COST R'000	TOTAL R'000
Liabilities as per statement of financial position				
Borrowings	–	–	1 438 089	1 438 089
Derivative financial instruments	67	15 913	–	15 980
Trade and other payables (refer to note 2 below)	–	–	2 790 868	2 790 868
Dividends payable	–	–	1 566	1 566
Loan from joint venture	–	–	21 500	21 500
Total	67	15 913	4 252 023	4 268 003

Notes:

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

50. Financial instruments by category continued

	LOANS AND RECEIVABLES AT AMORTISED COST 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
30 September 2018					
Assets as per statement of financial position					
Loan to joint venture	14 448	–	–	–	14 448
Available-for-sale financial assets	–	–	–	77 912	77 912
Derivative financial instruments	–	7 029	149 682	–	156 711
Trade and other receivables (refer to note 1 below)	2 162 917	–	–	–	2 162 917
Cash and cash equivalents	1 128 770	–	–	–	1 128 770
Total	3 306 135	7 029	149 682	77 912	3 540 758

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

Notes:

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

51. Fair value categories of assets and liabilities measured at fair value

	LEVEL 1 R'000	LEVEL 2 R'000	LEVEL 3 R'000	TOTAL R'000
30 September 2019				
Assets measured at fair value				
Equity investments at fair value through other comprehensive income				
– Unlisted securities	–	4 022	–	4 022
Derivative financial instruments				
– Foreign exchange contracts	–	16 616	–	16 616
– Forward purchase contracts on own equity	–	167 570	–	167 570
Total	–	188 208	–	188 208
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	9 673	–	9 673
– Embedded derivatives	–	67	–	67
– Interest rate swaps	–	6 240	–	6 240
Total	–	15 980	–	15 980
30 September 2018				
Assets measured at fair value				
Available-for-sale financial assets				
– Listed securities	76 890	–	–	76 890
– Unlisted securities	–	1 022	–	1 022
Derivative financial instruments				
– Foreign exchange contracts	–	7 029	–	7 029
– Forward purchase contracts on own equity	–	149 682	–	149 682
Total	76 890	157 733	–	234 623
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	31 454	–	31 454
– Embedded derivatives	–	1 410	–	1 410
Total	–	32 864	–	32 864

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

52. Going concern statement

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

53. Changes in accounting policies

The quantitative impact of the initial application of the new accounting standards is summarised below.

STATEMENT OF FINANCIAL POSITION	30 SEPTEMBER 2018 PREVIOUSLY DISCLOSED R'000	CHANGE IN ACCOUNTING POLICY IFRS 15 R'000	CHANGE IN ACCOUNTING POLICY IFRS 9 R'000	1 OCTOBER 2018 RESTATED FOR IFRS 9 AND 15 R'000	NOTE
Assets					
Non current assets					
Available-for-sale financial assets	77 912	–	(77 912)	–	53.1.2 (i)
Equity investments at fair value through other comprehensive income	–	–	77 912	77 912	53.1.2 (i)
Current assets					
Trade and other receivables	2 244 104	9 856	(3 184)	2 250 776	53.1.2 (ii) & 53.2.2 (ii)
Inventories	3 176 590	33 102	–	3 209 692	53.2.2 (ii)
Equity and liabilities					
Capital and reserves					
Retained earnings	6 815 913	–	(2 289)	6 813 624	53.1.2 (ii)
Non-current liabilities					
Deferred income tax	766 105	–	(895)	765 210	53.1.2 (ii)
Current liabilities					
Trade and other payables	3 018 509	42 958	–	3 061 467	53.2.2 (ii)

Comparative information has not been restated. The impact of initial application was applied retrospectively as an adjustment to opening retained earnings. Refer to notes 53.1 and 53.2 for further detail.

53.1 IFRS 9 – Financial instruments

53.1.1 Nature of the change

IFRS 9 replaces IAS 39 and addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

In terms of IFRS 9 the classification of a financial asset depends on the entity's business model for managing the asset and the characteristics of the cash flows related to the financial asset as opposed to the 'specified-criteria' approach in terms of IAS 39.

IFRS 9 introduces a new impairment model in terms of which impairment losses are based on expected credit losses ("ECLs") as opposed to incurred credit losses under IAS 39.

53. Changes in accounting policies continued

53.1 IFRS 9 – Financial instruments continued

53.1.2 Impact on initial application

The Group adopted IFRS 9 from 1 October 2018 which resulted in changes to accounting policies and adjustments to amounts recognised in the financial statements. The Group also adopted the consequential amendments to IFRS 7 – Financial Instruments: Disclosure.

In accordance with the transitional provisions in IFRS 9, the Group elected not to restate comparative information. The impact of the initial application was applied retrospectively as an adjustment to opening retained earnings as at 1 October 2018 and amounted to R2,288,501, representing an increase in the provision for impairment of trade receivables of R3,183,527 and a resulting decrease in deferred income tax of R895,026.

