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

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

SALIENT FEATURES

Revenue	+12%	R11 039 million
Adjusted operating profit (before items of a capital nature)*	-23%	R729 million
Earnings	-18%	R509 million
Earnings per share	-18%	272 cents
Diluted earnings per share	-14%	272 cents
Headline earnings ("HE")	-14%	R509 million
Headline earnings per share	-14%	272 cents
Diluted headline earnings per share	-9%	272 cents
Adjusted headline earnings*	-15%	R506 million
Adjusted headline earnings per share*	-15%	271 cents
Net cash profit from operating activities	-19%	R971 million
Net asset value per share	+4%	4 508 cents
Interim gross dividend per listed ordinary share (2018: 105 cents)	-	105 cents

* HE and operating profit (before items of a capital nature) are adjusted for the impact of the share-based payment charge of the Phase I B-BBEE equity transaction and related hedge.

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COMMENTARY

INTRODUCTION

Pioneer Foods posted revenue growth of 11.5% to R11.039 billion with volumes 2.7% higher for the six months ended 31 March 2019. Excluding the acquired Wellingtons and Lizi's businesses revenue grew by 7.9% with volumes up by 1.3%. This represents a credible topline performance in the significantly constrained local consumer market with consequent competitive pressures.

Revenue expansion was driven by sound volume growth in key product categories such as bread, wheat, rice, beverages (long life fruit juice), cereals in the UK and sausage rolls in Nigeria. Total basket inflation of 6.6% (ahead of overall SA CPI) was fueled by price inflation in the Essential Foods, International fruit and some smaller Groceries product categories.

Volume declines in maize and cereals constrained further revenue growth. Beverage exports into nearby African countries held its own despite the constrained trading environment with increased credit risk.

The Group gained overall market share in South Africa across participating categories during the six months under review (Nielsen's Trade Desk).

FINANCIAL PERFORMANCE

Gross profit increased by 5% to R3.1 billion. The gross margin decreased from 29.6% to 27.9%, mainly as a result of insufficient price inflation to compensate for increased raw material costs and operating cost growth.

Increased operating costs were driven by the considered investment in future growth capabilities (e.g. bread production and availability and distribution network expansion) as well as the higher cost of fuel, impacting distribution and energy related cost elements.

Total trade investment required (promotional activity and incentives) to maintain volume momentum and category participation, increased materially on the comparative period. This was caused mainly by intensified retailer competition and demands for promotional support.

Operating profit, before items of a capital nature, adjusted for the Phase I B-BBEE equity transaction ("BEE") share-based payment income/charge and related hedge ("SBP"), decreased by 23% to R729 million. In turn, the adjusted operating profit margin decreased from 9.6% to 6.6%. The Wellingtons business made a loss of R40 million before income tax (2018: R150 million on a 100% interest basis) for the 6 months. The operating profit margin would have been 7.2% if the Wellingtons business is excluded.

Profit for the period, after finance costs of R97.3 million (2018: R88.9 million) and the share of profit of joint ventures and associates of R38.7 million (2018: R21.6 million loss), decreased by 17.7% to R512.1 million.

Earnings per share ("EPS") decreased by 18% to 272.3 cents and headline earnings per share ("HEPS") decreased by 14% to 272.4 cents per share. HEPS, adjusted for the BEE SBP net charge/gain, decreased by 15% to 270.9 cents per share.

During the period, the strategic shareholder Phase II B-BBEE equity transaction matured and Pioneer Foods repurchased and cancelled 11 563 013 ordinary shares.

DIVISIONAL PERFORMANCE

SEGMENTAL REVIEW

Six months ended 31 March 2019

	Segmental revenue		Segmental operating profit*	
	2019 R'm	% Change	2019 R'm	% Change
Essential Foods	6 384	10	422	(25)
Groceries	3 076	16	171	(41)
International	1 579	11	142	18
Other^	-	-	(6)	76
Total	11 039	12	729	(23)

* Before items of a capital nature and the BEE SBP net charge/gain.
^ The higher unallocated corporate costs in 2018 relate mainly to insurance excess payments for KZN storm damage and inventory related claims as well as an increase in costs associated with mergers and acquisitions (The Good Carb Food Company ("Lizi's") and Heinz Foods SA).

Essential Foods

The business, excluding maize, delivered an improved performance on the comparative period, but not enough to counter the material maize shortfall. The recovery in the wheaten value chain performance was led by strong bread volume growth following investments in manufacturing capacity during the past two years augmented by the route-to-market and availability growth strategy.

Investment in operating cost to deliver the planned bread volume growth has accelerated, specifically in respect of distribution and manpower. The bread category experienced some price inflation during the reporting period following an extended deflationary cycle since the end of 2016. Sound rice volume and profitability expansion were achieved, with the pasta performance further constrained through competitively priced imports. Bread and rice posted market share gains for the reporting period in the Top End Retail market.

The year-on-year regression in the performance of the maize category, off the strong comparative period base, was more than expected given sustained selling price deflation despite raw material cost inflation, and a weaker milling performance. The latter was impacted by weaker milling yields to sustain uncompromised White Star quality despite regression in maize quality and lower overall milling volumes. Although total White Star volumes sold were maintained compared to the comparative period, some share loss is reported given underlying category growth. White Star Instant maize porridge continues to outgrow a fast expanding product category with leading Top End Retail share reported during recent months.

Groceries

The major contributor to the decline in Groceries' profitability was the newly integrated Wellingtons business. Though overall negative profitability in the Wellingtons business is materially better than the comparative period, the performance of the business was impaired mainly by claims and costs associated with third party sales and distribution, which has now been addressed.

