

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP

1. Accounting policies

The principal accounting policies incorporated in the preparation of these financial statements are set out on pages 12 to 29.

2. Critical accounting estimates and judgements

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

Key assumptions and critical judgements

Goodwill

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

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

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

Property, plant and equipment

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

Intangible assets with finite useful lives

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

Intangible assets with indefinite useful lives

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

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

Share-based payments

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP

2. Critical accounting estimates and judgements (continued)

Contingent liabilities – litigation

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

Assessment of joint control over Food Concepts Pioneer Ltd

Pioneer Foods acquired an interest of 50.1% of Food Concepts Pioneer Ltd ("FCP"), a bakery business in Nigeria, for a purchase consideration of R81.3 million during the period. The transaction became effective on 1 March 2015.

In the interim financial statements for the six months ended 31 March 2015, FCP was consolidated as the Group was of the opinion that it had power over the relevant activities of this company.

The assessment of whether the Group had power over the relevant activities of FCP involved the application of significant judgement and legal interpretation of the respective legal agreements. Since the publication of the interim financial statements, the Group has reassessed its interpretation and has concluded that, given the requirement for unanimous consent of both parties to the agreement in respect of the most significant relevant activities, a more appropriate classification would be that of a joint venture. Consequently, FCP has been accounted for as a joint venture and equity accounted in the financial statements of the Group for the year ended 30 September 2015.

As the transaction is considered immaterial in the context of the financial statements, the interim financial statements for the year ended 31 March 2015 will not be restated in 2016.

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
	R'000	R'000
3. Other income and other gains/(losses) – net		
3.1 Other income		
Administration fees received	3 274	890
Government grant amortisation	4 654	3 935
Rental income	96 146	85 368
Sundry income and commissions	63 720	31 290
	167 794	121 483
3.2. Other gains/(losses) – net		
Net gains		
Foreign exchange differences	40 226	17 875
Financial assets at fair value through profit or loss		
Fair value adjustments on foreign exchange contracts	4 571	925
Fair value adjustments on embedded derivatives	–	687
Cash flow hedging ineffective gains		
Fair value adjustments on foreign exchange contracts	1 049	14 021
Fair value adjustments on futures	1 984	6 427
Fair value hedging		
Fair value adjustments on firm commitments	186	–
Agricultural produce fair value adjustment	4 340	8 115
Total net gains	52 356	48 050
Net losses		
Biological assets fair value adjustment	–	(262)
Foreign exchange differences	(6 506)	(20 026)
Financial assets at fair value through profit or loss		
Fair value adjustments on foreign exchange contracts	(24 669)	(30 572)
Fair value adjustments on embedded derivatives	(667)	–
Cash flow hedging ineffective losses		
Fair value adjustments on foreign exchange contracts	(3 409)	(2 768)
Fair value hedging		
Fair value adjustments on futures	(185)	–
Total net losses	(35 436)	(53 628)
Other gains/(losses) – net	16 920	(5 578)

Biological assets fair value adjustment

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
4. Sales and distribution costs, marketing costs, administrative expenses and other operating expenses		
The following expenditure by nature is included in the line items as indicated above as well as within cost of goods sold.		
Staff costs	2 589 175	2 349 348
Wages and salaries	2 000 787	1 883 250
Termination benefits	12 528	23 179
Other personnel costs	99 766	100 627
Pension costs	130 409	128 484
Share-based payments	345 685	213 808
Technical services from non-employees	50 471	55 927
Auditors' remuneration	12 512	17 152
Audit – current year	9 390	10 510
Audit – under provision previous year	150	241
Tax-related services	659	2 602
Other consultation services	2 313	3 799
Machine rental	41 896	30 530
Rental of vehicles	5 619	6 814
Rental of premises	52 780	50 696
Depreciation and amortisation (refer to notes 12 and 13)	335 618	326 040
Own assets	310 135	294 412
Leased assets	1 216	712
Intangible assets	24 267	30 916
Inventory written off	132 614	110 757
Change in provision for impairment of trade receivables – (gain)/loss	(9 286)	7 503
Change in allowance for outstanding credit notes – loss	3 076	7 237
Research and development costs	30 990	31 297
Administration fees paid	1 454	2 679
Post-retirement medical benefits (refer to note 27)	103	188
Long-service awards (refer to note 27)	902	(6 541)
Actuarial gain	(6 338)	(14 409)
Service costs	7 240	7 868
Share-based payments	345 685	213 808
Broad-based share incentive scheme	306 760	187 338
Management share appreciation rights	38 925	26 470

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
	R'000	R'000
5. Items of a capital nature		
Net profit/(loss) on disposal of property, plant and equipment and intangible assets	1 084	(1 146)
Gross	(1 751)	(1 261)
Tax effect	2 835	115
Net profit on disposal of available-for-sale financial assets	3 076	3 104
Gross	3 804	3 701
Tax effect	(728)	(597)
Deferred income tax on disposal of subsidiary in next reporting period	(4 645)	–
Gross	–	–
Tax effect	(4 645)	–
Impairment of property, plant and equipment (refer to note 12)	–	(34 382)
Gross	–	(47 753)
Tax effect	–	13 371
Impairment of available-for-sale financial assets	(50 594)	(1 699)
Gross	(50 594)	(1 699)
Tax effect	–	–
Utilisation of net capital loss to reduce capital gains effect	304	–
Gross	–	–
Tax effect	304	–
Items of a capital nature before those of joint ventures	(50 775)	(34 123)
Gross	(48 541)	(47 012)
Tax effect	(2 234)	12 889
Items of a capital nature of joint ventures	(1 054)	(87)
Gross	(1 449)	(82)
Tax effect	395	(5)
Total	(51 829)	(34 210)
Gross	(49 990)	(47 094)
Tax effect	(1 839)	12 884

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
6. Investment income		
Interest income on financial assets: loans and receivables	37 159	20 697
Joint ventures	4 513	7 897
Accretions of discount	3 234	291
Call accounts and other	29 412	12 509
Dividend income on available-for-sale financial assets		
Listed shares	2 168	1 644
	39 327	22 341
7. Finance costs		
Interest cost on financial liabilities measured at amortised cost		
Joint ventures	1 119	787
Borrowings	86 469	68 974
Provisions: unwinding of discount	9 575	9 297
Call loans and bank overdrafts	3 875	36 013
Redeemable preference shares B-BBEE equity transaction	45 928	44 997
Borrowing costs capitalised	(4 852)	(22 069)
	142 114	137 999

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
	R'000	R'000
8. Income tax expense		
Current income tax	455 823	376 077
Current year	456 069	374 804
(Over)/under provision previous years	(246)	1 273
Deferred income tax	132 721	74 922
Current year	132 721	74 922
Withholding tax on dividends	94	760
Current year	94	760
	588 638	451 759

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory rate of 28% (2014: 28%) as follows:

	2015	2014
	%	%
Standard rate for companies	28.0	28.0
Increase/(decrease) in rate:		
Exempt income	(0.1)	(0.1)
Effect of assessed losses	-	0.6
Non-deductible expenditure	6.8	5.1
Effect of capital gains tax	0.1	-
Under provision previous years	-	0.1
Other differences	(0.4)	-
Income from associates and joint ventures	(1.1)	(1.4)
Effective rate	33.3	32.3

	2015	2014
	R'000	R'000
Gross calculated tax losses of certain subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies	-	289 165
Less: Utilised in reduction of deferred income tax	-	(289 165)
Net calculated tax losses carried forward	-	-
Tax relief at current tax rates	-	-

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
9. Earnings per ordinary share		
<i>Basic</i>		
The calculation of basic earnings per ordinary share is based on earnings attributable to owners of the parent:		
From continuing operations	1 175 445	946 960
From discontinued operations	(45 026)	18 216
Total	1 130 419	965 176
Divided by the weighted average ordinary shares in issue during the year of 184,462,406 (2014: 183,317,607).		
<i>Diluted</i>		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options and appreciation rights issued in terms of share incentive schemes have a dilutive effect on earnings per ordinary share. A calculation is made to determine the number of shares that could have been acquired at fair value (determined at the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options as well as share appreciation rights.		
The calculation of diluted earnings per ordinary share is based on:		
Earnings attributable to owners of the parent:		
From continuing operations	1 175 445	946 960
From discontinued operations	(45 026)	18 216
Total	1 130 419	965 176
Divided by the diluted weighted average ordinary shares in issue during the year of 200,093,351 (2014: 192,117,659).		
Headline earnings ("HE") is calculated based on Circular 2/2013 issued by the South African Institute of Chartered Accountants. Adjusted HE is defined as HE adjusted for material once-off occurrences.		
<i>Reconciliation of weighted average ordinary shares in issue during the year</i>		
Weighted average ordinary shares	184 462 406	183 317 607
Adjusted for share options and appreciation rights	3 092 648	1 205 508
Adjusted for B-BBEE equity transaction deemed options	12 538 297	7 594 544
Weighted average ordinary shares for diluted earnings	200 093 351	192 117 659

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
9. Earnings per ordinary share (continued)		
<i>Reconciliation between earnings and headline earnings</i>		
<i>Earnings attributable to owners of the parent</i>		
From continuing operations	1 175 445	946 960
From discontinued operations	(45 026)	18 216
	1 130 419	965 176
<i>Remeasurement of items of a capital nature (refer to note 5)</i>		
Gross	77 392	123 134
Gross from continuing operations	49 990	47 094
Gross from discontinued operations	27 402	76 040
Tax effect	19 463	(33 194)
Tax effect from continuing operations	1 839	(12 884)
Tax effect from discontinued operations	17 624	(20 310)
Net of tax effect	96 855	89 940
Headline earnings	1 227 274	1 055 116
From continuing operations	1 227 274	981 170
From discontinued operations	–	73 946
Headline earnings per ordinary share (cents)	665.3	575.6
Attributable to continuing operations	665.3	535.2
Attributable to discontinued operations	–	40.4
Diluted earnings per ordinary share (cents)	564.9	502.4
Attributable to continuing operations	587.4	492.9
Attributable to discontinued operations	(22.5)	9.5
Diluted headline earnings per ordinary share (cents)	613.4	549.2
Attributable to continuing operations	613.4	510.7
Attributable to discontinued operations	–	38.5

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
10. Dividend per ordinary share		
Interim		
19.0 cents (2014: 13.0 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	2 042	1 378
95.0 cents (2014: 65.0 cents) per ordinary share of other shareholders	210 744	143 601
Final		
47.4 cents (2014: 31.2 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	5 093	3 333
237.0 cents (2014: 156.0 cents) per ordinary share of other shareholders	526 126	345 101
<i>Dividend in specie</i> – unbundling of Quantum Foods	–	1 242 220
	744 005	1 735 633

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

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

The 10,599,988 Pioneer Foods ordinary shares issued to the Pioneer Foods Broad-Based BEE Trust during April 2012, and the further 145,362 shares acquired by this trust as indicated in note 22, are only entitled to 20% of the dividend.

Dividend in specie – unbundling of Quantum Foods

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

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
11. Directors' remuneration		
Non-executive directors		
Fees	2 901	2 816
Executive directors	41 875	21 126
Salaries	8 021	7 809
Retirement benefits	1 140	920
Bonuses and incentives	32 714	12 397
Annual remuneration	44 776	23 942
Paid by subsidiaries	(41 875)	(21 126)
Paid by the Company	2 901	2 816

Refer to the directors' remuneration report for further detail.