(i) Classification and measurement

On the date of initial application management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate categories as illustrated in the table below:

	30 SEPTEMBER 2018 IAS 39			
	LOANS AND RECEIVABLES (AT AMORTISED COST) R'000	AT FAIR VALUE THROUGH PROFIT/LOSS R'000	AVAILABLE-FOR-SALE R'000	TOTAL R'000
Non-current assets				
Derivative financial assets	–	128 687	–	128 687
Available-for-sale financial assets	–	–	77 912	77 912
Equity investments at fair value through other comprehensive income	–	–	–	–
Trade and other receivables	45 751	–	–	45 751
Loan to joint venture	14 448	–	–	14 448
Current assets				
Derivative financial assets	–	28 024	–	28 024
Trade and other receivables	2 117 166	–	–	2 117 166
Cash and cash equivalents	1 128 770	–	–	1 128 770
Total financial assets	3 306 135	156 711	77 912	3 540 758
Non-current liabilities				
Borrowings	1 405 080	–	–	1 405 080
Current liabilities				
Trade and other payables	2 675 839	–	–	2 675 839
Borrowings	617 011	–	–	617 011
Loan from joint venture	21 040	–	–	21 040
Derivative financial liabilities	–	32 864	–	32 864
Dividends payable	1 551	–	–	1 551
Total financial liabilities	4 720 521	32 864	–	4 753 385

53. Changes in accounting policies continued

53.1 IFRS 9 – Financial instruments continued

53.1.2 Impact on initial application continued

	1 OCTOBER 2018 IFRS 9			
	AT AMORTISED COST R'000	AT FAIR VALUE THROUGH PROFIT/LOSS R'000	AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME R'000	TOTAL R'000
Non-current assets				
Derivative financial assets	–	128 687	–	128 687
Available-for-sale financial assets	–	–	–	–
Equity investments at fair value through other comprehensive income	–	–	77 912	77 912
Trade and other receivables	45 751	–	–	45 751
Loan to joint venture	14 448	–	–	14 448
Current assets				
Derivative financial assets	–	28 024	–	28 024
Trade and other receivables	2 117 166	–	–	2 117 166
Cash and cash equivalents	1 128 770	–	–	1 128 770
Total financial assets	3 306 135	156 711	77 912	3 540 758
Non-current liabilities				
Borrowings	1 405 080	–	–	1 405 080
Current liabilities				
Trade and other payables	2 675 839	–	–	2 675 839
Borrowings	617 011	–	–	617 011
Loan from joint venture	21 040	–	–	21 040
Derivative financial liabilities	–	32 864	–	32 864
Dividends payable	1 551	–	–	1 551
Total financial liabilities	4 720 521	32 864	–	4 753 385

Changes in classifications did not have any impact on the measurement category of the underlying financial instruments.

The Group has reclassified listed and unlisted investments with a carrying value of R77,911,562 from available-for-sale financial assets to equity investments carried at fair value and elected to present changes in the fair value in other comprehensive income ("OCI"). These investments are held as long-term investments rather than for short-term trading. In terms of the new classification, the recycling of accumulated amounts from the fair value reserve to profit or loss on the disposal of these investments will no longer be allowed.

53. Changes in accounting policies continued

53.1 IFRS 9 – Financial instruments continued

53.1.2 Impact on initial application continued

(ii) Impairment

The Group has the following financial assets that are subject to the expected credit loss impairment model in terms of IFRS 9:

– Trade and other receivables
– Loans receivable
– Cash and cash equivalents

The Group determines impairment provisions by taking into account available forward looking information which could adversely impact a debtor's ability to pay. This includes an assessment of the local short- to medium-term economic outlook, the specific industry the counter party operates in as well as the regulatory and economic environment of the country it operates in.

Expected credit losses ("ECLs") are determined on an individual basis for credit impaired financial assets as the risk profiles relating to these customers are different to the categories identified in the collective assessment.

A financial asset is considered to be credit impaired (non-performing) when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events: significant financial difficulty of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments.

Financial assets subject to impairment are written off when there is no reasonable expectation of recovery and the amount is recognised in profit or loss within 'other operating expenses'. Subsequent recoveries of amounts previously written off are credited against the same line item.

Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, all the Group's recovery actions have been exhausted and once legal actions have been unsuccessful.

Impairment provisions in terms of the ECL model are based on judgements on the credit risk and expected loss rates relating to the various counter parties. Refer to note 31.1(b) of the notes to the financial statements for a sensitivity analysis on impairment provisions recognised.