The integration of the Wellingtons business is completed with key category participation improving through share gains in Top End Retail. The product and brand offerings together with accelerated innovation, portfolio maintenance, improved procurement and further operating performance enhancements, enabled through the Pioneer Foods integration, portends further improvement and upside.

Within the rest of Groceries, the beverage business posted a good performance. Regression in cereals (negative product mix and pricing recovery lag) and some smaller categories contributed to the lower year-on-year profit in the business, excluding Wellingtons. Material growth in trade investment to hold volume shares and increased distribution costs contributed negatively, whilst the remainder of operating and conversion costs were well contained. Long life fruit juice delivered an excellent performance given sound volume growth supported by pack format and product innovation and posted share expansion in a growing category.

International

International delivered an improvement on the comparative period in the face of challenging trading conditions in neighbouring export markets and rand/dollar volatility. Higher export fruit pricing delivered solid revenue and profit growth. As a consequence, the 2019 vine fruit procurement prices experienced double-digit inflation which was further exacerbated by increased local competition. The UK subsidiary delivered an excellent performance driven by the core business, as well as the Lizi's product range that was acquired in the prior year. The Nigerian business performed well with the construction of the new bakery in Lagos progressing to plan.

Joint ventures

Joint ventures posted a marked improvement, helped by the exclusion of Heinz Foods SA from this reporting line, with this positive trend expected to continue. Bowman Ingredients and Bokomo Botswana contributed materially to the year-on-year growth.

FINANCIAL POSITION

Net cash profit from operating activities decreased by 18.8% to R970.5 million (2018: R1 195.0 million). Investment in working capital increased by R996.1 million (2018: R1 151.6 million), which is normally the case during the first half of the financial year.

Capital expenditure amounted to R268.6 million (2018: R222.3 million).

The Group's net interesting-bearing debt, amounted to R1 573.2 million at 31 March 2019 (31 March 2018: R1 788.1 million excluding Phase II B-BBEE third-party debt), with a debt to equity ratio of 18% (31 March 2018: 22%), compared to net debt of R441.8 million (excluding Phase II B-BBEE third-party debt) at 30 September 2018. This Phase II B-BBEE third-party debt was settled during March 2019.

OUTLOOK

The macro environment is expected to remain challenging and will continue to place pressure on consumer demand with resulting muted spending. Cost inflation in key raw materials and other operational input costs remains present although it is starting to level off. With pricing recovery still constrained by lower consumer demand and retailer competitive intensity, pressure on operating margins is expected to continue. The Group will continue efforts to optimise costs and efficiencies whilst ensuring its brands remain available and relevant to customers and consumers, thus strengthening the base for continued growth.

DIVIDEND

A gross interim dividend of 105 cents (2018: 105 cents) per share has been approved and declared by the Board from income reserves for the six months ended 31 March 2019. The applicable dates are as follows:

Last date to trade cum dividend	Tuesday, 25 June 2019
Trading ex-dividend commences	Wednesday, 26 June 2019
Record date	Friday, 28 June 2019
Dividend payable	Monday, 1 July 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 June 2019 and Friday, 28 June 2019, both days inclusive.

A gross interim dividend of 31.5 cents (2018: 31.5 cents) per class A ordinary share, being 30% of the gross interim dividend payable to ordinary shareholders in terms of the rules of the relevant employee scheme, will be paid during July 2019.

The above statements have not been reviewed or reported on by the auditors of Pioneer Foods.

By order of the Board

ZL Combi	TA Carstens
Chairman	Chief Executive Officer

Tyger Valley
16 May 2019

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019 R'm	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
Revenue	11 039.3	9 898.9	20 151.9
Cost of goods sold	(7 956.4)	(6 970.4)	(14 356.4)
Gross profit	3 082.9	2 928.5	5 795.5

Other income and gains/(losses) – net	67.3	80.7	197.4
Other expenses	(2 426.1)	(2 054.4)	(4 420.5)
Excluding the following:	(2 421.0)	(2 060.2)	(4 390.4)
Phase I B-BBEE transaction share-based payment and related hedge (charge)/income	(5.1)	5.8	(30.1)
Items of a capital nature	1.1	36.9	73.2
Operating profit	725.2	991.7	1 645.6
Investment income	24.9	15.3	28.0
Finance costs	(97.3)	(88.9)	(197.5)
Share of profit/(loss) of investments accounted for applying the equity method	38.7	(21.6)	–
Profit before income tax	691.5	896.5	1 476.1
Income tax expense	(179.4)	(274.3)	(399.0)
Profit for the period	512.1	622.2	1 077.1
Other comprehensive income/(loss) for the period			
Items that will not subsequently be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations	–	–	2.2
Items that may subsequently be reclassified to profit or loss:	12.4	(77.9)	21.9
Fair value adjustments to cash flow hedging reserve	1.7	(10.9)	(12.2)
For the period	(13.5)	3.5	3.6
Current income tax effect	6.0	(1.2)	(5.7)
Deferred income tax effect	(2.2)	0.2	4.6
Reclassified to profit or loss	15.8	(18.7)	(20.5)
Current income tax effect	0.2	4.6	5.1
Deferred income tax effect	(4.6)	0.7	0.7
Fair value adjustments on equity investments (2018: available-for-sale financial assets)	(17.2)	15.7	0.6
For the period	(17.2)	16.7	18.8
Deferred income tax effect	–	0.3	6.4
Reclassified to profit or loss	–	(1.3)	(24.6)
Share of other comprehensive income/(loss) of investments accounted for applying the equity method	5.0	(15.5)	7.4
Movement on foreign currency translation reserve	22.9	(67.2)	26.1
Total comprehensive income for the period	524.5	544.3	1 101.2
Profit for the period attributable to:			
Owners of the parent	509.1	620.3	1 072.6
Non-controlling interest	3.0	1.9	4.5
	512.1	622.2	1 077.1
Total comprehensive income/(loss) for the period attributable to:			
Owners of the parent	519.7	544.9	1 090.9
Non-controlling interest	4.8	(0.6)	10.3
	524.5	544.3	1 101.2