	2015 Number '000	2014 Number '000
<i>Executive directors' share incentive scheme</i>		
At beginning of year	1 298	767
Change in directorship	(53)	–
Redeemed	(433)	(159)
New offer at R81.55 (2014: R83.59) per share (share appreciation rights)	–	690
New offer at R154.19 per share (share appreciation rights)	76	–
New offer at R198.71 per share (share appreciation rights)	500	–
At end of year	1 388	1 298
At R33.89 (2014: R34.74) per share, exercisable up to 8 February 2020 (share appreciation rights)	–	116
At R60.34 (2014: R61.85) per share, exercisable up to 9 February 2022 (share appreciation rights)	–	30
At R55.42 (2014: R56.81) per share, exercisable up to 5 February 2023 (share appreciation rights)	–	21
At R64.52 (2014: R66.13) per share, exercisable up to 1 April 2016 (share appreciation rights)	–	240
At R64.52 (2014: R66.13) per share, exercisable up to 1 May 2023 (share appreciation rights)	150	201
At R81.55 (2014: R83.59) per share, exercisable up to 31 August 2019 (share appreciation rights)	613	690
At R81.55 (2014: R83.59) per share, exercisable up to 28 February 2024 (share appreciation rights)	29	–
At R154.19 per share, exercisable up to 13 August 2020 (share appreciation rights)	95	–
At R154.19 per share, exercisable up to 13 February 2025 (share appreciation rights)	1	–
At R198.71 per share, exercisable up to 21 March 2021 (share appreciation rights)	500	–
Shares under option and share appreciation rights	1 388	1 298

Refer to the directors' remuneration report for further detail.

Quantum Foods was unbundled and listed separately on the JSE on 6 October 2014. The strike price of all unvested share appreciation rights at that date was reduced by 2.4% to compensate participants for the exit of Quantum Foods.

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
12. Property, plant and equipment		
12.1 Property, plant and equipment – summary		
Land and buildings	1 486 840	1 497 032
Plant, machinery and equipment	2 390 172	2 446 167
Vehicles	451 908	285 897
Net carrying value	4 328 920	4 229 096
Property, plant and equipment include items leased by the Group to third parties under operating leases with the following carrying amounts:		
Cost		
As at beginning of year	130 361	102 047
Additions and transfers	5 860	39 527
Disposals	(2 896)	(11 213)
	133 325	130 361
Accumulated depreciation		
As at beginning of year	75 622	45 588
Charge for the year	4 696	4 993
Additions and transfers	2 271	29 193
Disposals	(1 516)	(4 152)
	81 073	75 622
Net carrying value	52 252	54 739

Refer to note 12.2 for further detail.

Property, plant and equipment in the course of construction amounts to R94,063,669 (2014: R213,166,971).

Land and buildings amounting to R6,300,000 (2014: Rnil) were in the process of being transferred in the name of the Group.

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

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

Leased assets with a carrying value of R23,672,417 (2014: R24,888,417) serve as security for capitalised lease agreements.

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

During the current financial year borrowing costs of R4,851,839 (2014: R22,068,856) were capitalised against qualifying items of property, plant and equipment. The capitalisation rate used varied between 7.2% and 7.6% (2014: 6.1% and 7.1%).

Plant, machinery and equipment with a cost price of Rnil (2014: R25,600,000) have been capitalised where the Group is a lessee under a finance lease. The lease terms range between 14 to 15 years.

GROUP

12. Property, plant and equipment (continued)

12.1 Property, plant and equipment – summary (continued)

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

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

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

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

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

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

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

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

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

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
12. Property, plant and equipment (continued)		
12.1 Property, plant and equipment – summary (continued)		
<i>Impairment losses on property, plant and equipment can be ascribed to the following operating segments:</i>		
Groceries: Beverages	–	47 753

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

Shareholders were advised on SENS on 5 September 2013 of the Board's intent to restructure the Company's interest in the Quantum Foods segment, which includes the South African business units and two foreign African subsidiaries (Bokomo Uganda (Pty) Ltd and Quantum Foods Zambia Ltd) that produce and sell eggs, chicken products, animal feed and commercial laying hens. Further announcements on SENS in this regard were issued on 5 September 2014 and 18 September 2014.

Accordingly, Quantum Foods has been treated as an 'asset held for sale' and as 'discontinued operations' in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations for the years ended 30 September 2015 and 30 September 2014.

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

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

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

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

Notes to the annual financial statements
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GROUP	2015	2014
12. Property, plant and equipment (continued)		
12.1 Property, plant and equipment – summary (continued)		
<i>Impairment losses due to the treatment of Quantum Foods as an asset held for sale (continued)</i>		
The key assumptions used in performing the impairment test, by CGU, were as follows:		
Discount rate:		
South Africa (31 March 2014: 17.0%)	–	17.4%
Uganda (31 March 2014: 28.6%)	–	27.1%
Zambia (31 March 2014: 23.1%)	–	25.1%
Perpetual growth rate:		
South Africa (31 March 2014: 5.5%)	–	5.5%
Uganda (31 March 2014: 5.5%)	–	5.5%
Zambia (31 March 2014: 6.5%)	–	6.5%
Income tax rate:		
South Africa (31 March 2014: 28.0%)	–	28.0%
Uganda (31 March 2014: 30.0%)	–	30.0%
Zambia (31 March 2014: 12.5%)	–	12.5%
	2015	2014
	R'000	R'000
The carrying values of property, plant and equipment, intangible assets and goodwill of the Quantum Foods division were impaired as follows:		
Property, plant and equipment	–	77 594
Computer software	–	59
Total impairment	–	77 653

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

Change in estimates

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

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

Based on the latest available and reliable information there was a change in the estimated useful lives and residual values of certain items of property, plant and equipment. The effect of these changes on the depreciation expense in the current year is a decrease of R376,814 (2014: increase of R186,348).

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	Own assets			Leased assets
	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Plant, machinery and equipment R'000
12. Property, plant and equipment (continued)				
12.2 Property, plant and equipment – detail				
30 September 2015				
Cost				
At 1 October 2014	2 300 771	5 449 980	580 732	25 600
Additions	41 761	309 534	246 905	–
Transfers	1 034	(1 338)	341	–
Borrowing costs capitalised	359	4 493	–	–
Foreign exchange adjustment	8 593	25 707	18	–
Disposals	(4 317)	(299 494)	(126 079)	–
Unbundling of Quantum Foods	(489 763)	(1 106 181)	(44 471)	–
Transferred to disposal group classified as held for sale	(19 006)	(51 383)	(1 987)	–
At 30 September 2015	1 839 432	4 331 318	655 459	25 600
Accumulated depreciation				
At 1 October 2014	445 848	2 338 117	267 756	712
Charge for the year	41 797	230 494	37 844	1 216
Transfers	(373)	373	–	–
Foreign exchange adjustment	2 313	14 815	25	–
Depreciation on disposals	(1 248)	(178 161)	(84 126)	–
Unbundling of Quantum Foods	(131 872)	(415 597)	(17 392)	–
Transferred to disposal group classified as held for sale	(3 873)	(25 223)	(556)	–
At 30 September 2015	352 592	1 964 818	203 551	1 928
Net carrying value at 30 September 2015	1 486 840	2 366 500	451 908	23 672
Total – 2015	4 305 248			23 672
Total property, plant and equipment – 2015	4 328 920			

Notes to the annual financial statements
for the year ended 30 September 2015

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
13. Intangible assets		
13.1 Intangible assets – summary		
Trademarks	356 247	357 413
Goodwill	224 381	220 751
Intellectual property	19 665	21 091
Computer software	99 173	78 771
Net carrying value	699 466	678 026
Refer to note 13.2 for further detail.		
The carrying values of the trademarks below are included in the following CGUs (in bold):		
Ceres Fruit Juices		
Ceres	121 654	121 654
Fruit Concentrate Mixtures		
Wild Island	17 144	17 144
W Daly and W Daly & Sons – 14 years (2014: 15 years)	5 780	6 179
Spreads		
Marmite	33 288	33 288
Bovril	33 886	33 886
Pecks	19 245	19 245
Redro	14 239	14 239
Baking Aids		
Moir's	55 741	55 741
Smash	21 506	21 506
Tower	2 116	2 116
Maizena		
Maizena	18 820	18 820
ProNutro		
ProNutro	3 450	3 450
Nature's Source		
Nature's Source	2 650	2 650
Other – nil to 11 years (2014: nil to 12 years)	6 728	7 495
	356 247	357 413

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

Impairment test for goodwill and intangible assets

Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
13. Intangible assets (continued)		
13.1 Intangible assets – summary (continued)		
<i>Impairment test for goodwill and intangible assets (continued)</i>		
The CGUs, to which a significant amount of goodwill have been allocated, are indicated separately below under each operating segment (in bold):		
Essential Foods	3 280	3 280
Groceries: Cereals and other (formerly Bokomo Foods)	132 066	132 066
SAD	69 293	69 293
Spreads	50 905	50 905
Maizena	6 033	6 033
Other	5 835	5 835
Groceries: Beverages (formerly Ceres Beverages)	56 395	56 395
Fruit Concentrate Mixtures	31 540	31 540
Ceres Fruit Juices	24 855	24 855
International	32 640	29 010
Bokomo Foods (UK)	32 640	29 010
	224 381	220 751

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

The CGUs have been allocated to the restated operating segments as set out in notes 45 and 54.

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

Key assumptions used for value-in-use calculations:

Bokomo Foods (UK) CGU

Growth rate of 3.0% (2014: 3.0%)

Discount rate of 11.9% (2014: 13.2%)

Other CGUs

Growth rate of 5.0% (2014: 5.0%)

Discount rates from 21.7% to 27.6% (2014: 20.7% to 28.2%)

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	Trademarks R'000	Goodwill R'000	Intellectual property R'000	Computer software R'000
13. Intangible assets (continued)				
13.2 Intangible assets – detail				
30 September 2015				
Cost				
At 1 October 2014	460 082	357 117	33 359	262 373
Additions	–	–	–	53 715
Transfers	–	–	–	(37)
Foreign exchange adjustment	91	4 236	–	181
Disposals	(2 696)	–	–	(14 381)
Unbundling of Quantum Foods	(23 038)	(78 307)	–	(8 403)
Transferred to disposal group classified as held for sale	(946)	(606)	–	–
At 30 September 2015	433 493	282 440	33 359	293 448
Accumulated depreciation				
At 1 October 2014	102 631	136 366	12 268	176 452
Charge for the year	1 189	–	1 426	21 652
Foreign exchange adjustment	68	–	–	65
Depreciation on disposals	(2 696)	–	–	(2 641)
Unbundling of Quantum Foods	(23 000)	(78 307)	–	(1 253)
Transferred to disposal group classified as held for sale	(946)	–	–	–
At 30 September 2015	77 246	58 059	13 694	194 275
Net carrying value at 30 September 2015	356 247	224 381	19 665	99 173
Total intangible assets – 2015	699 466			

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	Trademarks R'000	Goodwill R'000	Intellectual property R'000	Computer software R'000
13. Intangible assets (continued)				
13.2 Intangible assets – detail (continued)				
30 September 2014				
Cost				
At 1 October 2013	459 978	354 056	33 359	244 134
Additions	38	–	–	29 733
Foreign exchange adjustment	66	3 061	–	46
Disposals	–	–	–	(11 540)
Transferred to disposal group classified as held for sale	(23 038)	(78 307)	–	(8 403)
At 30 September 2014	<u>437 044</u>	<u>278 810</u>	<u>33 359</u>	<u>253 970</u>
Accumulated depreciation				
At 1 October 2013	101 331	136 366	10 759	154 569
Charge for the year	1 259	–	1 509	28 148
Impairments	–	–	–	59
Foreign exchange adjustment	41	–	–	41
Depreciation on disposals	–	–	–	(6 365)
Transferred to disposal group classified as held for sale	(23 000)	(78 307)	–	(1 253)
At 30 September 2014	<u>79 631</u>	<u>58 059</u>	<u>12 268</u>	<u>175 199</u>
Net carrying value at 30 September 2014	<u>357 413</u>	<u>220 751</u>	<u>21 091</u>	<u>78 771</u>
Total intangible assets – 2014	<u>678 026</u>			