Trade receivables

The Group adopted the simplified approach for measuring impairment provisions for trade receivables. In terms of this approach, the impairment provisions are calculated with reference to lifetime ECLs. The Group determines impairment provisions on both an individual and collective basis.

Expected credit losses ("ECLs") are determined on an individual basis for credit impaired financial assets as the risk profiles relating to these customers are different to the categories identified in the collective assessment.

The ECL on a collective basis is calculated using a formula incorporating the following parameters: Exposure at Default ("EAD"), Probability of Default ("PD") and Loss Given Default ("LGD") (i.e. PD x LGD x EAD = ECL). To determine the PD, exposures are segmented by customer type (e.g multi-national, listed or private company etc.), whether collateral is held and the primary economic environment in which the customer operates. This is done to allow for risk differentiation. The Standard & Poor's ("S&P") credit rating for the country in which the customer operates is assigned to a category and adjusted to take into account specific risk factors identified based on the information included above.

53. Changes in accounting policies continued

53.1 IFRS 9 – Financial instruments continued

53.1.2 Impact on initial application continued

(ii) Impairment continued

On this basis, the adjustment to opening retained earnings resulting from the initial application of IFRS 9 is summarised below:

	30 SEPTEMBER 2018 PREVIOUSLY DISCLOSED R'000	CHANGE IN ACCOUNTING POLICY IFRS 9 R'000	1 OCTOBER 2018 RESTATED FOR IFRS 9 R'000
Total provision for impairment	(14 591)	(3 184)	(17 775)
Gross carrying amount of trade receivables	2 090 749	–	2 090 749
Deferred income tax (liability)	(766 105)	895	(765 210)
Retained earnings	(6 815 913)	2 289	(6 813 624)

Impairment provisions for trade receivables are deducted from the gross carrying amount of the assets with the corresponding movement in the provision presented as 'other operating expenses' in profit or loss.

Other financial assets

Impairment provisions relating to loans receivable and cash and cash equivalents are determined in terms of the general expected credit loss model.

In terms of this model the Group considers the PD upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information that could be indicative of a deterioration in the counterparty's ability to pay and includes the following indicators:

- credit ratings (to the extent available)
- actual and expected defaults on contractual payments
- significant changes in the actual or expected operating results of the counterparty (to the extent available)
- actual or expected adverse changes in the industry, financial or economic environment the counterparty operates in that are expected to affect its ability to pay
- significant changes in the value of the collateral supporting the obligation
- macro-economic indicators such as market interest rates and growth rates of the relevant country in which the counterparty operates

The Group presumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. A default on a financial asset occurs when the counterparty fails to make contractual payments within 60 days of when they fall due.

53. Changes in accounting policies continued

53.1 IFRS 9 – Financial instruments continued

53.1.2 Impact on initial application continued

(ii) Impairment continued

Other financial assets continued

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as S&P. A summary of the assumptions underpinning the company's expected credit loss model is as follows:

CATEGORY	DEFINITION OF CATEGORY	BASIS FOR RECOGNITION OF ECL PROVISION
Performing	Loans with a credit risk in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are up to 30 days past due (see above in more detail)	Lifetime expected losses (stage 2).
Non-performing (credit impaired)	Interest and/or principal repayments are more than 30 days and up to 60 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (stage 3).
Write-off	Interest and/or principal repayments are more than 60 days past due, failure of a debtor to engage in a repayment plan, all recovery actions have been exhausted and legal actions have been unsuccessful	Asset is written off.

Loans receivable consist mainly of enterprise development loans extended to qualifying recipients as well as loans to associates and joint ventures.

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of counterparty, and adjusts for forward-looking macro-economic data.

The risk ratings of cash and cash equivalents and restricted cash balances are taken into account in determining the likelihood that a counterparty will fail to meet its obligations. For counterparties with the following risk ratings management does not expect the counterparty to fail to meet its obligations: long-term (local) credit rating of BBB/A or higher and a short-term (local) credit rating of A-2/P-2 or higher in terms of the S&P or Moody's credit rating scales respectively. Cash and cash equivalents are considered to have minimal credit risk due to low probability of default for the financial institutions where the Group's cash is held.

Impairment provisions relating to loans receivable and cash and cash equivalents are deducted from the gross carrying amount of the assets with the corresponding movements in the provisions presented as 'other operating expenses' in profit or loss.

The impairment provisions calculated for other financial assets at amortised cost were immaterial as at 1 October 2018.

(iii) Derivatives and hedging activities

The Group elected to retain the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

53. Changes in accounting policies continued

53.2 IFRS 15 – Revenue from Contracts with Customers

53.2.1 Nature of the change

The IASB issued IFRS 15 which replaces IAS 18 – Revenue. The new standard replaced IAS 18 which covered the sale of goods and services and IAS 11 which covered construction contracts.