HEADLINE EARNINGS RECONCILIATION

	UNAUDITED	UNAUDITED	

	SIX MONTHS ENDED 31 MARCH 2019 R'm	SIX MONTHS ENDED 31 MARCH 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
Reconciliation between profit attributable to owners of the parent and headline earnings			
Profit attributable to owners of the parent	509.1	620.3	1 072.6
Remeasurements	(1.3)	(28.6)	(61.2)
Net profit on disposal of property, plant and equipment and intangible assets	(1.1)	(35.6)	(35.2)
Net profit on disposal of equity investments (2018: available-for-sale financial assets)	–	(1.3)	(24.6)
Fair value adjustment of step-up from joint venture to subsidiary	–	–	(13.4)
Before tax	(1.1)	(36.9)	(73.2)
Tax effect on remeasurements	(0.2)	8.3	12.0
Remeasurements included in equity-accounted results	1.4	(0.1)	6.0
Remeasurements	1.4	(0.1)	7.3
Tax effect on remeasurements	–	–	(1.3)
Headline earnings	509.2	591.6	1 017.4
Phase I B-BBEE transaction share-based payment and related hedge charge	(2.8)	5.2	14.4
Adjusted headline earnings (Note 1)	506.4	596.8	1 031.8
Number of issued ordinary shares (million)	221.6	233.6	233.2
Number of issued treasury shares:			
- held by subsidiary (million)	18.0	18.0	18.0
- held by B-BBEE equity transaction participants (million)	–	18.1	18.1
- held by BEE trust (million)	10.7	10.7	10.7
Number of issued class A ordinary shares (million)	2.8	3.0	2.9
Weighted average number of ordinary shares (million)	186.9	186.6	186.7
Weighted average number of ordinary shares - diluted (million)	186.9	196.8	196.3
Earnings per ordinary share (cents):			
- basic	272.3	332.5	574.6
- diluted	272.3	315.2	546.5
- headline	272.4	317.1	545.0
- diluted headline	272.4	300.6	518.4
- adjusted headline (Note 1)	270.9	319.9	552.8
- diluted adjusted headline (Note 1)	270.9	303.3	525.7
Gross dividend per ordinary share (cents)	105.0	105.0	365.0
Gross dividend per class A ordinary share (cents)	31.5	31.5	109.5
Net asset value per ordinary share (cents)	4 508.1	4 339.6	4 496.6
Debt to equity ratio (%)	18.1	27.6	10.7

Note 1:
Headline earnings ("HE") is calculated based on Circular 4/2018 issued by the South African Institute of Chartered Accountants. Adjusted HE is defined as HE adjusted for the impact of the share-based payment charge on the Phase I B-BBEE transaction on profit or loss (and the impact of the related hedge).

GROUP STATEMENT OF FINANCIAL POSITION

	UNAUDITED 31 MARCH 2019 R'm	UNAUDITED 31 MARCH 2018 R'm	AUDITED 30 SEPTEMBER 2018 R'm
Assets			
Property, plant and equipment	5 696.5	5 312.3	5 653.9
Goodwill	440.8	411.7	434.0
Other intangible assets	772.2	667.0	766.0
Investments in and loans to associates and joint ventures	832.7	855.7	791.3
Derivative financial instruments	97.2	223.2	128.7
Equity investments at fair value	4.0	–	–
Available–for–sale financial assets	–	155.4	77.9
Trade and other receivables	39.1	36.6	45.8
Deferred income tax	62.3	7.1	55.8
Non–current assets	7 944.8	7 669.0	7 953.4
Current assets	6 624.1	6 262.6	6 587.7
Inventories	3 705.1	3 396.4	3 176.6
Derivative financial instruments	29.9	35.9	28.0
Trade and other receivables	2 452.2	2 245.7	2 244.1
Current income tax	21.2	17.2	10.2
Cash and cash equivalents	415.7	567.4	1 128.8
Assets of disposal group classified as held for sale	–	22.9	–
Total assets	14 568.9	13 954.5	14 541.1
Equity and liabilities			
Capital and reserves attributable to owners of the parent	8 696.4	8 104.9	8 379.7
Share capital	22.2	23.4	23.3
Share premium	1 636.5	2 581.3	2 538.0
Treasury shares	(187.1)	(1 186.4)	(1 186.4)
Other reserves	194.2	128.6	188.9
Retained earnings	7 030.6	6 558.0	6 815.9
Non–controlling interest	40.0	24.4	35.3
Total equity	8 736.4	8 129.3	8 415.0
Non–current liabilities	2 367.2	1 297.1	2 396.2
Borrowings	1 352.9	246.9	1 405.1
Provisions for other liabilities and charges	113.8	113.7	112.2
Share–based payment liability	85.2	171.3	112.8
Deferred income tax	815.3	765.2	766.1
Current liabilities	3 465.3	4 528.1	3 729.9
Trade and other payables	2 770.4	1 870.3	3 018.5
Current income tax	14.8	35.6	15.2
Derivative financial instruments	6.1	18.4	32.8
Borrowings			