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
14. Biological assets		
Vineyards	16 017	16 017
For the purposes of the statement of financial position, biological assets are presented as follows:		
Non-current assets	16 017	16 017
The Group is engaged in dried fruit and poultry production for supply to various customers. Poultry includes point-of-lay hens, day-old chicks, broilers and eggs. Poultry has been included in the disposal group classified as held for sale for the year ended 30 September 2014.		
The fair value of vineyards is calculated as the future expected net cash flows from these assets, discounted at a current market-determined rate, over the remaining useful lives of the vineyards. A discount rate of 15.3% (2014: 15.3%) was used.		
The Group was exposed to financial risks that may arise from disease affecting its poultry flock. Stringent biosecurity measures, vaccination programmes and flock health monitoring procedures were in place to limit the financial effect of this risk.		
Fair values of livestock held for breeding, laying hens, broilers and hatching eggs were determined with reference to market prices of livestock of similar age, breed and genetic material.		
At 30 September, the Group held the following biological assets:		
Land (vineyards) – hectares	115	118
The following is the agricultural produce of the Group for the year ended 30 September:		
Kilograms of fresh grapes produced	1 221 563	2 070 879

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
	R'000	R'000
15. Investments in and loans to/(from) joint ventures		
15.1 Investments in joint ventures – equity accounting		
At beginning of year	327 378	268 296
Investment in joint ventures	126 263	–
Share of profit after income tax	70 023	68 719
Share of other comprehensive income	22 710	3 130
Dividend received	(22 239)	(12 767)
At end of year	524 135	327 378

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	Bokomo Botswana (Pty) Ltd				Bokomo Namibia (Pty) Ltd				Heinz Foods SA (Pty) Ltd		Food Concepts Pioneer Ltd		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
15. Investments in and loans to/(from) joint ventures (continued)																
15.1 Investments in joint ventures – equity accounting (continued)																
Summarised statement of financial position																
<i>As at 30 September</i>																
Non-current assets	176 346	139 763	90 736	88 441	202 760	220 488	90 181	–	114 480	78 898	674 503	527 590				
Current assets	217 003	165 843	117 923	109 937	339 750	246 966	38 676	–	151 105	111 956	864 457	634 702				
Non-current liabilities	(14 945)	(10 329)	(28 765)	(50 115)	(88 144)	(63 779)	(19 273)	–	(32 697)	(32 310)	(183 824)	(156 533)				
Current liabilities	(74 606)	(72 005)	(50 776)	(60 234)	(128 719)	(107 291)	(29 280)	–	(44 023)	(39 791)	(327 404)	(279 321)				
Net assets	303 798	223 272	129 118	88 029	325 647	296 384	80 304	–	188 865	118 753	1 027 732	726 438				
Reconciliation of carrying amount																
Opening carrying amount at 1 October	223 272	167 330	88 029	84 196	296 384	259 626	–	–	118 753	98 183	726 438	609 335				
Investment in joint ventures	–	–	30 000	–	–	–	66 436	–	60 000	–	156 436	–				
Share of other comprehensive income	27 219	6 151	–	–	–	–	17 640	–	537	110	45 396	6 261				
Dividend received	(14 478)	(10 535)	–	–	–	–	–	–	(30 000)	(15 000)	(44 478)	(25 535)				
Profit/(loss) after income tax for the year	67 785	60 326	11 089	3 833	29 263	36 758	(3 770)	–	39 573	35 460	143 940	136 377				
Closing net assets at 30 September	303 798	223 272	129 118	88 029	325 647	296 384	80 306	–	188 863	118 753	1 027 732	726 438				
Group's share (%)	50.0%	50.0%	50.0%	50.0%	49.9%	49.9%	50.1%	–	49.0% – 50.0%	49.0% – 50.0%	49.0% – 50.1%	49.0% – 50.0%				
Group's share at 30 September	151 899	111 636	64 559	44 015	162 498	147 896	40 232	–	94 358	59 329	513 546	362 876				
Property, plant and equipment	(2)	(3)	–	–	(1 451)	(1 451)	–	–	–	–	(1 453)	(1 454)				
Goodwill	–	–	–	–	(26 455)	(26 455)	32 201	–	–	–	5 746	(26 455)				
Trademarks	–	–	–	–	(11 236)	(11 857)	21 883	–	3 834	3 834	14 481	(8 023)				
Unrealised profit in closing stock	(4 774)	(2 324)	(1 777)	(1 289)	–	–	–	–	51	(35)	(6 500)	(3 648)				
Deferred income tax on unrealised profit in closing stock	1 337	651	498	361	–	–	–	–	(15)	10	1 820	1 022				
Deferred income tax on intangible assets	–	–	–	–	3 016	3 016	(6 565)	–	–	–	(3 549)	3 016				
Cost to issue shares recognised against share premium	–	–	44	44	–	–	–	–	–	–	44	44				
Carrying amount at 30 September	148 460	109 960	63 324	43 131	126 372	111 149	87 751	–	98 228	63 138	524 135	327 378				

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP												
	Bokomo Botswana (Pty) Ltd		Bokomo Namibia (Pty) Ltd		Heinz Foods SA (Pty) Ltd		Food Concepts Pioneer Ltd		Other		Total	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000
15. Investments in and loans to/(from) joint ventures (continued)												
15.1 Investments in joint ventures – equity accounting (continued)												
Summarised statement of comprehensive income												
<i>For the year ended 30 September</i>												
Revenue	1 025 848	851 740	492 128	440 990	734 938	718 918	42 710	–	279 891	241 429	2 575 515	2 253 077
EBITDA	94 299	83 992	32 390	18 969	53 949	65 598	(1 666)	–	60 108	56 035	239 080	224 594
Depreciation and amortisation	(8 887)	(8 415)	(7 250)	(5 626)	(13 521)	(14 114)	(2 981)	–	(5 533)	(6 317)	(38 172)	(34 472)
Interest income	718	168	6	24	748	878	1 451	–	2 817	2 108	5 740	3 178
Finance costs	(2 053)	(3 834)	(7 326)	(6 568)	(325)	(1 336)	(2 182)	–	(2 512)	(2 536)	(14 398)	(14 274)
Income tax expense	(16 292)	(11 585)	(6 731)	(2 966)	(11 589)	(14 268)	1 607	–	(15 308)	(13 830)	(48 313)	(42 649)
Profit/(loss) after income tax	67 785	60 326	11 089	3 833	29 262	36 758	(3 771)	–	39 572	35 460	143 937	136 377
Group's share (%)	50.0%	50.0%	50.0%	50.0%	49.9%	49.9%	50.1%	–	49.0% – 50.0%	49.0% – 50.0%	49.0% – 50.1%	49.0% – 50.0%
Share of net profit/(loss)	33 892	30 163	5 544	1 917	14 602	18 342	(1 889)	–	19 767	17 716	71 916	68 138
Eliminate intergroup unrealised profit on property, plant and equipment after income tax	–	–	–	–	621	621	–	–	–	(10)	621	611
Unrealised profit in closing stock after income tax	(1 764)	(625)	(351)	620	–	–	–	–	61	(25)	(2 054)	(30)
Depreciation on trademarks after income tax	–	–	–	–	–	–	(460)	–	–	–	(460)	–
Share of profit/(loss) after income tax	32 128	29 538	5 193	2 537	15 223	18 963	(2 349)	–	19 828	17 681	70 023	68 719
Share of other comprehensive income	13 610	3 075	–	–	–	–	8 838	–	262	55	22 710	3 130
Cash and cash equivalents	12 483	(20 256)	(2 256)	15 930	(7 215)	32 112	24 645	–	78 501	52 507	106 158	80 293
15.2 Loans to/(from) joint ventures												
Non-current												
<i>Interest-bearing loans</i>												
Alpen Foods (Pty) Ltd											10 631	9 690
Heinz Foods SA (Pty) Ltd											22 674	22 674
Bokomo Namibia (Pty) Ltd (normal loan)											2 000	2 000
Bokomo Namibia (Pty) Ltd (redeemable preference shares)											–	27 432
Current											35 305	61 796
<i>Interest-bearing loans</i>												
Bowman Ingredients (SA) (Pty) Ltd											(20 540)	(15 740)
											14 765	46 056

Notes:

Loans are secured and interest-bearing, except where indicated otherwise, with no fixed terms of repayment. The interest rates at year-end applicable to interest-bearing loans varied from 8.5% to 9.5% (2014: 5.8% to 9.3%).

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
16. Investment in associates		
At beginning of year	19 267	18 904
Share of profit after income tax	1 374	1 643
Impairment of interest	–	(1 280)
Unbundling of Quantum Foods	(6 112)	–
Transferred to disposal group classified as held for sale	–	(6 112)
At end of year	14 529	13 155
Investment in associates from continuing operations consists of:		
	Cottesloe Consultants (Pty) Ltd	
	2015 R'000	2014 R'000
Summarised statement of financial position		
<i>As at 30 September</i>		
Non-current assets	60 366	51 205
Current assets	19 728	18 797
Non-current liabilities	(26 989)	(24 902)
Current liabilities	(8 013)	(5 505)
Net assets	45 092	39 595
Reconciliation of carrying amount		
At beginning of year	39 595	35 402
Profit for the year	5 494	4 193
Closing net assets at end of year	45 089	39 595
Group's share (%)	25%	25%
Group's share	11 273	9 899
Intangible assets: goodwill	3 256	3 256
Carrying amount at end of year	14 529	13 155
Summarised statement of comprehensive income		
<i>For the year ended 30 September</i>		
Revenue	55 290	49 438
Net profit after income tax	5 494	4 193
Group's share (%)	25%	25%
Share of profit after income tax	1 374	1 048

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
	R'000	R'000
17. Available-for-sale financial assets		
Shares in other companies		
<i>Listed</i>		
At cost	108 303	30 871
Beginning of year	30 871	26 986
Other movements	6 874	3 885
Shares in Quantum Foods received as <i>dividend in specie</i> by BEE SPVs	121 152	–
Impairment of Quantum Foods shares held by BEE SPVs	(50 594)	–
Fair value balance at end of year	33 292	37 746
Fair value balance at beginning of year	37 746	31 432
Fair value adjustment for year	(700)	9 837
Fair value adjustment reclassified to profit or loss	(3 754)	(3 523)
	141 595	68 617
<i>Unlisted</i>		
At cost	101	1 387
Beginning of year	1 387	467
Other movements	(1 284)	920
Unbundling of Quantum Foods	(2)	–
Fair value balance at end of year	80	23
Fair value balance at beginning of year	23	159
Fair value adjustment for year	107	104
Fair value adjustment reclassified to profit or loss	(50)	(240)
Transferred to disposal group classified as held for sale	–	(2)
	181	1 408
Available-for-sale financial assets at fair value	141 776	70 025

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

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

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
18. Inventories		
Raw materials	1 315 184	1 141 101
Manufactured products	1 075 901	1 000 809
Packaging and consumables	287 864	281 384
	2 678 949	2 423 294
Inventory carried at net realisable value amounts to R684,966 (2014: R14,705,299).		
Inventories and biological assets, with carrying values of R2,555,458,308 (2014: R2,340,174,637) (including assets of a disposal group classified as held for sale as at 30 September 2014), of certain Group companies are pledged as security for general and revolving banking facilities of some of the Group's subsidiaries. Refer to note 25 for further detail.		
19. Derivative financial instruments		
19.1 Derivative financial instruments – summary		
Embedded derivatives	(667)	687
Foreign exchange contracts – not earmarked for hedging	(3 158)	7 791
Foreign exchange contracts – cash flow hedges	8 467	(3 214)
Futures – fair value hedges	186	–
	4 828	5 264
For the purposes of the statement of financial position derivative financial instruments are presented as follows:		
Current assets	20 619	14 945
Current liabilities	(15 791)	(9 681)
	4 828	5 264

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

Refer to note 19.2 for further detail.