The core principle of IFRS 15 is that revenue is recognised when control of goods or services is transferred to a customer for an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services.

Under IAS 18, the timing of revenue recognition from the sale of goods is based primarily on the transfer of risks and rewards.

53.2.2 Impact on initial application

The Group adopted IFRS 15 from 1 October 2018 which resulted in changes in accounting policies, adjustments to amounts recognised in the financial statements (refer to the table above) and additional disclosure (refer to note 44).

In accordance with the transitional provisions in IFRS 15, the Group adopted the modified retrospective application option in terms of which certain adjustments were made to amounts recognised in the financial statements at the date of initial application (1 October 2018). Comparative information was not restated.

The new accounting policies are set out below.

(i) Sale of goods

Timing of recognition

The Group manufactures and sells a range of fast moving consumer goods to retailers and wholesalers. Contracts with the Group's customers contain a single performance obligation to deliver the goods ordered by the customer.

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has accepted inventory risk related to the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the Group has a present right to payment.

Delivery occurs when the products have been shipped to or delivered at the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

The adoption of IFRS 15 did not impact the Group's timing of revenue recognition since the point in time at which the control of goods are transferred (IFRS 15) agrees with the point in time at which the relevant risks and rewards (IAS 18) were transferred to the customer.

Measurement of revenue

Revenue reflects the listed sales price net of value-added tax, rebates and discounts, other incentives, adjustments for expected returns of good stock, stock write-offs and price differences. Accumulated experience is used to estimate and provide for discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as sales are made with short-term credit terms, which is consistent with market practice.

The adoption of IFRS 15 did not impact the Group's measurement of revenue except for the accounting treatment of rights of return provided to customers. Refer to (ii) (Accounting for credit notes – good stock) below for further detail.

53. Changes in accounting policies continued

53.2 IFRS 15 – Revenue from contracts with customers continued

53.2.2 Impact on initial application continued

(ii) Accounting for credit notes – good stock

When the customer has a right to return the product within a given period, the Group is obliged to refund the purchase price. The Group previously recognised a provision for returns which was measured on a net basis at the margin on the sale. The provision was accounted for as an adjustment to trade receivables and a corresponding adjustment to allowance for outstanding credit notes in profit or loss.

Under IFRS 15, a refund liability (trade and other payables) for the expected refunds to customers is recognised as an adjustment to revenue. At the same time, the Group has the right to recover the product from the customer where the customer exercises their right of return and the Group then recognises an asset (inventory) and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying value of the product. The refund liability is determined with reference to historic experience of actual returns.

The costs to recover the products are not material as the products are usually returned during the normal distribution process.

Refer to the impact of the initial application of IFRS 15 as indicated in the table at the start of this note.

(iii) Variable consideration

Goods are often sold with retrospective growth incentives payable to customers and are typically based on aggregate sales over a 12-month period. A provision is recognised for expected growth incentives payable to customers in relation to sales made until the end of the reporting period with a corresponding adjustment to revenue. Historic experience is used to estimate and provide for the growth incentives, using the expected value method.

The accounting treatment under IFRS 15 is in line with the Group's previous accounting treatment for growth incentives and as a result had no impact on the Group's results and financial position.

(iv) Accounting for loyalty programmes

The Group makes payments to customers linked to a loyalty programme. These payments are not considered as payments for distinct goods or services received from the customer and as a result the amounts payable are recognised as an adjustment to revenue. A contract liability is recognised for loyalty awards payable based on actual sales volumes adjusted with historical experience of non-redemptions or when they expire. Revenue is recognised when the points are redeemed or when they expire.

The accounting treatment under IFRS 15 is in line with the Group's previous accounting treatment for the loyalty programme and as a result had no impact on the Group's results and financial position.

53.2.3 Disaggregation of revenue

In terms of IFRS 15, revenue is disaggregated into major product lines as disclosed in note 44.3.

54. Accounting policies applicable to the previous financial period

54.1 Revenue

The IASB issued a new standard for the recognition of revenue, IFRS 15 – Revenue from contracts with customers which became effective for the Group on 1 October 2018. The new standard replaced IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts. Refer to note 53 for further detail on the impact of initial application of the new standard. The accounting policy that applies to the previous financial period is set out below.

Revenue

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

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

Income is recognised as follows:

Sale of goods

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

Sale of services

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

54.2 Financial instruments

IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments and became effective for the Group on 1 October 2018. Refer to note 53 for further detail on the impact of initial application of the new standard. The accounting policy in terms of IAS 39 that applies to the previous financial period is set out below.

Financial assets

Classification

The Group classifies its financial assets in the following categories:

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

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

Financial assets at fair value through profit or loss

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

54. Accounting policies applicable to the previous financial period continued

54.2 Financial instruments continued

Loans and receivables

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

Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

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

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

Impairment

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

Loans and receivables

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

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

Impairment testing on trade receivables is described in note 2.11 of the accounting policy of the 2018 annual financial statements.

