

# ACCOUNTING POLICY

## for the year ended 30 September 2015

### 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.

The consolidated annual financial statements of the Group have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") 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. These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The consolidated annual financial statements are prepared on the historic cost convention, as modified by the revaluation of biological assets, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

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 and interpretations effective in 2015

The following standards, amendments and interpretations have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2014:

#### ***Amendment to IAS 19 regarding defined benefit plan (effective 1 July 2014)***

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

#### ***Improvements to IFRSs 2013 (effective 1 July 2014)***

This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project for 2011. The annual improvements project provides a vehicle for making non-urgent, but necessary amendments to IFRSs. Certain amendments resulted in consequential amendments to IFRSs.

#### ***IFRIC 21 – Levies (effective 1 January 2014)***

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

#### ***Amendments to IAS 39 – Financial Instruments: Recognition and Measurement (effective 1 January 2014)***

The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to contracts to central counterparties meets specified criteria. Similar relief will be included in IFRS 9 – Financial Instruments.

#### ***Amendments to IAS 32 – Financial Instruments: Presentation (effective 1 January 2014)***

The amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has applied set-off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations.

#### ***Amendment to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets (effective 1 January 2014)***

The IASB has made small changes to the disclosures required by IAS 36 – Impairment of Assets when the recoverable amount is determined based on the fair value less costs of disposal.

IFRS 13 made consequential amendments to the disclosure requirements of IAS 36. One of the amendments was drafted more widely than intended. This limited scope amendment corrects this and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment.

The above amendments, improvements and interpretations did not have a material impact on the financial position and results of the Group.

## 1. Basis of preparation (continued)

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

The following standards, amendments and interpretations are not yet effective and have not been early adopted by the Group (the effective dates stated below refer to financial reporting periods beginning on or after the stated dates):

#### ***Amendments to IAS 1 – Presentation of Financial Statements Disclosure Initiative (effective 1 January 2016)***

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

#### ***Amendment to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets on Depreciation and Amortisation (effective 1 January 2016)***

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

#### ***Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture on Bearer Plants (effective 1 January 2016)***

In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant, included examples of non-bearer plants and removed current examples of bearer plants from IAS 41.

#### ***Amendments to IAS 27 – Separate Financial Statements on Equity Accounting (effective 1 January 2016)***

In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

#### ***IFRS 9 – Financial Instruments (effective 1 January 2018)***

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that related to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

#### ***Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures on Sale or Contribution of Assets (effective 1 January 2016)***

The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

#### ***IFRS 14 – Regulatory Deferral Accounts (effective 1 January 2016)***

This is an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

# ACCOUNTING POLICY

for the year ended 30 September 2015 (continued)

## 1. Basis of preparation (continued)

### 1.2 New and amended accounting standards and interpretations that are not yet effective and have not been early adopted by the Group (continued)

#### *IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018)*

IFRS 15 establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

#### *Improvements to IFRSs 2014 (effective 1 January 2016)*

This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project for the 2012 to 2014 cycle. The annual improvements project provides a vehicle for making non-urgent, but necessary amendments to IFRSs. Certain amendments resulted in consequential amendments to IFRSs.

#### *Impact of the above amendments on the Group's financial statements*

The Group is in the process of assessing the impact of the above standards and interpretations on its financial statements.

### 1.3 Use of adjusted measures

The measure explained 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, intangible assets and available-for-sale financial assets; and any non-trading items such as profits or losses on disposal of available-for-sale financial assets, operations and subsidiaries.

## 2. 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 involvements 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.

## 2. **Basis of consolidation (continued)**

### ***Subsidiaries (continued)***

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 IAS 39 – Financial Instruments: Recognition and Measurement 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, the 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 direct 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 distributions 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 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 to 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.

### ***Treasury shares***

The cost of treasury shares is presented as a deduction from equity. Shares under option already allocated to staff and unallocated shares are considered as treasury shares and are consolidated as such as part of the Group's results.

### ***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.

# ACCOUNTING POLICY

for the year ended 30 September 2015 (continued)

## 2. Basis of consolidation (continued)

### *Associates (continued)*

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, 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 as part of the share of profit/(loss) of investments accounted for using the equity method 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*

The Group has applied IFRS 11 to all joint arrangements as of 1 October 2012. Under IFRS 11, 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 B-BBEE equity transaction implemented in March 2012, have been consolidated in the Group results. The substance of the relationship between the Company and these entities has been assessed and the conclusion was made that they are controlled entities, mainly due to the fact that the Group retains residual or ownership risks relating to the SPEs.

## 3. 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.

### 3. **Property, plant and equipment (continued)**

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.

The expected useful lives are as follows:

- |                                  |               |
|----------------------------------|---------------|
| • Buildings                      | 10 – 25 years |
| • Poultry houses                 | 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.

### 4. **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 acquired entity at the date of the acquisition. Goodwill arising from business combinations is included in 'intangible assets' whereas goodwill on acquisition of associates is included in 'investments in associates' 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 those trademarks.

# ACCOUNTING POLICY

for the year ended 30 September 2015 (continued)

## 4. Intangible assets (continued)

### **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 five 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 following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product is available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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 five years.

## 5. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 the impairment at each reporting date.

## 6. Financial assets

### 6.1. 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.

## **6. Financial assets (continued)**

### **6.1. Classification (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 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' 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.

### **6.2. 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 presented 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 presented 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 equity 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.

### **6.3. 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.

# ACCOUNTING POLICY

for the year ended 30 September 2015 (continued)

## 6. Financial assets (continued)

### 6.3. Impairment (continued)

#### *Loans and receivables (continued)*

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 11 of the accounting policy.

#### *Available-for-sale financial assets*

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 equity and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss.