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 Foreign amount '000	2015 Rand amount R'000	2015 Fair value R'000	2014 Foreign amount '000	2014 Rand amount R'000	2014 Fair value R'000
19. Derivative financial instruments (continued)						
19.2 Derivative financial instruments – detail						
19.2.1 Derivative instruments earmarked for hedging (cash flow hedges)						
19.2.1.1 Commodity instruments						
Futures (refer to note 1 below)			14 352			(2 177)
19.2.1.2 Currency forward contracts						
Purchases of foreign exchange contracts			17 055			1 168
US dollar	29 024	403 773	14 097	14 090	159 818	1 168
British pound	1 073	23 141	362	–	–	–
Australian dollar	6 228	61 660	2 596	–	–	–
Sales of foreign exchange contracts						
US dollar	13 335	188 791	(8 588)	(8 500)	(98 430)	(4 382)
FEC gains realised to be recycled in future periods			1 423			–
Base cost adjustment to stock on unrealised FEC gains			(12 585)			–
Hedging reserve (before income tax)			11 657			(5 391)
19.2.2 Derivative instruments earmarked for hedging (fair value hedges)						
19.2.2.1 Commodity instruments						
Futures			186			–
19.2.3 Other derivative instruments						
19.2.3.1 Currency forward contracts						
Purchases of foreign exchange contracts			2 978			11 334
US dollar	952	13 244	313	45 201	510 718	11 304
British pound	–	–	–	37	672	21
Swiss franc	1 481	21 618	989	–	–	–
Euro	1 656	26 243	1 676	518	7 438	9
Sales of foreign exchange contracts						
US dollar	9 791	136 250	(4 300)	24 021	276 523	(3 543)
Less: Ineffective part of FECs			(1 836)			–
19.2.3.2 Embedded derivative financial instruments						
Options – supplier purchase contracts			(667)			687

Note 1:

Disclosed as part of cash and cash equivalents.

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
20. Trade and other receivables		
Trade receivables	2 002 107	1 721 733
Allowance for outstanding credit notes	(39 478)	(36 402)
Provision for impairment	(12 340)	(21 626)
Net trade receivables	1 950 289	1 663 705
Staff	827	860
Prepayments	22 350	19 444
Receivables from related parties (refer to note 36)	59 517	75 071
Value-added tax	108 693	107 327
Loans	24 316	23 383
Other	6 883	7 351
	2 172 875	1 897 141
For the purposes of the statement of financial position trade and other receivables are presented as follows:		
Non-current assets	24 316	23 383
Current assets	2 148 559	1 873 758
	2 172 875	1 897 141
The carrying value of trade and other receivables approximates their fair value at the reporting date.		
An allowance for outstanding credit notes is accounted for based on past experience.		
At year-end trade receivables with a carrying value of R1,918,159,139 (2014: R1,707,588,514) (including assets of a disposal group classified as held for sale) of certain Group companies were pledged as security for general and revolving banking facilities of some of the Group's subsidiaries. Refer to note 25 for further detail.		
Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amounts of fully performing financial assets included in trade and other receivables at year-end are:		
National customers	803 465	740 555
Other customers	1 135 043	935 351
	1 938 508	1 675 906

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
20. Trade and other receivables (continued)		
The credit quality of fully performing financial assets included in trade and other receivables is supported by the high proportion of the carrying value that can be ascribed to national customers, especially in the formal retail sector. The credit quality of the customer base is considered to be good based on historical default rates.		
Financial assets included in trade and other receivables that are outside their normal payment terms are considered to be past due. The following represents an analysis of the past due number of days of financial assets that are past due but not impaired:		
National customers		
Up to 30 days	5 960	4 347
31 to 60 days	7 869	11 376
61 to 90 days	2 020	1 789
91 to 120 days	1 329	848
More than 120 days	1 337	107
	18 515	18 467
Other customers		
Up to 30 days	54 435	49 550
31 to 60 days	14 598	21 167
61 to 90 days	2 967	1 866
91 to 120 days	6 758	1 260
More than 120 days	6 051	2 152
	84 809	75 995
Staff		
Up to 30 days	-	2
	-	2
Total	103 324	94 464
Individually impaired receivables where indicators of impairment are present, comprise a number of non-material customers. The following trade receivables were impaired at year-end:		
National customers	-	-
Other customers	12 340	21 626
Total	12 340	21 626

Interest charged on impaired trade receivables amounts to Rnil (2014: Rnil).

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
20. Trade and other receivables (continued)		
Movements on the Group's provision for impairment of trade receivables are as follows:		
At 1 October	29 597	20 707
Provision for impairment of receivables raised	4 174	13 155
Provision for impairment utilised during the year	(8 872)	(1 822)
Unused amounts reversed	(4 588)	(2 443)
Unbundling of Quantum Foods	(7 971)	–
Transferred to disposal group classified as held for sale	–	(7 971)
At 30 September	12 340	21 626
The Group holds a number of categories of collateral as security for trade receivable balances. These collateral categories include mortgage bonds and notarial bonds, credit insurance, cession of trade receivables, various guarantees and letters of credit.		
Fair value of collateral held against trade receivables at year-end (limited to the individual trade receivable balance):		
National customers	3	1
Other customers	616 053	120 499
	616 056	120 500
The carrying amount of the Group's trade receivables is denominated in the following currencies:		
Covered by means of foreign exchange contracts		
US dollar	134 255	137 113
Uncovered	1 867 852	1 584 620
Euro	26 108	18 149
British pound	136 232	104 195
US dollar	81 367	13 588
SA rand	1 614 112	1 429 781
Other currencies	10 033	18 907
Total	2 002 107	1 721 733
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	136 222	94 977
Other receivables are largely denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.		

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
21. Cash and cash equivalents		
Cash at bank and on hand	288 247	354 974
Short-term bank deposits	1 160 596	752 644
	1 448 843	1 107 618
<p>The effective interest rate at reporting date on short-term bank deposits was between 5.3% and 6.6% (2014: 5.7% and 6.6%).</p> <p>For the purposes of the statement of cash flows, the year-end cash, cash equivalents and bank overdrafts comprise the following:</p>		
Cash and short-term deposits	1 448 843	1 107 618
Short-term borrowings		
Bank overdrafts	(67 922)	(195 051)
	1 380 921	912 567
<p>The Group's cash equivalents and short-term deposits are placed with creditable financial institutions with appropriate credit ratings.</p> <p>The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:</p>		
Euro	22 784	13 756
British pound	66 891	57 207
US dollar	738	1 020
SA rand	1 357 967	1 032 815
Other currencies	463	2 820
Total	1 448 843	1 107 618
<p>The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:</p>		
British pound	66 891	57 207
<p>The majority of the Group's cash and cash equivalents is denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.</p> <p>The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.</p>		
Restricted balances		
<p>Cash and cash equivalents include restricted balances of R62.6 million (2014: R15.2 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the subsidiary company when the related derivative positions are closed.</p>		

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
22. Share capital		
Authorised – ordinary shares of 10 cents each		
400,000,000 (2014: 400,000,000) ordinary shares	40 000	40 000
Authorised – class A ordinary shares of 10 cents each		
18,130,000 (2014: 18,130,000) class A ordinary shares	1 813	1 813
Total issued and fully paid – ordinary shares of 10 cents each		
At beginning of year: 231,691,881 (2014: 231,006,847) ordinary shares	23 170	23 101
Issued to management in terms of share appreciation rights scheme: 1,047,450 (2014: 685,034) ordinary shares	105	69
At end of year: 232,739,331 (2014: 231,691,881) ordinary shares	23 275	23 170
Shares issued in terms of share appreciation rights scheme		
During the year the Company issued 1,047,450 (2014: 685,034) ordinary shares of 10 cents each at an average of R167.71 (2014: R97.47) per share in terms of the share appreciation rights scheme.		
Shares issued in terms of the B-BBEE equity transaction		
During 2012 the Company issued 28,691,649 shares to the value of R1,000,347,998 to special purpose vehicles ("SPVs") that were formed in terms of a B-BBEE equity transaction. In terms of the transaction 17,488,631 ordinary shares were issued to strategic BEE partners at a subscription price of R55.14 per share and 603,030 ordinary shares to current and former black directors of the Company at a subscription price of R58.04 per share. A further 10,599,988 shares were issued to the Pioneer Foods Broad-Based BEE Trust ("BEE Trust") at a subscription price of R0.10 per share.		
The BEE Trust acquired a further 145,362 listed ordinary shares of 10 cents at an average of R157.82 per share during the year.		
These SPVs are consolidated as wholly owned subsidiaries in terms of IFRS and these issued shares of the Company are consequently treated as treasury shares of the Group. The B-BBEE equity transaction was in accordance with the Company's memorandum of incorporation and the Companies Act, Act 71 of 2008, as amended.		
Treasury shares of 10 cents each – nominal value		
Treasury shares held by management share incentive trust		
At beginning of year: 1,110,213 (2014: 1,422,116) ordinary shares	111	142
Net treasury shares sold: 380,601 (2014: 311,903) ordinary shares	(38)	(31)
At end of year: 729,612 (2014: 1,110,213) ordinary shares	73	111

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
22. Share capital (continued)		
<i>Treasury shares of 10 cents each – nominal value (continued)</i>		
<i>Treasury shares held by B-BBEE equity transaction participants</i>		
At beginning and at end of year: 18,091,661 (2014: 18,091,661) ordinary shares	1 809	1 809
<i>Treasury shares held by Pioneer Foods Broad-Based BEE Trust</i>		
At beginning of year: 10,599,988 (2014: 10,599,988) ordinary shares	1 060	1 060
145,362 (2014: Nil) ordinary shares acquired during the year	15	-
At end of year: 10,745,350 (2014: 10,599,988) ordinary shares	1 075	1 060
During the year the Trust acquired 145,362 shares for an amount of R22,940,476.		
<i>Treasury shares held by subsidiary</i>		
At beginning and at end of year: 17,982,056 (2014: 17,982,056) ordinary shares	1 798	1 798
<i>Total treasury shares – nominal value</i>		
At beginning of year	4 778	4 809
Ordinary shares bought by Pioneer Foods Broad-Based BEE Trust during the year	15	-
Ordinary shares sold by management share incentive trust (at strike price)	(38)	(31)
At end of year	4 755	4 778
<i>Net listed ordinary share capital – nominal value</i>		
Total issued and fully paid ordinary shares	23 275	23 170
Treasury shares held by management share incentive trust	(73)	(111)
Treasury shares held by B-BBEE equity transaction participants	(1 809)	(1 809)
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	(1 075)	(1 060)
Treasury shares held by subsidiary	(1 798)	(1 798)
	18 520	18 392
The unissued ordinary shares in the Company, limited to 5% of the ordinary shares in issue at the last year-end date, are placed under the control of the directors until the next annual general meeting and they are authorised to issue any such shares as they may deem fit.		
<i>Treasury shares – carrying amount</i>		
Consist of:		
Treasury shares held by management share incentive trust	17 740	23 036
Treasury shares held by B-BBEE equity transaction participants	999 288	999 288
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	24 000	1 060
Treasury shares held by subsidiary	163 113	163 113
	1 204 141	1 186 497

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
22. Share capital (continued)		
<i>Issued and fully paid – unlisted class A ordinary shares of 10 cents each held by employee share scheme trust</i>		
At beginning of year: 6,043,940 (2014: 7,367,360) class A ordinary shares	605	737
Bought back and cancelled: 1,809,640 (2014: 1,323,420) class A ordinary shares	(181)	(132)
At end of year: 4,234,300 (2014: 6,043,940) class A ordinary shares held by employee share scheme trust	424	605

During the year the Company issued Nil (2014: Nil) class A ordinary shares.