54. Accounting policies applicable to the previous financial period continued

54.2 Financial instruments continued

Available-for-sale financial assets continued

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

Offsetting financial instruments

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

Derivative financial instruments and hedging activities

The Group elected to retain the hedge accounting requirements of IAS 39 upon adoption of IFRS 9. Refer to note 2.11 of the accounting policy for detail.

54.3 Trade receivables

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

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

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

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

CONTENTS

PIONEER FOOD GROUP LTD

COMPANY FINANCIAL STATEMENTS

For the year ended 30 September 2019

Statement of comprehensive income

for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Revenue	3	810 661	824 192
Other income	4	6 999	5 921
Administrative expenses	5	(20 967)	(17 655)
Other operating expenses	5	(7 712)	(5 928)
Operating profit		788 981	806 530
Investment income	6	276	539
Profit before income tax		789 257	807 069
Income tax expense	7	(16)	(31)
Profit for the year		789 241	807 038
Other comprehensive income for the year		–	–
Total comprehensive income for the year		789 241	807 038
Profit for the year attributable to:			
Owners of the Company		789 241	807 038
Total comprehensive income for the year attributable to:			
Owners of the Company		789 241	807 038

Statement of financial position

as at 30 September 2019

	Notes	2019 R'000	2018 R'000
Assets			
Non-current assets			
Investment in subsidiaries	10	2 445 651	2 420 565
Current assets		11 496	184 598
Trade and other receivables	9	8 058	6 833
Loan to subsidiary	15	–	172 802
Cash and cash equivalents	11	3 436	4 963
Current income tax		2	–
Total assets		2 457 147	2 605 163
Equity and liabilities			
Capital and reserves attributable to owners of the Company			
Share capital – ordinary shares	12	21 108	22 243
Share capital – class A ordinary shares	12	265	288
Share premium		1 194 641	2 087 771
Other reserves		198 628	198 628
Retained earnings		135 449	156 032
Total equity		1 550 091	2 464 962
Non-current liabilities			
Share-based payment liability	13	128 411	112 768
Current liabilities		778 645	27 433
Loan from subsidiary	15	744 808	–
Share-based payment liability	13	30 181	23 768
Trade and other payables	14	2 097	2 121
Current income tax		–	1
Dividends payable		1 559	1 543
Total liabilities		907 056	140 201
Total equity and liabilities		2 457 147	2 605 163

Statement of changes in equity

for the year ended 30 September 2019

	SHARE CAPITAL ORDINARY SHARES R'000	SHARE CAPITAL CLASS A ORDINARY SHARES R'000	SHARE PREMIUM R'000	EQUITY COMPEN-SATION RESERVE R'000	RETAINED EARNINGS R'000	TOTAL EQUITY R'000
Balance as at 1 October 2018	22 243	288	2 087 771	198 628	156 032	2 464 962
Profit for the year	–	–	–	–	789 241	789 241
Ordinary shares issued – share apprecation rights	25	–	24 913	–	–	24 938
Shares bought back and cancelled	(4)	–	(2 737)	–	–	(2 741)
Employee share scheme – repurchase of class A ordinary shares from leavers	–	(23)	(12 350)	–	–	(12 373)
Shares bought back from Phase II BEE equity transaction participants and cancelled	(1 156)	–	(902 956)	–	–	(904 112)
Interim dividend for 2019	–	–	–	–	(221 420)	(221 420)
Final dividend for 2018	–	–	–	–	(578 365)	(578 365)
Transaction cost on shares bought back	–	–	–	–	(10 039)	(10 039)
Balance as at 30 September 2019	21 108	265	1 194 641	198 628	135 449	1 550 091
Balance as at 1 October 2017	22 264	318	2 130 364	198 628	162 437	2 514 011
Profit for the year	–	–	–	–	807 038	807 038
Ordinary shares issued – share apprecation rights	42	–	51 477	–	–	51 519
Shares bought back and cancelled	(63)	–	(67 783)	–	–	(67 846)
Employee share scheme – repurchase of class A ordinary shares from leavers	–	(30)	(26 287)	–	–	(26 317)
Interim dividend for 2018	–	–	–	–	(234 130)	(234 130)
Final dividend for 2017	–	–	–	–	(578 916)	(578 916)
Transaction cost on shares bought back	–	–	–	–	(397)	(397)
Balance as at 30 September 2018	22 243	288	2 087 771	198 628	156 032	2 464 962