B-BBEE equity transaction third-party finance	–	449.2	451.5
Other	636.0	2 108.6	165.5
Loan from joint venture	17.5	8.5	21.0
Dividends payable	1.3	0.6	1.6
Share-based payment liability	19.2	36.9	23.8
Total equity and liabilities	14 568.9	13 954.5	14 541.1

GROUP STATEMENT OF CHANGES IN EQUITY

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019 R'm	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
Share capital, share premium and treasury shares	1 471.6	1 418.3	1 374.9
Opening balance	1 374.9	1 391.2	1 391.2
Movement in treasury shares - derecognition of previously consolidated Phase II BEE equity transaction participants	999.3	–	–
Ordinary shares issued - share appreciation rights	2.9	27.1	51.5
Ordinary shares bought back and cancelled	(1.3)	–	(67.8)
Shares bought back from Phase II BEE equity transaction participants and cancelled	(904.2)	–	–
Other reserves	194.2	128.6	188.9
Opening balance	188.9	213.1	213.1
Equity compensation reserve transactions	18.9	18.5	26.6
Ordinary shares issued - share appreciation rights	(2.9)	(27.1)	(51.5)
Deferred income tax on share-based payments	(8.9)	2.0	(15.4)
Share of other comprehensive income of investments accounted for applying the equity method	5.0	(15.5)	7.4
Treasury shares derecognised	(12.5)	–	–
Other comprehensive income/(loss) for the period	5.7	(62.4)	8.7
Retained earnings	7 030.6	6 558.0	6 815.9
Opening balance	6 815.9	6 422.9	6 422.9
Effect of changes in accounting policies	(2.3)	–	–
Restated opening balance	6 813.6	6 422.9	6 422.9
Profit for the period	509.1	620.3	1 072.6
Other comprehensive income for the period	–	–	2.2
Dividends paid	(484.6)	(485.1)	(681.4)
Profit on disposal of Group treasury shares by Phase II BEE equity transaction participants and derecognition of these previously consolidated entities	202.6	–	–
Transaction cost on shares bought back	(10.1)	(0.1)	(0.4)
Non-controlling interest	40.0	24.4	35.3
Opening balance	35.3	25.0	25.0

Profit for the period	3.0	1.9	4.5
Share of other comprehensive income/(loss)	1.7	(2.5)	5.8
Total equity	8 736.4	8 129.3	8 415.0

GROUP STATEMENT OF CASH FLOWS

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019 R'm	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
Net cash profit from operating activities	970.5	1 195.0	2 072.5
Cash effect from hedging activities	(19.9)	(12.2)	2.1
Working capital changes	(996.1)	(1 151.6)	281.1
Net cash (utilised in)/generated from operations	(45.5)	31.2	2 355.7
Settlement of share-based payment liability	(6.7)	(15.1)	(26.3)
Cash effect of forward purchase contracts related to share-based payments	6.9	14.8	25.5
Income tax paid	(158.1)	(206.2)	(364.4)
Net cash flow from operating activities	(203.4)	(175.3)	1 990.5
Net cash flow from investment activities	(232.8)	(410.6)	(866.6)
Property, plant and equipment and intangible assets			
- additions	(201.4)	(127.2)	(297.9)
- replacements	(67.2)	(95.1)	(328.4)
- proceeds on disposal	9.5	74.5	106.6
Business combinations	-	(263.7)	(511.4)
Proceeds on disposal of and changes in loans and equity investments at fair value (2018: available-for-sale financial assets)	(1.4)	(21.4)	79.3
Investment in joint venture	-	(15.0)	(15.0)
Investment in associate	(12.0)	-	-
Interest received	12.0	8.1	16.1
Dividends received	12.7	7.1	11.4
Dividends received from joint ventures	15.0	22.1	52.1
Dividends received from associate	-	-	20.6
Net cash flow from financing activities	(708.7)	(617.5)	(395.8)
Proceeds from borrowings - new syndicated and other borrowings	-	-	1 207.0
Repayment of syndicated bullet loans	-	-	(600.0)
Repayment of Phase II BEE equity transaction third-party finance	(427.8)	-	-
Repayments of other borrowings	(35.3)	(41.8)	(61.7)
External funding to Phase II BEE equity transaction participant	429.3	-	-
Derecognition of cash and cash equivalents of previously consolidated Phase II BEE equity transaction participants	(77.3)	-	-
Ordinary shares bought back	(1.3)	-	(67.8)
Other share scheme transactions	(12.3)	(2.4)	(3.7)
Interest paid	(99.1)	(88.2)	(189.2)
Dividends paid	(484.9)	(485.1)	(680.4)

Effect of exchange rate changes on cash and cash equivalents	1.9	3.4	3.0
Net cash, cash equivalents and bank overdrafts at beginning of period	1 033.5	302.4	302.4
Net cash, cash equivalents and bank overdrafts at end of period	(109.5)	(897.6)	1 033.5
Disclosed as:			
Cash and cash equivalents	415.7	567.4	1 128.8
Bank overdrafts and call loans (included in current borrowings)	(525.2)	(1 465.0)	(95.3)
	(109.5)	(897.6)	1 033.5