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

GROUP	2015 Number '000	2014 Number '000
23. Share-based payments		
23.1 Management share incentive scheme (equity-settled)		
<i>Number of shares made available</i>		
Unallocated under control of directors	612	612
Shares under option in terms of option scheme:		
Number at end of year	117	498
Number at beginning of year	498	810
Redeemed	(381)	(312)
	729	1 110
<i>Number of options</i>		
At R14.05 per share, exercisable up to 23 December 2014	–	246
At R21.86 per share, exercisable up to 24 January 2016	59	166
At R31.42 per share, exercisable up to 11 February 2017	58	86
	117	498

The weighted average share price at the exercise date, for share options exercised during the year, was R137.01 (2014: R94.58).

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
23. Share-based payments (continued)		
23.1 Management share incentive scheme (equity-settled) (continued)		
The fair values were calculated using the Actuarial Binomial Option Pricing Model. The principal assumptions for the last grant (during 2007) were as follows:		
Weighted average share price at grant date (cents per share)	1 269	1 269
Weighted average exercise price (cents per share)	1 214	1 214
Expected volatility	20.0% – 33.8%	20.0% – 33.8%
Expected life (years)	4 to 6	4 to 6
Risk free rate	7.2% – 9.7%	7.2% – 9.7%
Expected dividend yield	2.7% – 4.4%	2.7% – 4.4%

Expected volatility was determined by calculating the historical volatility of the share price of a similar JSE-listed entity in the food sector.

The cost accounted for during the current year amounts to Rnil (2014: Rnil).

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

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

In case of termination of employment prior to the final date the resultant actions depend on whether the employee is considered to be a 'good leaver' or an 'other leaver'.

An employee is considered to be a 'good leaver' if employment is terminated because of:

- Death
- Permanent disability
- Retirement
- Retrenchment
- Sale of business
- Termination for a reason that in the discretion of the Board has the effect of qualifying the employee as a 'good leaver'
- Any other reason after the lapse of a period of five years

An employee is considered to be an 'other leaver' in the event that termination takes place within a period of five years for any reason other than that constituting a 'good leaver', or an employee fails to adhere to the provisions of the scheme. The period of five years ended 31 January 2011, therefore subsequent to this date every leaver will be regarded as a 'good leaver'.

The class A ordinary shares of 'good leavers' will be purchased by the Company at a price equal to the market value of an ordinary share, less the notional threshold debt. The purchase price will, at the option of the Company, either be settled in cash, or be utilised on behalf of the 'good leaver' to subscribe for ordinary shares at the market value of ordinary shares.

The class A ordinary shares of 'other leavers', purchased prior to 31 January 2011, were purchased by the Company at R0.01.

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 Number	2014 Number
23. Share-based payments (continued)		
23.2 Broad-based employee share scheme (cash-settled) (continued)		
<i>Reconciliation of number of class A ordinary shares</i>		
Balance at beginning of year	6 043 940	7 367 360
Good leavers – purchased by the Company	(1 809 640)	(1 323 420)
Balance at end of year	4 234 300	6 043 940
<p>The estimated fair value of a class A ordinary share on 30 September 2015 was R161.76 (2014: R84.67). The fair value per class A ordinary share was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based Payment. The cost accounted for during the current year amounts to R306,759,642 (2014: R187,337,749).</p> <p>These fair values were calculated using the Actuarial Binomial Option Pricing Model. The principal assumptions were as follows:</p>		
Ordinary share price at 30 September (cents per share)	19 576	11 800
Notional loan amount at 30 September (cents per share)	3 289	3 322
Prime rate at 30 September	9.5%	9.3%
Expected volatility	21.4% – 26.1%	20.2% – 24.4%
Expected duration to repay notional debt (years)	Note 1	Note 1
Expected dividend yield	3.0%	3.0%
Risk-free rate	6.7% – 8.4%	6.2% – 8.0%
<p>Expected volatility was determined by calculating the volatility of a share price of a similar JSE-listed entity in the food industry.</p> <p>The principal assumptions used to calculate the expected number of shares that will vest, are as follows:</p>		
Expected rate of 'leavers' (including 'other leavers') (per annum)	Note 1	Note 1
<p>Note 1: All employees to have left the scheme by 2026 with an equal number leaving each year with a specific adjustment for Quantum Foods employees which exited the scheme during October 2014 upon the unbundling of Quantum Foods.</p>		

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 Number '000	2014 Number '000
23. Share-based payments (continued)		
23.3 Management share appreciation rights scheme (equity-settled)		
The Group adopted a share appreciation rights scheme for qualifying management during the year ended 30 September 2008.		
The exercise of vested share appreciation rights entitles the employee to ordinary shares in Pioneer Food Group Ltd. This number of shares is calculated by dividing the amount by which the share price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the share price at the exercise date.		
<i>Number of share appreciation rights made available</i>		
Number at beginning of year	8 337	4 918
Expired/forfeited	(393)	(240)
Redeemed	(1 447)	(1 096)
New allocation at R82.42 per share	–	95
New allocation at R83.59 per share	–	4 660
New allocation at R114.44 per share	73	–
New allocation at R154.19 per share	837	–
New allocation at R185.56 per share	52	–
New allocation at R198.71 per share	1 000	–
Number at end of year	8 459	8 337

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 Number '000	2014 Number '000
23. Share-based payments (continued)		
23.3 Management share appreciation rights scheme (equity-settled) (continued)		
<i>Number of share appreciation rights</i>		
At R25.48 per share, exercisable up to 8 June 2018	82	173
At R24.20 per share, exercisable up to 26 February 2019	65	208
At R33.89 per share (2014: R34.74), exercisable up to 8 February 2020	393	986
At R48.74 per share (2014: R49.96), exercisable up to 7 February 2021	147	188
At R60.34 per share (2014: R61.85), exercisable up to 9 February 2022	383	505
At R60.34 per share (2014: R61.85), exercisable up to 16 February 2022 (BEE special grant)	292	361
At R55.42 per share (2014: R56.81), exercisable up to 5 February 2023	315	404
At R55.42 per share (2014: R56.81), exercisable up to 5 February 2023 (BEE special grant)	38	52
At R64.52 per share (2014: R66.13), exercisable up to 1 April 2016	150	240
At R64.52 per share (2014: R66.13), exercisable up to 1 May 2023	–	200
At R72.67 per share (2014: R74.48), exercisable up to 31 May 2018	310	310
At R79.20 per share (2014: R81.18), exercisable up to 17 June 2023	27	27
At R74.37 per share (2014: R76.23), exercisable up to 30 June 2023	–	21
At R80.41 per share (2014: R82.42), exercisable up to 30 September 2023	76	95
At R81.55 per share (2014: R83.59), exercisable up to 31 August 2019	3 967	4 219
At R81.55 per share (2014: R83.59), exercisable up to 28 February 2024 (BEE special grant)	301	348
At R114.44 per share, exercisable up to 1 February 2020	73	–
At R154.19 per share, exercisable up to 13 August 2020	679	–
At R154.19 per share, exercisable up to 13 February 2025 (BEE special grant)	109	–
At R185.56 per share, exercisable up to 1 December 2021	52	–
At R198.71 per share, exercisable up to 21 March 2021	1 000	–
	8 459	8 337

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
23. Share-based payments (continued)		
23.3 Management share appreciation rights scheme (equity-settled) (continued)		
Quantum Foods was unbundled and listed separately on the JSE on 6 October 2014. The strike price of all unvested share appreciation rights at that date was reduced by 2.4% to compensate participants for the exit of Quantum Foods.		
Share appreciation rights were granted on 1 August 2014 at a strike price of R114.44. Vesting takes place over a five-year period with the first 33.3% vesting on 1 August 2017 subject to certain time and performance based criteria.		
Share appreciation rights were granted on 13 February 2015 at a strike price of R154.19. Vesting takes place after five years with 100% vesting on 23 February 2020.		
Share appreciation rights were granted on 13 February 2015 at a strike price of R154.19. Vesting takes place over a five-year period with the first 33.3% vesting on 14 February 2018 subject to certain time and performance based criteria.		
Share appreciation rights were granted on 1 June 2015 at a strike price of R185.56. Vesting takes place over a five-year period with the first 33.3% vesting on 1 June 2018 subject to certain time and performance based criteria.		
Share appreciation rights were granted on 21 September 2015 at a strike price of R198.71. Vesting takes place over a five-year period with the first 33.3% vesting on 21 September 2018 subject to certain time and performance based criteria.		
The net estimated weighted average fair value per share appreciation right at 30 September 2015 is R18.48 (2014: R14.93). The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based Payment. The cost accounted for in the current year amounts to R38,925,301 (2014: R26,470,000).		
These fair values were calculated using the Actuarial Binomial Option Pricing Model.		
The principal assumptions were as follows:		
Weighted average share price at grant date (cents per share)	7 674	6 105
Expected volatility	18.5% – 30.9%	18.5% – 30.9%
Expected dividend yield	2.0% – 4.1%	2.0% – 4.1%
Risk free rate	5.4% – 8.9%	5.4% – 8.9%
Expected life (years)	1 – 6	1 – 6
Expected volatility was determined by calculating the volatility of the share price of a similar JSE-listed entity in the food industry.		
The Board initially approved a maximum number of 14,500,000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2015 11,595,984 ordinary shares (2014: 12,643,434) were still available for issue.		

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
24. Other reserves		
Fair value reserve	26 223	30 786
Foreign currency translation reserve	138 669	83 872
Hedging reserve	8 953	(3 572)
Equity compensation reserve	286 627	317 472
	460 472	428 558

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

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

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

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

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
25. Borrowings		
25.1 Borrowings – summary		
<i>Non-current</i>		
Secured financing		
Lease agreements	22 814	23 434
Syndicated	600 000	1 000 000
B-BBEE equity transaction: redeemable preference shares	449 680	449 680
Instalment sale agreements	227 771	36 481
Other	–	3 898
Total non-current	1 300 265	1 513 493
<i>Current</i>		
Secured financing		
Lease agreements	1 134	1 573
Syndicated	404 399	4 302
B-BBEE equity transaction: redeemable preference shares	52 555	51 051
Instalment sale agreements	23 429	4 191
Other	4 477	4 554
Bank overdrafts	67 922	195 051
Total current	553 916	260 722
Total borrowings	1 854 181	1 774 215
The carrying values of borrowings approximate their fair values at the reporting date and are denominated in the following currencies:		
British pound	4 477	8 452
SA rand	1 849 704	1 765 763
Total	1 854 181	1 774 215
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	4 477	8 452

Refer to note 25.2 for further detail.

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP

25. Borrowings (continued)

25.1 Borrowings – summary (continued)

Security provided for syndicated and call loans

The Group's syndicated facilities matured in September 2013. These were replaced by new syndicated financing of R3.5 billion in the form of bullet, revolving and overnight loans and general banking facilities. These loans are secured by mortgages over certain immovable properties with carrying values of R866,561,404 (2014: R870,322,743) at year-end, special notarial bonds over certain items of plant and equipment with carrying values of R376,262,417 (2014: R430,323,523) at year-end and general notarial bonds over all movable assets of Pioneer Foods (Pty) Ltd, Pioneer Foods Groceries (Pty) Ltd and Ceres Fruit Juices (Pty) Ltd.

The syndicated and call loans are secured by pledges over certain Group companies' inventories, biological assets and trade receivables. At year-end inventories (including biological assets) and trade receivables pledged as security for this purpose amounted to R2,555,458,308 (2014: R2,340,174,637) and R1,918,159,139 (2014: R1,707,588,514) respectively.