Statement of cash flows

for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Net cash flow from operating activities			
Net cash loss from operating activities	16	(21 680)	(17 662)
Working capital changes	17	(1 249)	(736)
Net cash utilised by operations		(22 929)	(18 398)
Settlement of share-based payment liabilities		(12 373)	(26 317)
Income tax paid	18	(19)	(65)
		(35 321)	(44 780)
Net cash flow from investment activities		810 937	872 455
Loan advanced to related party		–	(988 092)
Loan repaid by related party		–	1 035 816
Interest received	6	276	539
Dividends received	3	810 661	824 192
Net cash flow from financing activities		(777 143)	(832 118)
Loan advanced by related party		23 384	–
Share appreciation rights – issue of ordinary shares		24 938	51 519
Transaction cost on shares bought back		(10 039)	(397)
Ordinary shares bought back		(2 741)	(67 846)
Ordinary shares bought back from Phase II BEE equity transaction participants		(9 886)	–
Dividends paid to ordinary shareholders	19	(799 769)	(812 093)
Dividends paid to class A ordinary shareholders	19	(3 030)	(3 301)
Net decrease in cash and cash equivalents		(1 527)	(4 443)
Net cash and cash equivalents at beginning of year		4 963	9 406
Net cash and cash equivalents at end of year	11	3 436	4 963

Notes to the annual financial statements

for the year ended 30 September 2019

	2019 R'000	2018 R'000
1. Accounting policies		
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.		
2. Critical accounting estimates and judgements		
The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.		
3. Revenue		
Dividends received on investment in subsidiary		
Unlisted shares in subsidiary – Pioneer Foods Holdings Ltd	810 661	824 192
4. Other income		
Administration fees received	6 999	5 921
5. Operating profit		
The operating profit is calculated after taking into account revenue (refer to note 3) and other income (refer to note 4), as well as the following:		
Auditors' remuneration		
Audit – current year	535	513
Audit – other consulting services	167	–
Technical services from non-employees	2 705	1 430
Legal fees	3 712	210
Shareholder communication	2 895	2 905
Directors' remuneration (refer to note 15)	6 999	5 921
6. Investment income		
Interest income on financial assets at amortised cost		
Call accounts and other	276	539

	2019 R'000	2018 R'000

7. Income tax expense

Current income tax		
Current year	16	31

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% (2018: 28%) as follows:

	2019 %	2018 %
Standard rate for companies	28.0	28.0
Increase/(decrease) in rate:		
Exempt income (dividend income)	(29.0)	(28.6)
Non-deductible expenditure	1.0	0.6
Effective rate	–	–

	2019 R'000	2018 R'000

8. Dividend per ordinary share

Interim		
105.0 cents (2018: 105.0 cents) per ordinary share	221 420	234 130
Final		
219.0 cents (2018: 260.0 cents) per ordinary share	462 272	578 365
	683 692	812 495

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

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

9. Trade and other receivables

Interest receivable	9	24
Receivables from related parties (refer to note 15)	8 049	6 809
	8 058	6 833

	2019 R'000	2018 R'000
10. Investment in subsidiaries		
Unlisted – at cost		
Pioneer Foods Holdings Ltd	–	–
Capital contribution towards subsidiaries		
Pioneer Foods Holdings Ltd	2 206 660	2 206 660
Other	238 991	213 905
	2 445 651	2 420 565
11. Cash and cash equivalents		
Cash at bank	1 799	351
Short-term bank deposits	1 637	4 612
	3 436	4 963
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash and short-term deposits	3 436	4 963

	2019 Number	2018 Number
12. Share capital		
Issued and fully paid – number of ordinary listed shares		
At beginning of year	222 431 717	222 634 095
Shares issued to management in terms of share appreciation rights scheme	249 660	423 880
Shares bought back and cancelled	(35 416)	(626 258)
Shares bought back from Phase II BEE equity transaction participants and cancelled	(11 563 013)	–
At end of year	211 082 948	222 431 717

Shares issued in terms of share appreciation rights scheme

During the year, the Company issued 249,660 (2018: 423,880) ordinary shares of 10 cents each at an average of R99.89 (2018: R121.54) per share in terms of the share appreciation rights scheme.

During the year, the Company bought back and cancelled 35,416 (2018: 626,258) listed ordinary shares of 10 cents each at an average price of R77.38 (2018: R108.34) per share.

Shares issued in terms of the B-BBEE equity transaction

In terms of the B-BBEE equity transaction in 2012, 17,488,631 and 603,030 ordinary shares of 10 cents each were issued at R55.14 and R58.04 per share to BEE strategic partners and current and former BEE directors of the Company respectively. A further 10,599,988 shares were issued to the Pioneer Foods Broad-Based BEE Trust ("BEE Trust") at a subscription price of R0.10 per share. The BEE Trust acquired a further 145,362 listed ordinary shares in 2015.