GROUP SEGMENT REPORT

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019 R'm	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
Segment revenue			
Essential Foods	6 383.6	5 826.1	11 859.3
Groceries	3 076.3	2 647.4	5 119.6
International	1 579.4	1 425.4	3 173.0
Total	11 039.3	9 898.9	20 151.9
Segment results			
Essential Foods	421.5	561.0	915.3
Groceries	171.3	292.5	419.3
International	142.1	120.5	285.0
Other	(5.7)	(25.0)	(17.1)
	729.2	949.0	1 602.5
Phase I B-BBEE transaction share-based payment and related hedge charge	(5.1)	5.8	(30.1)
Operating profit before items of a capital nature	724.1	954.8	1 572.4
Reconciliation of operating profit (before items of a capital nature) to profit before income tax			
Operating profit before items of a capital nature	724.1	954.8	1 572.4
Adjusted for:			
Remeasurement of items of a capital nature	1.1	36.9	73.2
Interest income	12.2	8.2	16.6
Dividends received	12.7	7.1	11.4
Finance costs	(97.3)	(88.9)	(197.5)
Share of profit/(loss) of investments accounted for applying the equity method	38.7	(21.6)	–
Profit before income tax	691.5	896.5	1 476.1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

1. Basis of preparation

The condensed consolidated interim financial statements of the Group for the six months ended 31 March 2019 have been prepared in accordance with the requirements of the JSE Ltd ("JSE") for condensed consolidated interim financial statements, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to condensed consolidated interim financial statements. The JSE Listings Requirements require condensed consolidated interim financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 – Interim Financial Reporting. These condensed consolidated interim financial statements have not been audited.

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

2. Accounting policies

These condensed consolidated interim financial statements incorporate accounting policies that are in terms of IFRS and are consistent with those applied in the Group's annual financial statements for the year ended 30 September 2018 except for the adoption of the following new standards on 1 October 2018:

IFRS 9 – Financial Instruments; and
IFRS 15 – Revenue from Contracts with Customers

The impact of the adoption of the new accounting standards is disclosed in note 3.

The Group adopted all new as well as amended accounting pronouncements issued by the International Accounting Standards Board ("IASB") that are effective for financial years commencing 1 October 2018, however none of the other new or amended accounting pronouncements had a material impact on the consolidated results of the Group.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2018 except where impacted by the adoption of the new accounting standards as indicated above.

3. Changes in accounting policies

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

The Group's results for the year ended and its financial position as at 30 September 2018 (previously disclosed) have been audited. The impact of the adoption of IFRS 9 and IFRS 15 must still be audited.

	30 SEPTEMBER 2018 PREVIOUSLY DISCLOSED R'm	IFRS 15 IMPACT R'm	IFRS 9 IMPACT R'm	1 OCTOBER 2018 RESTATED FOR IFRS 9 AND 15 R'm	NOTE
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current assets					
Available-for-sale financial assets	77.9	–	(77.9)	–	3.1.2 (i)
Equity investments at fair value	–	–	77.9	77.9	3.1.2 (i)

Current assets					
Trade and other receivables	2 244.1	9.9	(3.2)	2 250.8	3.1.2 (ii) & 3.2.2 (ii)
Inventories	3 176.6	33.1	–	3 209.7	3.2.2 (ii)
EQUITY AND LIABILITIES					
Capital and reserves					
Retained earnings	6 815.9	–	(2.3)	6 813.6	3.1.2 (ii)
Non-current liabilities					
Deferred income tax	766.1	–	(0.9)	765.2	3.1.2 (ii)
Current liabilities					
Trade and other payables	3 018.5	43.0	–	3 061.5	3.2.2 (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 3.1 and 3.2 for further detail.

3.1 IFRS 9 – Financial Instruments

3.1.1 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.

Apart from introducing simplified rules for hedge accounting, 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.

3.1.2 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.

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 R'm		1 OCTOBER 2018 IFRS 9 R'm	
	LOANS AND	AT FAIR	AT FAIR VALUE	AT FAIR VALUE THROUGH OTHER

	RECEIVABLES (AT AMORTISED COST)	VALUE THROUGH PROFIT/LOSS	AVAILABLE-FOR-SALE	TOTAL	AT AMORTISED COST	THROUGH PROFIT/LOSS	COMPRE-HENSIVE INCOME	TOTAL
Non-current assets								
Derivative financial assets	–	128.7	–	128.7	–	128.7	–	128.7
Available-for-sale financial assets	–	–	77.9	77.9	–	–	–	–
Equity investments at fair value	–	–	–	–	–	–	77.9	77.9
Trade and other receivables	45.8	–	–	45.8	45.8	–	–	45.8
Loans to joint ventures	14.4	–	–	14.4	14.4	–	–	14.4
Current assets								
Derivative financial assets	–	28.0	–	28.0	–	28.0	–	28.0
Trade and other receivables	2 117.1	–	–	2 117.1	2 117.1	–	–	2 117.1
Cash and cash equivalents	1 128.8	–	–	1 128.8	1 128.8	–	–	1 128.8
Total financial assets	3 306.1	156.7	77.9	3 540.7	3 306.1	156.7	77.9	3 540.7
Non-current liabilities								
Borrowings	1 405.1	–	–	1 405.1	1 405.1	–	–	1 405.1
Current liabilities								
Trade and other payables	2 675.8	–	–	2 675.8	2 675.8	–	–	2 675.8
Borrowings	617.0	–	–	617.0	617.0	–	–	617.0
Loan from joint venture	21.0	–	–	21.0	21.0	–	–	21.0
Derivative financial liabilities	–	32.8	–	32.8	–	32.8	–	32.8
Dividends payable	1.6	–	–	1.6	1.6	–	–	1.6
Total financial liabilities	4 720.5	32.8	–	4 753.3	4 720.5	32.8	–	4 753.3

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 R77.9 million 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.