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

B-BBEE equity transaction

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

In order to give effect to the financial assistance provided, the BEE Investors' SPVs issued variable rate cumulative A preference shares to RMB at a dividend rate of 82.5% of the prime interest rate and B preference shares to Pioneer Foods at a dividend rate of 99% of the prime interest rate. During the 2013 financial year certain issuers of the A preference shares have elected to fix, from 1 April 2013, the A preference share dividend rate at 9.5% per annum for the remainder of the financing period. The total capital value of the issued A preference shares is R449,679,606 of which R418,878,828 is now at a fixed dividend rate of 9.5%.

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

Security provided for B-BBEE equity transaction

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

Security provided for other borrowings

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

The borrowings outstanding at year-end in respect of these agreements amounted to R251,200,467 (2014: R40,674,385).

The borrowings are secured by the vehicles purchased by way of such instalment sale agreements. The carrying value of these assets as at 30 September 2015 amounted to R246,390,080 (2014: R37,538,784).

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

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	Year of redemption	Interest rate at year-end (%)	2015 R'000	2014 R'000
25. Borrowings (continued)				
25.2 Borrowings – detail				
25.2.1 Secured financing			1 786 259	1 579 164
<i>Lease agreements</i>				
Monthly payments	2028	6.5	10 023	10 494
Instalment of R94,951 (2014: R94,951)				
Monthly payments	2029	7.0	13 925	14 513
Instalment of R132,128 (2014: R132,128)				
<i>Syndicated loans</i>				
Quarterly payments (bullet loan)	2016	7.5	200 861	200 841
Instalments (interest only) of R3,729,753 (2014: R3,646,482)				
Quarterly payments (bullet loan)	2016	7.7	200 880	200 861
Instalments (interest only) of R3,814,521 (2014: R3,731,249)				
Quarterly payments (bullet loan)	2018	7.7	602 658	602 600
Instalments (interest only) of R11,518,356 (2014: R11,268,542)				
Secured by mortgages over immovable property, special notarial bonds over specific items of property, plant and equipment and general notarial bonds over all movable assets of specific Group subsidiaries. Refer to note 25.1 for further detail.				
<i>Redeemable preference shares</i>	2019	7.8 – 9.5	502 235	500 731
Accumulated dividends and capital are repaid as dividend income from investments are received.				
Secured by a guarantee of R100 million by a Group subsidiary.				
<i>Other loans</i>				
Monthly payments	2016	3.0	4 477	8 452
Instalment of R454,675 (2014: R373,105)				
Secured by a charge over specific assets of the subsidiary company.				
Quarterly payments	2019 – 2020	7.5	246 096	35 868
Instalment of R8,706,340 (2014: R1,477,354)				
Carrying value of vehicles encumbered in terms of instalment sale agreements.				
Quarterly payments	2018 – 2019	7.5	5 104	4 804
Instalment of R275,693 (2014: R226,964)				
Carrying value of vehicles encumbered in terms of instalment sale agreements.				
Total amount owing			1 786 259	1 579 164
Portion of liabilities payable within one year included in current liabilities			(485 994)	(65 671)
<i>Secured financing</i>				
Lease agreements			(1 134)	(1 573)
Syndicated and other			(432 305)	(13 047)
Redeemable preference shares			(52 555)	(51 051)
			1 300 265	1 513 493

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
25. Borrowings (continued)		
25.2 Borrowings – detail (continued)		
25.2.2 Finance lease liabilities		
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.		
Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:		
Capital amount		
Not later than 1 year	1 134	1 573
Later than 1 year, but not later than 5 years	5 384	4 518
Later than 5 years	17 430	18 916
	23 948	25 007
Interest cost		
Not later than 1 year	1 591	1 666
Later than 1 year, but not later than 5 years	5 516	5 868
Later than 5 years	5 522	6 761
	12 629	14 295
Instalment		
Not later than 1 year	2 725	3 239
Later than 1 year, but not later than 5 years	10 900	10 386
Later than 5 years	22 952	25 677
	36 577	39 302

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
26. Deferred income tax		
Balance at beginning of year	637 345	594 595
Charge in profit or loss	132 721	73 618
Foreign exchange translation adjustment	90	720
Deferred income tax on foreign exchange contracts charged to equity	145	(1 340)
Deferred income tax on share-based payment of share appreciation rights	(105 898)	(31 747)
Deferred income tax on fair value adjustments of available-for-sale financial assets charged to equity	166	1 255
Deferred income tax on remeasurement of post-retirement medical benefits	(381)	244
Unbundling of Quantum Foods	(192 619)	–
Transferred to disposal group classified as held for sale	(4 764)	(192 619)
	466 805	444 726
Due to the following temporary differences:		
Capital allowances, including trademarks	740 344	709 261
Inventories	(9 495)	2 972
Provision for post-retirement medical benefits and long-service awards	(30 925)	(31 011)
Leave accrual	(29 038)	(28 661)
Bonus accrual	(49 947)	(40 784)
Prepaid expenses	4 761	4 799
Provision for impairment of trade receivables	(1 284)	(2 042)
Rebates, growth incentives and settlement discount accruals	(27 788)	(16 920)
Assessed losses	–	(80 966)
Hire-purchases and leased assets	(77)	–
Reinsurance commission received in advance	(500)	(582)
Fair value adjustments on available-for-sale financial assets	7 145	6 979
Allowance for credit notes	(11 054)	(10 192)
Deferred income	(2 138)	(5 445)
Derivative financial instruments	(544)	(1 556)
Share-based payments	(128 600)	(60 991)
Accruals – personnel costs	(3 314)	(5 668)
Other	9 259	5 533
	466 805	444 726
For the purposes of the statement of financial position deferred income tax is presented as follows:		
Non-current assets	192	3 651
Non-current liabilities	(466 997)	(448 377)
	(466 805)	(444 726)

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
27. Provisions for other liabilities and charges		
27.1 Post-retirement medical benefits		
Balance at beginning of year	59 811	60 528
Interest cost	4 905	4 842
Remeasurements	1 360	(871)
Actuarial (gain)/loss from change in demographic assumptions	(166)	288
Actuarial loss/(gain) from change in financial assumptions	1 526	(1 159)
Service cost	103	188
Payments	(5 118)	(4 876)
	61 061	59 811
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	61 061	59 811
The historical present values for the three years prior to the comparative period of the unfunded obligation were as follows:		
2013 – R60,528,000		
2012 – R57,048,000		
2011 – R54,655,000		
Expected maturity analysis of undiscounted post-employment medical benefits:		
Not later than a year	5 363	5 104
Later than 1 year, but not later than 2 years	5 483	5 206
Later than 2 years, but not later than 5 years	17 216	16 209
Later than 5 years	149 960	161 575
Total	178 022	188 094

The weighted average duration of the defined obligation is 9.5 years.

Existing provisions are based on the following important assumptions:

Medical inflation rate: 8.4% (2014: 8.2%) p.a.

Discount rate: 8.7% (2014: 8.6%) p.a.

The date of the most recent actuarial valuation is 30 September 2015.

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
27. Provisions for other liabilities and charges (continued)		
27.1 Post-retirement medical benefits (continued)		
<i>The effect of a 1% increase in the assumed health cost trend is as follows:</i>		
Increase in the defined benefit obligation	5 075	5 835
Increase in the aggregate of current service and interest cost	464	521
<i>The effect of a 1% decrease in the assumed health cost trend is as follows:</i>		
Decrease in the defined benefit obligation	4 442	5 048
Decrease in the aggregate of current service and interest cost	404	450
<i>The effect of a 1% increase in the assumed discount rate trend is as follows:</i>		
Decrease in the defined benefit obligation	4 735	4 837
<i>The effect of a 1% decrease in the assumed discount rate trend is as follows:</i>		
Increase in the defined benefit obligation	5 518	5 688
<i>The effect of a 1-year increase in the assumed expected retirement age trend is as follows:</i>		
Decrease in the defined benefit obligation	165	166
<i>The effect of a 1-year decrease in the assumed expected retirement age trend is as follows:</i>		
Increase in the defined benefit obligation	162	181

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

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

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

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities.

Inflation risk

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

Life expectancy

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
27. Provisions for other liabilities and charges (continued)		
27.2 Long-service awards		
Balance at beginning of year	57 288	69 024
Interest cost	4 670	5 149
Actuarial gain	(6 338)	(18 335)
Service cost	7 240	9 106
Payments	(7 128)	(7 656)
Unbundling of Quantum Foods	(6 345)	–
Transferred to disposal group classified as held for sale	–	(15 639)
	49 387	41 649
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	49 387	41 649
Existing provisions are based on the following important assumptions:		
Discount rate: 8.5% (2014: 8.2%) p.a.		
Salary increases: 7.0% (2014: 7.0%) p.a.		
Normal retirement age: 60 (2014: 60) years		
The date of the most recent actuarial valuation is 30 September 2015.		
27.3 Total provision for other liabilities and charges		
Consists of:		
Post-retirement medical benefits	61 061	59 811
Long-service awards	49 387	41 649
	110 448	101 460
For the purposes of the statement of financial position the total provision for other liabilities and charges is presented as follows:		
Non-current liabilities	110 448	101 460

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
	R'000	R'000
28. Non-controlling interest		
Balance at beginning of year	10 524	9 364
Profit for the year	1 893	1 160
Balance at end of the year	12 417	10 524
The carrying amount of non-controlling interest relates to Maitland Vinegar Works (Pty) Ltd. Refer to note 55 for further detail.		
29. Share-based payment liability – employee share scheme		
Balance at beginning of year	360 972	251 424
Share-based payment	306 760	187 338
Repurchase of class A ordinary shares from leavers	(189 224)	(74 856)
Dividends paid on class A ordinary shares	(3 450)	(2 934)
	475 058	360 972
Refer to note 23.2 for further detail.		
For the purposes of the statement of financial position the share-based payment liability is presented as follows:		
Non-current liabilities	395 777	245 178
Current liabilities	79 281	115 794
	475 058	360 972

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
30. Trade and other payables		
Trade payables	1 716 053	1 808 841
Accrued expenses	89 039	105 989
Related parties (refer to note 36)	577	110
Deferred revenue	1 786	11 212
Government grants	70 260	74 914
Value-added tax	10 185	11 277
Accrual for leave	103 706	85 541
Accrual for 13th cheque	54 625	44 813
Accrual for performance bonus	123 718	86 517
Other	40 001	29 022
	2 209 950	2 258 236
The carrying amounts of the Group's trade payables are denominated in the following currencies:		
<i>Covered by means of foreign exchange contracts</i>	354 068	474 387
Euro	1 598	-
US dollar	352 470	474 387
<i>Uncovered</i>	1 361 985	1 334 454
Euro	3 494	3 306
British pound	132 339	84 023
US dollar	55	2 991
SA rand	1 223 630	1 238 039
Other	2 467	6 095
Total	1 716 053	1 808 841
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
British pound	132 330	82 354

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

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
	R'000	R'000
31. Financial risk management		
31.1 Financial risk factors		
The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.		
The Board approved an overall decision-making framework in terms of which financial risks are evaluated, managed and hedged by executive management.		
(a) Market risk		
<i>(i) Interest rate risk</i>		
The Group's interest rate risk arises from both financial assets and financial liabilities.		
Financial liabilities exposed to interest rate risk include interest-bearing short- and long-term borrowings, bank overdrafts and call loans. The Group borrows at both fixed and variable interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.		
The interest rate profile as at 30 September is summarised as follows:		
Variable rate	1 385 419	1 307 212
Fixed rate	468 762	467 003
Total loans	1 854 181	1 774 215
Percentage of total loans:		
	2015	2014
	%	%
Variable rate	75	74
Fixed rate	25	26
Total loans	100	100

Refer to note 25 for detail regarding interest rates.