The terms of the financing provided to the B-BBEE transaction participants matured on 15 March 2019 which resulted in the conclusion of the Phase II B-BBEE equity transaction. Pioneer Food Group Ltd repurchased 11,563,013 ordinary shares at an average of R78.19 per share from the B-BBEE transaction participants for a total consideration of R904 million in terms of its pre-emptive right under the B-BBEE equity transaction. The proceeds from the repurchase was utilised towards settling the outstanding preference share funding due to both Pioneer Foods and RMB. Refer to note 43.2 of the Group consolidated annual financial statements for further detail.

Shares acquired by Pioneer Foods Broad-Based BEE Trust

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

	2019 Number	2018 Number

12. Share capital continued

Issued and fully paid – number of ordinary unlisted class A shares

At beginning of year	2 878 680	3 174 920
Shares bought back and cancelled	(228 620)	(296 240)
At end of year	2 650 060	2 878 680

During 2006, the Company introduced a broad-based employee share scheme for all employees other than management qualifying for the share-based compensation scheme and 18,130,000 class A ordinary shares of 10 cents each were authorised. The issued shares are all held by the employee share scheme trust.

During the year, the Company bought back 228,620 (2018: 296,240) class A ordinary shares at an average premium of R54.02 (2018: R88.73) 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.

	2019 R'000	2018 R'000

13. Share-based payment liability

Balance at beginning of year	136 536	192 141
Share-based payment	37 436	(26 017)
Repurchase of class A ordinary share from leavers	(12 350)	(26 287)
Dividends paid to class A ordinary shares	(3 030)	(3 301)
	158 592	136 536
Presented as follows:		
Non-current portion	128 411	112 768
Current portion	30 181	23 768
	158 592	136 536

14. Trade and other payables

Payables to related parties (refer to note 15)	499	721
Accrued expenses	13	–
Value-added tax	1 050	888
Other	535	512
	2 097	2 121

	2019 R'000	2018 R'000
15. Related-party transactions		
During the financial year, the Company conducted the following transactions with its subsidiaries:		
Rendering of services		
Administration fees charged to Pioneer Foods (Pty) Ltd	6 999	5 921
Payable to related party		
Payable to Pioneer Foods (Pty) Ltd	499	721
Receivable from related party		
Receivable from Pioneer Foods (Pty) Ltd	8 049	6 809
Loans to/(from) related party		
Loan to/(from) Pioneer Foods (Pty) Ltd		
Beginning of year	172 802	220 526
Loan advanced to related party	–	988 092
Loan repayment from related party	(172 802)	(1 035 816)
Loan advanced by related party	(744 808)	–
End of year	(744 808)	172 802
Unsecured interest-free loan with no fixed terms of repayment.		
Key management personnel compensation		
Non-executive directors		
Fees	6 999	5 921
16. Net cash loss from operating activities		
Reconciliation of profit before income tax and cash loss from operating activities:		
Profit before income tax	789 257	807 069
Adjusted for:		
Dividends received	(810 661)	(824 192)
Interest received	(276)	(539)
	(21 680)	(17 662)
17. Working capital changes		
Increase in trade and other receivables	(1 225)	(1 107)
(Decrease)/increase in trade and other payables	(24)	371
	(1 249)	(736)
18. Income tax paid		
Amounts unpaid at beginning of year	(1)	(35)
Current income tax disclosed in profit or loss	(16)	(31)
Amounts unpaid at end of year	(2)	1
	(19)	(65)
19. Dividends paid		
Ordinary shareholders		
Amounts unpaid at beginning of year	(1 543)	(590)
As disclosed in statement of changes in equity	(799 785)	(813 046)
Amounts unpaid at end of year	1 559	1 543
	(799 769)	(812 093)
Class A ordinary shareholders		
As accounted for against share-based payment liability	(3 030)	(3 301)

20. Financial instruments by category

	ASSETS AT AMORTISED COST R'000
30 September 2019	
Assets as per statement of financial position	
Trade and other receivables	8 058
Cash and cash equivalents	3 436
Total	11 494

	LIABILITIES AT AMORTISED COST R'000
Liabilities as per statement of financial position	
Loan from subsidiary	744 808
Trade and other payables	1 034
Dividends payable	1 559
Total	747 401

	LOANS AND RECEIVABLES R'000
30 September 2018	
Assets as per statement of financial position	
Trade and other receivables	6 833
Loan to subsidiary	172 802
Cash and cash equivalents	4 963
Total	184 598

	OTHER FINANCIAL LIABILITIES R'000
Liabilities as per statement of financial position	
Trade and other payables	1 233
Dividends payable	1 543
Total	2 776

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

21. Maturity analysis of financial liabilities

	CAPITAL R'000	INTEREST R'000	TOTAL R'000
30 September 2019			
Not later than 1 year			
Loan from subsidiary	744 808	–	744 808
Trade and other payables	1 034	–	1 034
Dividends payable	1 559	–	1 559
	747 401	–	747 401

	CAPITAL R'000	INTEREST R'000	TOTAL R'000
30 September 2018			
Not later than 1 year			
Trade and other payables	1 233	–	1 233
Dividends payable	1 543	–	1 543
	2 776	–	2 776

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

22. Events after the reporting period

Dividend

A final dividend of 219 cents (2018: 260 cents) per ordinary share has been declared for the year. This will only be reflected in the statement of changes in equity for the next reporting period.