(ii) Impairment of trade receivables

The Group revised its impairment methodology under IFRS 9 for trade receivables and adopted the simplified approach for measuring impairment provisions. 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.

The Group measures individual impairment provisions for those individual customers where objective evidence of impairment exist as a result of one or more events that occurred after the initial recognition of the receivable and the event(s) has an impact on the estimated future cash flows of the customer. These customers are considered separately as the risk profiles relating to these customers are different to the groups identified below.

To measure impairment provisions on a collective basis, trade receivables are grouped based on shared credit risk characteristics. Credit risk ratings are derived and assigned to groups of trade receivables with reference to the Standard & Poor's rating scale for the specific country in which the business operates, incorporating forward looking information. Forward looking information considers the local short- to medium-term economic outlook, the specific industries the counter parties operate in as well as the economic environments of the countries they operate in.

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

	30 SEPTEMBER	1 OCTOBER

	2018 PREVIOUSLY DISCLOSED R'm	IFRS 9 IMPACT R'm	2018 RESTATED FOR IFRS 9 R'm
Total provision for impairment	(14.6)	(3.2)	(17.8)
Gross carrying amount of trade receivables	2 090.7	-	2 090.7

Impairment provisions for trade receivables are deducted from the gross carrying amount of the asset.

Trade receivables are written off when there is no reasonable expectation of recovery. 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.

(iii) Impairment of other financial assets

The following other financial assets are also subject to the new expected credit loss model:

- Loans receivable
- Cash and cash equivalents
- Equity investments

The Group's revised impairment methodology under IFRS 9 for other financial assets starts with an assessment of the credit risk related to each of the financial assets.

For other financial assets with a low credit risk or no significant increase in credit risk since initial recognition, the Group measures impairment provisions at an amount equal to 12 month ECLs.

A financial asset is considered to have a low credit risk when its credit rating is equivalent to BBB- or higher per the Standard & Poor's rating scale or a minimum credit rating of P-3 according to the published Moody's credit ratings. To assess whether a significant increase in credit risk since initial recognition has occurred, the Group considers all available reasonable and supportive information such as credit ratings, operating results, the payment status of borrowers and changes in the industry, regulatory or economic environment the counterparty operates in which could adversely impact its ability to pay.

For other financial assets with a significant increase in credit risk since initial recognition, the Group measures impairment provisions at an amount equal to lifetime ECLs.

Impairment provisions for loans receivable and cash and cash equivalents measured at amortised cost are deducted from the gross carrying amount of the assets. For equity investments at fair value through OCI, the provision for impairment is recognised in OCI instead of reducing the carrying amount of the assets.

The impairment provisions calculated for other financial assets were immaterial as at 1 October 2018 and 31 March 2019 respectively.

(iv) Derivatives and hedging activities

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

3.2 IFRS 15 - Revenue from Contracts with Customers

3.2.1 Nature of the change

The IASB issued a new standard for the recognition of revenue. The new standard replaced IAS 18 which covered contracts for 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.

3.2.2 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 in note 3) and additional disclosure (refer to note 5).

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.

Delivery occurs when the products have been shipped to 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 and an adjustment for expected returns. 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 refunds due to customers. Refer to (ii) (Accounting for refunds) below for further detail.

(ii) Accounting for refunds

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 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 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.

Refer to the impact of the initial application of IFRS 15 as indicated in the table in note 3.

(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. 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 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.

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.

(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 provision is recognised for loyalty awards payable based on actual sales volumes adjusted with historical experience of non-redemptions.

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.

4. New accounting standards not yet effective and not early adopted

IFRS 16 - Leases replaces IAS 17 - Leases and will be effective for the Group's financial year ending 30 September 2020. 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.

The implementation project is in progress with the majority of data collated and the planned IT solution in testing phase. The new standard is expected to primarily affect the accounting for operating leases relating to buildings and forklifts.

The Group is yet to determine the extent of the right of use asset and the related liability for future payments. As at the reporting date the Group has non-cancellable operating lease commitments of R1 107 million.

5. Revenue

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

	SIX MONTHS ENDED 31 MARCH 2019 R'm		SIX MONTHS ENDED 31 MARCH 2018 R'm		YEAR ENDED 30 SEPTEMBER 2018 R'm	
	SOUTH AFRICA	INTERNATIONAL	SOUTH AFRICA	INTERNATIONAL	SOUTH AFRICA	INTERNATIONAL
Essential Foods	6 383.6	119.7	5 826.1	101.2	11 859.3	209.0
Milling and baking	5 252.7	117.4	4 792.1	99.1	9 678.2	205.3
Other grains	1 130.9	2.3	1 034.0	2.1	2 181.1	3.7
Groceries	3 076.3	1 459.7	2 647.4	1 324.2	5 119.6	2 964.0

Cereals	755.1	717.2	763.7	633.9	1 524.8	1 340.2
Beverages	1 442.1	378.9	1 308.9	368.6	2 346.0	769.2
Snacks and other groceries	879.1	363.6	574.8	321.7	1 248.8	854.6
Sub total	9 459.9	1 579.4	8 473.5	1 425.4	16 978.9	3 173.0
Total	11 039.3		9 898.9		20 151.9	

The disaggregation of revenue for the year ended 30 September 2018 have been audited to the extent of the segmental revenue disclosed in the annual financial statements, however the further disaggregation into major product lines must still be audited.

Geographically revenue is disaggregated as follows:

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019 R'm	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
South Africa	10 167.3	9 136.2	18 557.9
Foreign countries	872.0	762.7	1 594.0
Total	11 039.3	9 898.9	20 151.9

Foreign countries represent the activities of Group subsidiaries in largely the United Kingdom (mainly cereals) and in Nigeria (milling and baking). South Africa includes exports from manufacturing sites in South Africa.