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP

31. Financial risk management (continued)

31.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

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

At year-end none of the Group's interest-bearing borrowings were hedged (2014: Rnil).

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

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

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

Cash and short-term bank deposits are invested at variable rates. At year-end R1,160,596,015 (2014: R752,643,940) was invested at rates that varied from 5.3% to 6.6% (2014: 5.7% to 6.6%).

At year-end loans to joint ventures were granted interest-free or at variable rates from 8.5% to 9.5% (2014: 5.8% to 9.3%).

(ii) Foreign exchange risk

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

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

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

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

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

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP

31. Financial risk management (continued)

31.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

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

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

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

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

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

(iv) Sensitivity analysis

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

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

Change in foreign currency

Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 10.0% (2014: 2.0%), British pound of 10.0% (2014: 1.0%), Botswana pula of 10.0% (2014: 3.0%) and euro of 10.0% (2014: 5.0%), with all other variables held constant. The reasonably possible changes in the relevant risk variables are based on management's economic outlook for the next 12 months. Changes to these risk variables are due to a revised economic outlook.

	2015 R'000	2014 R'000
<i>Rand depreciates against foreign currencies</i>		
<i>– Increase/(decrease) in profit after income tax</i>		
Trade receivables	17 441	2 956
Trade payables	(25 784)	(7 059)
Cash and cash equivalents	1 876	616
Derivative financial instruments not earmarked for hedging	(6 967)	5 172
<i>– Increase in equity after income tax</i>		
Derivative financial instruments earmarked for hedging	17 145	884
	3 711	2 569

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
31. Financial risk management (continued)		
31.1 Financial risk factors (continued)		
<i>(a) Market risk (continued)</i>		
<i>(iv) Sensitivity analysis (continued)</i>		
If the South African rand appreciates against these currencies it will have an opposite effect on reserves of the same amount.		
Change in interest rate		
The summary below reflects the results of an expected change in the prime interest rate of 1.0% (2014: 0.8%) with all other variables held constant.		
<i>Interest rate increases</i>		
– Increase/(decrease) in profit after income tax		
Short-term bank deposits	8 356	4 300
Interest-bearing borrowings	(9 975)	(7 427)
	(1 619)	(3 127)
If the prime interest rate decreases it will have an opposite effect on profit after income tax of the same amount for financial instruments other than interest rate swaps and collars.		
Change in commodity prices		
Derivative financial instruments affected by changes in the commodity prices relate to futures and options. The summary below reflects the results of an expected change in the wheat price of 5.0% (2014: 1.0%) and an expected change in the maize price of 10.0% (2014: 2.0%), with all other variables held constant.		
<i>Commodity price increases</i>		
– Increase in equity after income tax		
Derivative financial instruments earmarked for hedging	58 422	6 611
If these prices would decrease it will result in a decrease in reserves of the same amount.		
Change in security prices		
Available-for-sale financial assets relate to investments in securities. The summary below reflects the results of an expected change in the security prices of 10.0% (2014: 2.0%), with all other variables held constant.		
<i>Security prices increase</i>		
– Increase in equity after income tax		
Available-for-sale financial instruments	11 534	1 139
If these prices would decrease it will result in a decrease in reserves of the same amount.		

GROUP

31. Financial risk management (continued)

31.1 Financial risk factors (continued)

(b) Credit risk

Financial assets that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents, derivative financial instruments and deposits with financial institutions, as well as credit exposure to trade receivables, including outstanding receivables and committed transactions.

The Group's credit risk exposure relating to cash and cash equivalents, derivative financial instruments and deposits with financial institutions is managed on a Group level. Cash equivalents and short-term deposits are placed with a limited group of creditable financial institutions, all of which have at a minimum an A credit rating according to the published Fitch ratings. A short-term rating of A indicates that the issuer has a strong ability to repay short-term debt obligations.

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

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as well as financial guarantees issued of R31,447,140 (2014: R46,876,704).

(c) Liquidity risk

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

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

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held short-term bank deposits of R1,160,596,015 (2014: R752,643,940).

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

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
31. Financial risk management (continued)		
31.1 Financial risk factors (continued)		
<i>(c) Liquidity risk (continued)</i>		
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	4 335 059	4 338 493
Net interest-bearing liabilities	(405 338)	(666 597)
	3 929 721	3 671 896

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

31.2 Capital risk management

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

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

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

31.3 Fair values

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

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

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

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

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

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP

31. Financial risk management (continued)

31.3 Fair values (continued)

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

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

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

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

The assets and liabilities related to the Quantum Foods segment have been presented as an "Asset held for sale" on 30 September 2014 and as "Discontinued operations" in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations for the years ended 30 September 2014 and 30 September 2015. Refer to note 12 for further detail.

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

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

32. Contingent liabilities

Guarantees in terms of loans by third parties to contracted service providers
Other guarantees
Share of items of joint ventures
Third-party claims

	2015 R'000	2014 R'000
	31 447	46 877
	2 844	1 314
	374	374
	1 841	1 678
	36 506	50 243

Litigation

Dispute with egg contract producers – discontinued operations

Pioneer Foods is defending contractual claims from its former egg contract producers. The matters were set down for arbitration during 2012. Since the hearings commenced in 2012, settlements were negotiated with all except one egg contract producer. These settlements had no adverse financial impact on Pioneer Foods.

During the year under review, settlement agreements were reached with Kwazulu Egg Producers (Pty) Ltd and Moerasrivier Boerdery (Pty) Ltd. The claim of the remaining contract egg producer being Flinkwink Properties (Pty) Ltd is still unresolved.

Pioneer Foods filed pleas to this claim and, in respect of this claim, a counterclaim has been filed to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producer. No further legal action transpired during the year under review. Based on legal opinion obtained, management is satisfied that this unresolved matter is low risk and pose no material financial risk to the Group.

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
33. Commitments		
33.1 Operating lease commitments		
Not later than 1 year	78 929	68 625
Later than 1 year, but not later than 5 years	142 872	152 018
Later than 5 years	15 870	26 550
	237 671	247 193
<p>The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 25 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.</p> <p>The Group also leases various items of plant and machinery under cancellable operating lease agreements. The Group is usually required to give a six-month notice for the termination of these agreements. The lease expenditure charged to profit or loss during the year is disclosed in note 4.</p>		
33.2 Operating lease receivables		
The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:		
Not later than 1 year	501	896
Later than 1 year, but not later than 5 years	188	2 548
	689	3 444
33.3 Future capital commitments		
Contractually committed	491 997	299 834
Approved by the Board, but not yet contractually committed	867 305	351 614
– for next financial year	372 705	326 966
– for year following next financial year	494 600	24 648
Share of items of joint ventures	137 753	28 349
	1 497 055	679 797
Allocated as follows:		
Property, plant and equipment	1 497 055	679 797
<p>The expenditure will be financed from operating income and borrowed funds, in accordance with a budget approved by the Board.</p>		
34. Retirement benefits		
The Group contributes to retirement and provident funds for all its employees which are administered by several service providers. These retirement and provident funds are defined contribution plans which are arranged and governed by the Pension Fund Act of 1956.		

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
35. Government grants		
Cumulative amounts received	83 459	83 459
Cumulative amounts amortised	(13 199)	(8 545)
Receipts deferred	70 260	74 914

The Group obtained and deferred as income a government grant of Rnil (2014: R57,500,000). The Group benefits from such assistance for capital expenditure.

36. Related-party transactions

36.1 Parent

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

36.2 Subsidiaries

Details of effective interests in subsidiaries are disclosed in note 47.

36.3 Associates and joint ventures

Details of effective interests in associates are disclosed in note 49. Details of effective interests in joint ventures are disclosed in note 48. Details of loans to/from joint ventures are disclosed in note 15.

36.4 Key management personnel

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

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

36.5 Transactions and balances	2015 R'000	2014 R'000
During the financial year the Company and its subsidiaries conducted the following transactions with joint ventures, associates, parties exercising significant influence and key management personnel.		
<i>Sale of goods</i>		
Joint ventures	438 103	603 226
<i>Rendering of services</i>		
Joint ventures	2 416	882
<i>Purchase of goods</i>		
Joint ventures	481	1 534
<i>Net interest received/(paid)</i>		
Joint ventures	3 394	7 110

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
36. Related-party transactions (continued)		
36.5 Transactions and balances (continued)		
<i>Key management personnel compensation</i>		
Salaries and other short-term employee benefits	179 372	96 803
Termination benefits	5 188	9 237
Post-employment benefits	11 182	9 721
Other long-term benefits	818	545
Share-based payments	22 132	17 851
	218 692	134 157
Receivables from related parties arise mainly from sales transactions and are due at the end of the month following the date of the transaction. These receivables are unsecured in nature and bear no interest. No provision for impairment was made against receivables from related parties (2014: Rnil).		
Payables to related parties arise mainly from purchase transactions and are due 30 days after the statement date. These payables bear no interest.		
<i>Year-end balances arising from sales/purchases of goods/services</i>		
<i>Receivable from related parties</i>		
Joint ventures	59 517	75 071
<i>Payable to related parties</i>		
Joint ventures	577	110
<i>Loans to/(from) related parties</i>		
<i>Loans to/(from) joint ventures</i>		
Beginning of year	46 056	48 997
Loans advanced during the year	124 500	126 883
Loan repayments received	(160 521)	(137 225)
Interest charged	4 513	7 897
Interest paid	(1 119)	(787)
Fair value adjustment	1 336	291
End of year	14 765	46 056
No provision for impairment was made against loans made to joint ventures (2014: Rnil).		

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
37. Net cash profit from operating activities		
Profit before income tax	1 738 574	1 418 167
Adjusted for:		
Depreciation	335 618	326 040
Impairment of property, plant and equipment and intangible assets	–	125 406
Impairment of loans and available-for-sale financial assets	50 594	1 699
Net loss on unbundling of Quantum Foods	27 402	–
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	1 751	(352)
Net profit on disposal of available-for-sale financial assets	(3 804)	(3 701)
Unrealised (profits)/losses on foreign exchange contracts and on foreign exchange differences	(10 268)	4 140
Fair value of embedded derivative financial instruments	667	(687)
Fair value of commodity futures and options	(186)	–
Change in provision for impairment of trade receivables	(9 286)	8 890
Change in allowance for outstanding credit notes	3 076	7 141
Share-based payments	345 685	213 808
Changes in provisions for post-retirement medical benefits and long-service awards	1 005	(9 041)
Dividends received	(2 168)	(1 644)
Interest received	(37 159)	(24 308)
Interest paid	142 114	138 723
Share of profit of associated companies	(1 374)	(1 643)
Share of profit of joint ventures	(70 023)	(68 719)
	2 512 218	2 133 919
38. Working capital changes		
Increase in inventory	(268 113)	(18 594)
Increase in trade and other receivables	(288 841)	(333 520)
Increase in trade and other payables	11 598	417 442
Increase in current biological assets	–	(15 634)
Changes to derivative financial instruments (assets and liabilities)	11 223	(9 613)
Provisions paid	(12 246)	(12 532)
	(546 379)	27 549