## 7. 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.

## 8. Non-current assets (or disposal groups) held for sale or held for distribution

Non-current assets (or disposal groups) are classified as assets held for sale or held for distribution when their carrying amount is to be recovered principally through a sales transaction or distribution and a sale or distribution is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

## 9. Biological assets

Biological assets consist of livestock and vineyards. They are measured on initial recognition and at the end of each reporting period at fair value less costs to sell. Changes in the measurement of fair value less costs to sell are included in profit or loss for the period in which they arise.

All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise. Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

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

Agricultural produce is the harvested product of the entity's biological assets and is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when transferring the harvested produce to inventory. Agricultural produce of the Group include eggs from lay-hens, meat from broiler chickens and harvested grapes from vineyards.

## 10. 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;
- consumable and trading stock at actual cost on a weighted average cost basis; and
- eggs purchased are valued 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 equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials.

## 11. 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.

## 12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, 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 changes in value.

## 13. 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.

## 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 year-end 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'.

## 15. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as 'finance costs'.

## ACCOUNTING POLICY

for the year ended 30 September 2015 (continued)

### 16. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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, they 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.

### 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.

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.

### 18. Dividends withholding tax

Dividends withholding tax ("DWT") became effective from 1 April 2012. Dividends are taxed at 15% in the hands of certain recipients of the dividends, rather than in the hands of the declarer of the dividend. As such, for dividends declared and paid by the Group after 1 April 2012, the Group does not recognise tax on dividends declared.

Where the Group has incurred DWT on dividends received, the tax is included in the 'income tax expense' line in the profit or loss component of the statement of comprehensive income.

### 19. Revenue recognition

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.

## 19. Revenue recognition (continued)

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.

### ***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest rate method. When loans or receivables 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 impaired loans and receivables is recognised using the original effective interest rate. Interest income is included in 'investment income' in profit or loss.

### ***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.

## 20. Research and development

Research expenditure is recognised as an expense as incurred. Development costs that are directly attributable to development projects (relating to the design and testing of new or improved products) controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised, from the point at which the asset is ready for use, on a straight-line basis over its useful life, not exceeding five years.

## 21. 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 currency.

### ***Transactions and balances***

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the transaction dates or valuation dates where items are remeasured. 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.

## ACCOUNTING POLICY

for the year ended 30 September 2015 (continued)

### 21. Foreign currency translation (continued)

#### *Transactions and balances (continued)*

All other foreign exchange gains and losses are presented in profit or loss within 'other gains/losses – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security.

Translation differences resulting from changes in amortised cost are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in 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.
- 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 taken 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.

### 22. 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 lease's commencement 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 finance cost 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.

## **23. 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.

## **24. 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 charged or credited to equity 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.

### ***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. An element of this bonus is calculated with reference to a return on specified net assets. The Group recognises a provision when contractually obliged or where there is a past practice that has created a constructive obligation.

## ACCOUNTING POLICY

for the year ended 30 September 2015 (continued)

### 24. Employee benefits (continued)

#### *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.

### 25. 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 options or 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 options or 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 options or share appreciation rights that are expected to become exercisable. At each reporting date, the Group revises its estimates of the number of options or 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 other comprehensive income.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options or 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 23.2 to 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.

### 26. 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 in note 25 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.

### 27. Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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.

## 27. Derivative financial instruments and hedging activities (continued)

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.

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.

### **Fair value hedges**

Fair value hedges cover the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk). Foreign currency risk of an unrecognised firm commitment is accounted for as a cash flow hedge.

The Group only applies fair value hedge accounting to hedge commodity price risk, i.e. changes in the fair value of fixed-price commodity purchase commitments, due to changes in the forward price in the market of the related commodity. Financial instruments designated as fair value hedges include commodity futures, option contracts and foreign exchange contracts.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest rate method is used, is amortised in profit or loss over the period of maturity.

### **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 commodity futures, interest rate swaps and collars 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 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 equity are transferred from equity 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 and interest rate collar agreements hedging 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 equity at that time remains in equity 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 equity is transferred immediately to 'other gains/(losses) – net'.

## ACCOUNTING POLICY

for the year ended 30 September 2015 (continued)

### 27. Derivative financial instruments and hedging activities (continued)

#### *Embedded derivatives*

Embedded derivatives are derivative instruments that are embedded in another contract or host contract. The Group separates an embedded derivative from its host contract and accounts for it separately, when its economic characteristics are not clearly and closely related to those of the host contract. These separated embedded derivatives are classified as trading assets or liabilities and marked to market through profit or loss, provided that the combined contract is not measured at fair value with changes through profit or loss.

#### *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'.

### 28. 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.

### 29. Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Board of directors.

### 30. 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 financial director of the Group. The operating segments were identified and grouped together based mainly on the nature of their activities and the products offered by them.

### 31. 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 foreign currency borrowings' interest cost.

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.

Capitalisation of borrowing costs commences when expenditure for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised up to the date when the project is completed and the assets are ready for its intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

### **31. Borrowing costs (continued)**

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing cost incurred during that period. Other borrowing costs are recognised as expenses when incurred.

### **32. Amortised costs**

Finance costs and investment income are recognised on a time-proportion basis using the effective interest rate method. When determining the amortised cost amount of financial assets and liabilities, the Group reduces the carrying amount to the amount recoverable or payable being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as accretions of discount. These accretions or unwinding of discounts on financial assets and liabilities carried at amortised cost is included in 'finance costs' or 'investment income' in profit or loss.

### **33. Deferred revenue**

Deferred revenue represents revenues collected from a counterparty for goods or services which are to be delivered in a later accounting period. When the goods or services are delivered, the related revenue item is recognised and deferred revenue is reduced.