6. Conclusion of Phase II B-BBEE equity transaction

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 this transaction 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 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.

The total amount of RMB redeemable preference share funding outstanding as at 15 March 2019 amounted to R428 million (30 September 2018: R451 million and 31 March 2018: R449 million).

As from the conclusion date, the SPVs are no longer required to be consolidated in terms of IFRS. Quantum Foods Holdings Ltd has also contracted to repurchase its ordinary shares from the BEE investors in terms of its pre-emptive right under the B-BBEE equity transaction. This transaction will be effected once the requisite shareholders' approval has been obtained.

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.

The conclusion of the Phase II B-BBEE equity transaction and the subsequent derecognition of the SPVs on 15 March 2019 had the following impact:

	UNAUDITED 31 MARCH 2019 R'm
Derecognition of previously consolidated Phase II B-BBEE equity transaction participants	
Equity investments at fair value	(59.7)
Borrowings	429.3
Fair value reserve	12.5
Profit on disposal of treasury shares	257.8
Derecognition of treasury shares	(360.0)
	279.9
Profit on disposal of Group treasury shares by Phase II BEE equity transaction participants and derecognition of these previously consolidated entities	(202.6)
Cash and cash equivalents derecognised	77.3

7. Share capital

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018	AUDITED YEAR ENDED 30 SEPTEMBER 2018
During the period under review, the following share transactions occurred:			
Number of listed issued and fully paid ordinary shares			
At beginning of period	233 177 067	233 379 445	233 379 445
Shares issued in terms of employee share appreciation rights scheme	35 416	204 173	423 880
Shares bought back and cancelled	(11 580 020)	-	(626 258)
At end of period	221 632 463	233 583 618	233 177 067

35,416 (30 September 2018: 423,880 and 31 March 2018: 204 173) listed ordinary shares of 10 cents each were issued at an average of R81.58 (30 September 2018: R121.54 and 31 March 2018: R132.71) per share in terms of the share appreciation rights scheme.

17,007 (30 September 2018: 626,258 and 31 March 2018: Nil) listed ordinary shares of 10 cents each were repurchased at an average of R77.97 (30 September 2018: R108.34 and 31 March 2018: Rnil) per share. This excludes shares repurchased as part of the conclusion of the Phase II B-BBEE equity transaction.

Purchase consideration paid for these ordinary shares bought back (R'000)	1 326	-	67 846

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.

Purchase consideration paid for these ordinary shares bought back (R'000)	904 112	–	–
Number of treasury shares held by B-BBEE transaction participants			
At beginning of period	18 091 661	18 091 661	18 091 661
Shares bought back and cancelled by the Group	(11 563 013)	–	–
Derecognition of previously consolidated B-BBEE transaction participants	(6 528 648)	–	–
At end of period	–	18 091 661	18 091 661
Number of treasury shares held by Pioneer Foods Broad-Based BEE Trust			
At beginning and end of period	10 745 350	10 745 350	10 745 350
Number of treasury shares held by a subsidiary			
At beginning and end of period	17 982 056	17 982 056	17 982 056
Number of unlisted class A ordinary shares			
At beginning of period	2 878 680	3 174 920	3 174 920
Shares bought back and cancelled	(119 140)	(162 610)	(296 240)
At end of period	2 759 540	3 012 310	2 878 680
Purchase consideration paid for unlisted class A ordinary shares bought back (R'000)	6 724	15 126	26 316

8. Borrowings

The funding term of the redeemable preference share funding provided by RMB to BEE investors in terms of the Phase II B-BBEE equity transaction expired on 15 March 2019. The proceeds from the repurchase of Pioneer Foods shares by the Company was utilised by the participants to this transaction towards settling the outstanding preference share funding due to RMB. Refer to note 6 for more detail.

The total amount of RMB redeemable preference shares funding outstanding as at 15 March 2019 amounted to R428 million (30 September 2018: R451 million and 31 March 2018: R449 million).

External funding of R429 million was provided to a Phase II BEE equity transaction participant. This borrowing was subsequently derecognised. Refer to note 6.

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

9. Events after the reporting date

9.1 Dividend

The Board approved and declared a gross interim dividend of 105.0 cents (2018: gross interim dividend of 105.0 cents and 2018: gross final dividend of 260.0 cents) per ordinary share. This will amount to approximately R221,431,469 (2018: interim of R234,130,426 and 2018: final of R578,336,682) depending on the exact number of ordinary shares in issue at the record date. In addition, the 10,745,350 Pioneer Foods shares issued to the Pioneer Foods Broad-Based BEE Trust, will receive 20% of the dividend payable, i.e. 21.0 cents (2018: gross interim of 21.0 cents and 2018: gross final dividend of 52.0 cents) per share, amounting to R2,256,524 (2018: interim of R2,256,524 and 2018: final of R5,587,582).

The Board approved a gross interim dividend of 31.5 cents (2018: gross interim dividend of 31.5 cents and 2018: gross final dividend of 78.0 cents) per class A ordinary share, being 30% of the dividend payable to the other class ordinary shareholders in terms of the rules of the relevant employee scheme. This will amount to approximately R869,255 (2018: interim of R927,577 and 2018: final of R2,177,557) depending on the exact number of class A ordinary shares in issue at the record date.

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

Dividends will be paid net of dividends tax of 20%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as result of the double taxation agreement between South Africa and the country of domicile of such owner.