The 10,745,350 Pioneer Foods shares issued to the Pioneer Foods Broad-Based BEE Trust are entitled to 20% of the final gross dividend payable i.e. 43.8 cents (2018: 52.0 cents) per share.

Other events

On 15 October 2019 shareholders voted in favour of the PepsiCo Offer to acquire the ordinary shares of Pioneer Foods. The terms of the offer are detailed in the combined circular distributed to Pioneer Foods shareholders on 29 August 2019. The effective date of the transaction is still subject to various conditions precedent.

Further to the approval of the PepsiCo offer ordinary resolutions passed will give effect to an amendment to the Phantom Share Plan as well as a payment to certain direct or indirect participants in the 2012 Phase II B-BBEE equity transaction that elected to sell the Pioneer Foods ordinary shares, held directly or indirectly, to Pioneer Foods during March 2019. This will amount to R7.50 per each of the 11,563,013 Pioneer Foods ordinary shares repurchased from such Phase II B-BBEE equity transaction participants in terms of the March 2019 B-BBEE repurchase, totalling in aggregate R86,722,598.

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

23. Going concern

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

24. Change in accounting policy

The Company adopted IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments from 1 October 2018.

The initial application of IFRS 15 did not have an impact on the Company since its only source of income comprises of dividends and interest received.

The impact of the initial application of IFRS 9 was limited to changes in the Company's accounting policies which are in line with those applied by the Group. Refer to note 2.10 of the Group accounting policies for further detail. Impairment provisions calculated for financial assets at amortised cost in terms of the expected-credit-losses model were not material and no adjustment to retained earnings occurred on the initial application of IFRS 9.

In terms of IFRS 9 the Company's financial assets and liabilities are classified and measured as at amortised cost. The classification in terms of IFRS 9 did not have an impact on the measurement of the underlying financial instruments.

Shareholder information

CATEGORY	NUMBER OF ORDINARY SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES	% OF TOTAL ORDINARY SHARES
Shareholder spread				
Ordinary shares				
Individuals	4 704	77.0	15 833 475	7.1
Nominees and trusts	688	11.2	15 005 063	6.8
Investment companies and corporate bodies	720	11.8	190 989 760	86.1
	6 112	100.0	221 828 298	100.0
Non-public/public shareholders				
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2019, is as follows:				
Analysis of shareholding – ordinary shares				
Public shareholding				
Major shareholders				
Government Employees Pension Fund	1	–	16 630 357	7.5
Dipeo Capital (RF) (Pty) Ltd (note 1)	1	–	6 477 948	2.9
Other shareholders	6 105	100.0	111 282 956	50.2
Non-public shareholding				
Major shareholders				
Zeder Investments Ltd (note 1)	1	–	58 250 788	26.3
Pioneer Foods (Pty) Ltd	1	–	17 982 056	8.1
Other shareholders				
Pioneer Foods Broad-Based BEE Trust	1	–	10 745 350	4.8
Directors	2	–	458 843	0.2
	6 112	100.0	221 828 298	100.0
Distribution of ordinary shareholders				
Number of shares				
1 – 1 000 shares	4 015	65.7	1 012 492	0.5
1 001 – 10 000 shares	1 431	23.4	5 231 413	2.4
10 001 – 50 000 shares	462	7.6	10 760 785	4.9
50 001 – 100 000 shares	74	1.2	5 172 205	2.3
100 001 – 500 000 shares	90	1.5	20 853 439	9.4
500 001 shares and over	40	0.6	178 797 964	80.5
	6 112	100.0	221 828 298	100.0

Note 1: And its wholly owned subsidiaries.

Corporate information

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

Country of incorporation
South Africa

Date of incorporation
11 December 1996

ISIN code
ZAE000118279

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

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

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

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

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

Financial calendar

Financial year-end	30 September
Annual general meeting	To be communicated
Reports	
Interim report for the six months ended 31 March 2020	May 2020
Announcement of results for the year ended 30 September 2020	November 2020
Integrated report for the year ended 30 September 2020	January 2021
Dividends	
Interim – Announcement	May 2020
– Payment	July 2020
Final – Announcement	November 2020
– Payment	February 2021

PIONEER
FOODS

www.pioneerfoods.co.za