The net dividend amounts to 84.0 cents per ordinary share and 25.2 cents per class A ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 105.0 cents per ordinary share and 31.5 cents per class A ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares and issued class A ordinary shares is 221,621,250 and 2,737,000 respectively as at the date of this declaration.

9.2 Other material events

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

10. Contingent liabilities – Guarantees

The Group had guarantees in issue of R30.1 million as at 31 March 2019 (30 September 2018: R30.9 million and 31 March 2018: R30.4 million), primarily for loans by third parties to contracted suppliers.

11. Future capital commitments

	UNAUDITED 31 MARCH 2019 R'm	UNAUDITED 31 MARCH 2018 R'm	AUDITED 30 SEPTEMBER 2018 R'm
Contractually committed	253.8	226.7	156.7
Approved by the Board, but not contractually committed yet	510.0	778.8	1 068.3
Share of items of joint ventures and associates	56.2	42.8	56.7
	820.0	1 048.3	1 281.7

12. Non-current assets held for sale

The assets related to the fish paste spreads business were presented as "assets of a disposal group classified as held for sale" in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations for the six months ended 31 March 2018, following the Board's decision to dispose of this business.

During the 2018 financial year the Board revoked its decision to dispose of the assets related to the fish paste spreads business and its intention is to recover the carrying amounts of the related assets through continuing use. The Group believes that value remains to be unlocked and is committed to implementing operating efficiencies. Consequently, the assets related to this business have not been presented as "assets of a disposal group classified as held for sale" in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations at 31 March 2019 and at 30 September 2018.

13. Fair value measurement

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

	UNAUDITED FAIR VALUE MEASUREMENTS AT 31 MARCH 2019 USING:		
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS AND LIABILITIES (LEVEL 1) R'm	SIGNIFICANT OTHER OBSERVABLE INPUT (LEVEL 2) R'm	SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3) R'm
Assets measured at fair value			
Equity investments at fair value			
– Unlisted securities	–	4.0	–
Derivative financial instruments			
– Foreign exchange contracts	–	12.7	–
– Forward purchase contracts on own equity	–	114.4	–
Liabilities measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	–	6.1	–

	UNAUDITED FAIR VALUE MEASUREMENTS AT 31 MARCH 2018 USING:		
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS AND LIABILITIES (LEVEL 1) R'm	SIGNIFICANT OTHER OBSERVABLE INPUT (LEVEL 2) R'm	SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3) R'm
Assets measured at fair value			
Available–for–sale financial assets			
– Listed securities	154.0	–	–
– Unlisted securities	–	1.4	–
Derivative financial instruments			
– Foreign exchange contracts	–	3.1	–
– Forward purchase contracts on own equity	–	256.0	–
Assets of disposal group classified as held for sale	–	–	12.5
Liabilities measured at fair value			
Derivative financial instruments			
– Foreign exchange contracts	–	18.4	–

AUDITED FAIR VALUE MEASUREMENTS

	AT 30 SEPTEMBER 2018 USING:		
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS AND LIABILITIES (LEVEL 1) R'm	SIGNIFICANT OTHER OBSERVABLE INPUT (LEVEL 2) R'm	SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3) R'm
Assets measured at fair value			
Available-for-sale financial assets			
- Listed securities	76.9	-	-
- Unlisted securities	-	1.0	-
Derivative financial instruments			
- Foreign exchange contracts	-	7.0	-
- Forward purchase contracts on own equity	-	149.7	-
Liabilities measured at fair value			
Derivative financial instruments			
- Foreign exchange contracts	-	31.4	-
- Embedded derivatives	-	1.4	-

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

Financial assets and liabilities

The fair values of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price. These instruments are included in level 1. Instruments included in level 1 comprise primarily JSE-listed equity investments classified as available-for-sale (relevant for 2018 only).

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

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 the reporting date.

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

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

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

14. Preparation of financial statements

These unaudited condensed consolidated interim financial statements have been prepared under the supervision of F Lombard, CA(SA), CFO.

15. Audit

These results have not been audited or reviewed by the external auditors, PricewaterhouseCoopers Inc.

16. Pro forma financial information

Any pro forma financial information contained in this announcement have been prepared for illustrative purposes only, in order to provide shareholders with comparable results. Because of its nature, it may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The pro forma financial information is provided in accordance with the JSE Listings Requirements and the Guide on Pro Forma Financial information issued by SAICA and is the responsibility of the directors.

Directors

ZL Combi (Chairman), TA Carstens (CEO)*, CG Botha, N Celliers, Prof ASM Karaan, F Lombard (CFO)*, NS Mjoli-Mncube, PJ Mouton, LE Mthimunye, SS Ntsaluba, AH Sangqu, NW Thomson (* Executive)

The following changes occurred to the Pioneer Foods Board during the period under review.

- Mr G Pretorius retired as independent non-executive director with effect from 15 February 2019.
- As a consequence of Mr Pretorius' retirement, the Board appointed Mr NW Thomson as lead independent director and chairperson of the human capital committee with effect from 15 February 2019.
- Mr Thomson stepped down as chairperson of the audit committee with effect from 15 February 2019, but continues to serve as a member of the audit committee.
- Mr CG Botha was appointed as an independent non-executive director with effect from 12 December 2018 and subsequently appointed as chairperson of the audit committee with effect from 15 February 2019.

Company secretary

J Jacobs
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Registered address

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E-mail: info@pioneerfoods.co.za

Transfer secretaries

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Sponsor

PSG Capital (Pty) Ltd, PO Box 7403, Stellenbosch, 7599, South Africa
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