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
39. Dividends paid to Group ordinary shareholders		
Amounts unpaid at beginning of year	(1 242 543)	(336)
As disclosed in statement of changes in equity	(463 298)	(1 519 231)
Dividends declared to ordinary shareholders	(561 220)	(336 529)
<i>Dividend in specie</i> – unbundling of Quantum Foods	–	(1 242 220)
Treasury dividends received by share incentive trusts	2 002	1 846
Treasury dividends received by subsidiary	45 135	27 153
Treasury dividends received by participants to B-BBEE equity transaction	45 410	27 318
Treasury dividends received by Pioneer Foods Broad-Based BEE Trust	5 375	3 201
Amounts unpaid at end of year	470	1 242 543
<i>Dividend in specie</i> – unbundling of Quantum Foods	1 242 220	–
	(463 151)	(277 024)
40. Income tax paid		
Amounts unpaid at beginning of year	(18 264)	(28 658)
As disclosed in profit or loss	(473 541)	(378 213)
Unbundling of Quantum Foods	1 465	–
Income tax effect of disposal of shares of management share incentive scheme	–	(55)
Hedging reserve – reversal of previous year income tax to profit or loss	(610)	1 687
Hedging reserve – income tax current year	(4 020)	610
Amounts unpaid at end of year	19 465	18 264
	(475 505)	(386 365)
41. Proceeds on disposal of property, plant and equipment and intangible assets		
Book value of property, plant and equipment and intangible assets	178 095	55 371
Net (loss)/profit on disposal of property, plant and equipment and intangible assets	(1 751)	352
	176 344	55 723
42. Proceeds on disposal of available-for-sale financial assets		
Cost price of available-for-sale financial assets	205 633	5 120
Net (loss)/profit on disposal of available-for-sale financial assets	(106 100)	3 701
	99 533	8 821

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
43. Unbundling of Quantum Foods		
Effect on movement of:		
Property, plant and equipment	(1 075 554)	–
Intangible assets	(7 188)	–
Available-for-sale financial assets	(2)	–
Investment in associates	(6 112)	–
Inventories	(232 462)	–
Current biological assets	(292 371)	–
Current trade and other receivables	(343 538)	–
Derivative financial instruments	(991)	–
Cash and cash equivalents	(105 560)	–
Trade and other payables	376 111	–
Provision for other liabilities and charges (long-service awards)	6 345	–
Current income tax liabilities	1 465	–
Deferred income tax liabilities	192 619	–
Quantum Foods shares retained by SPVs	121 152	–
Quantum Foods shares retained by Group and subsequently disposed of	198 836	–
Foreign currency translation reserve and hedging reserve	7 532	–
Profit on unbundling of Quantum Foods	(82 502)	–
Shareholders for <i>dividend in specie</i>	1 242 220	–
	–	–
44. Business combinations		
No business combinations were entered into during the current or previous year.		

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP

45. Segment information

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

Operating segments are divided into the following:

Essential Foods

Quantum Foods

Groceries: Cereals and other

Groceries: Beverages

International

Other

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

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

The Bokomo Foods and Ceres Beverages Business segments have been renamed as Groceries: Cereals and other and Groceries: Beverages respectively, since the previous reporting period.

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

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

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

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

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

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

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
45. Segment information (continued)		
Segment revenue	18 748 201	21 289 950
Essential Foods	11 334 451	10 651 831
Quantum Foods	–	3 591 339
Groceries: Cereals and other	2 420 336	2 361 949
Groceries: Beverages	2 377 071	2 411 272
International	2 616 343	2 273 559
Segment results	2 152 667	1 716 224
Essential Foods	1 278 526	975 578
Quantum Foods	–	21 591
Groceries: Cereals and other	252 056	220 661
Groceries: Beverages	182 470	124 734
International	444 452	363 353
Other	(4 837)	10 307
A reconciliation of the segment results to operating profit before income tax is provided below:		
Segment results	2 152 667	1 716 224
Reversal of depreciation charge in Quantum Foods legal entities (assets held for sale)	–	54 742
Share-based payment on broad-based share incentive scheme	(306 760)	(187 338)
Operating profit before items of a capital nature	1 845 907	1 583 628
Adjusted for:		
Items of a capital nature	(75 943)	(123 052)
Interest income	37 159	24 308
Dividend income	2 168	1 644
Finance costs	(142 114)	(138 723)
Share of profit of joint ventures	70 023	68 719
Share of profit of associated companies	1 374	1 643
Profit before income tax per statement of comprehensive income	1 738 574	1 418 167
Segment assets	9 968 568	11 187 240
Essential Foods	5 161 443	4 620 094
Quantum Foods	–	1 952 103
Groceries: Cereals and other	1 740 247	2 437 117
Groceries: Beverages	1 606 107	1 683 579
International	1 454 586	488 784
Other	6 185	5 563

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
45. Segment information (continued)		
A reconciliation of the segments' assets to the Group's assets is provided below:		
Segment assets per segment report	9 968 568	11 187 240
Adjusted for:		
Investments in joint ventures	524 135	327 378
Loans to joint ventures	35 305	61 796
Investment in associates	14 529	19 267
Available-for-sale financial assets	141 776	70 027
Loans receivable	24 316	23 383
Current and deferred income tax assets	1 681	8 004
Cash and cash equivalents	1 460 718	1 213 178
Total assets per statement of financial position	12 171 028	12 910 273
Segment liabilities	2 832 086	3 101 325
Essential Foods	1 310 262	1 331 815
Quantum Foods	–	370 975
Groceries: Cereals and other	471 633	535 225
Groceries: Beverages	266 185	340 993
International	373 252	192 566
Other	410 754	329 751
A reconciliation of the segments' liabilities to the Group's liabilities is provided below:		
Segment liabilities per segment report	2 832 086	3 101 325
Adjusted for:		
Non-current and current borrowings	1 854 181	1 774 215
Current and deferred income tax liabilities	492 715	663 613
Loan from joint venture	20 540	15 740
Dividends payable	470	1 242 543
Total liabilities per statement of financial position	5 199 992	6 797 436
Total segment capital expenditure (excluding business combinations)	651 915	485 949
Essential Foods	446 591	322 543
Quantum Foods	–	44 552
Groceries: Cereals and other	41 458	31 327
Groceries: Beverages	67 639	47 092
International	40 809	8 911
Other	55 418	31 524
Total segment depreciation and amortisation	335 618	326 040
Essential Foods	191 895	173 102
Groceries: Cereals and other	59 231	62 690
Groceries: Beverages	61 063	68 699
International	23 429	21 549

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
	R'000	R'000
45. Segment information (continued)		
Items of a capital nature per segment		
(Loss)/profit on disposal of property, plant and equipment before income tax	(1 751)	352
Essential Foods	10 352	(2 283)
Quantum Foods	–	1 613
Groceries: Cereals and other	14 715	65
Groceries: Beverages	(21 271)	(2 315)
International	(107)	(357)
Other	(5 440)	3 629
(Loss)/profit on available-for-sale financial assets before income tax	(23 598)	3 701
Quantum Foods	(27 402)	–
Other	3 804	3 701
Impairment of property, plant and equipment, intangible assets and loans before income tax	(50 594)	(127 105)
Quantum Foods	–	(77 653)
Groceries: Beverages	–	(47 753)
Other	(50 594)	(1 699)
Items of a capital nature before income tax	(75 943)	(123 052)
Income tax effect	(19 858)	33 199
Items of a capital nature after income tax	(95 801)	(89 853)
Other material items of income or expenses per segment		
Inventory written off per segment	132 614	143 751
Essential Foods	44 063	45 021
Quantum Foods	–	32 994
Groceries: Cereals and other	35 479	36 258
Groceries: Beverages	36 285	22 916
International	16 787	6 562

Geographical information

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

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
45. Segment information (continued)		
Geographical information (continued)		
Segment revenue	18 766 015	21 315 472
South Africa	17 887 112	20 414 205
Foreign countries	878 903	901 267
Less: Internal revenue	(17 814)	(25 522)
South Africa	(17 814)	(25 522)
Foreign countries	–	–
External revenue	18 748 201	21 289 950
South Africa	17 869 298	20 388 683
Foreign countries	878 903	901 267
Total segment non-current assets*	5 686 018	6 437 705
South Africa	5 519 563	5 895 018
Foreign countries	166 455	542 687
Total segment capital expenditure (excluding business combinations)	651 915	485 949
South Africa	636 989	470 725
Foreign countries	14 926	15 224
Information regarding major customers		
During the period under review, revenue from certain customers exceeded 10% of Group revenue:		
Customer A	2 793 178	3 867 711
Customer B	1 881 022	2 482 045
Revenue from these customers is reported within all operating segments except other.		
Note:		
* Excluding deferred income tax and available-for-sale financial assets.		

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP

46. Events after the reporting period

Dividend

A final dividend of 237 cents (2014: 156 cents) per ordinary share has been declared for the year. This will only be reflected in the statement of changes in equity for the next reporting period.

The 10,599,988 Pioneer Foods shares issued to the Pioneer Foods Broad-Based BEE Trust during April 2012, and the further 145,362 shares acquired by this trust during the year, is entitled to 20% of the final gross dividend payable i.e. 47.4 cents (2014: 31.2 cents) per share.

Acquisition of a 50% equity interest in Future Life Health Products (Pty) Ltd ("Future Life")

As announced on SENS on 23 April 2015, Pioneer Foods entered into an agreement to acquire a 50% shareholding in Future Life.

As announced on SENS on 9 November 2015, the Competition Tribunal of South Africa granted conditional approval of this transaction. These conditions will have no negative impact on the commercial prospects for this venture.

Disposal of interest in Maitland Vinegar Works (Pty) Ltd

On 1 October 2015, all conditions precedent for the disposal of the Group's interest in Maitland Vinegar Works (Pty) Ltd were met. Refer to note 55.2 for further detail.

Other events

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP		Issued share capital of subsidiary		Percentage interest	
		2015 R	2014 R	2015 %	2014 %
	Name of subsidiary (Pty) Ltd (except where indicated otherwise)				
	Country of incorporation	(except where indicated otherwise)			
47. Interest in subsidiaries					
47.1 Manufacturing					
	Bokomo Foods (UK) Ltd	United Kingdom	GBP3 000 120	GBP3 000 120	100
	Bokomo Uganda*	Uganda	–	UGX335 400 500	–
	Bokomo Zambia Ltd*	Zambia			100
	– Ordinary shares		ZMK1 895 500	ZMK96 800	100
	– Preference shares		ZMK200	ZMK200	100
	Ceres Fruit Juices	South Africa	100 000	100 000	100
	Continental Beverages*	South Africa	1 000	1 000	100
	Lohmann Breeding SA*	South Africa	–	100	–
	Maitland Vinegar Works	South Africa	460 593	460 593	75
	Pioneer Foods	South Africa	252	252	100
	Quantum Foods Holdings Ltd*	South Africa	–	1 585 385 564	–
	Quantum Foods*	South Africa	–	1 585 385 564	–
	Quantum Foods Zambia Ltd*	Zambia	–	ZMK6 000	–
	Pioneer Foods Groceries ^o	South Africa	2 963 838 244	2 963 838 244	100
	Philadelphia Chick Breeders*	South Africa	–	900	–
47.2 Properties and letting					
	Sasned*	South Africa	2	2	100
47.3 Investments					
	Ceres Fruit Juices Investment Holdings*	South Africa	1	1	100
	Ceres Investment Company*	South Africa	1	1	100
	Pioneer Foods Holdings Ltd	South Africa	220	220	100
47.4 Services					
	Sasguard Insurance Company Ltd	South Africa	30 000	30 000	100
	Notes:				
	• Interest of the Group in Quantum Foods legal entities was unbundled and Quantum Foods was listed separately on the JSE on 6 October 2014.				
	* Dormant at 30 September 2015.				
	^o Name changed from Retail Brands Interafrica (Pty) Ltd during the year ended 30 September 2015.				
	# Dormant and in process of deregistration at 30 September 2015.				

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP		Percentage interest	
		2015 %	2014 %
48	Interest in joint ventures		
48.1	Manufacturing		
	Alpen Food Company South Africa (Note 1)	South Africa	50
	Bokomo Botswana (Note 2)	Botswana	50
	Bokomo Namibia (Note 2)	Namibia	50
	Bowman Ingredients (SA) (Note 3)	South Africa	50
	Heinz Foods SA (Note 4)	South Africa	50
	Food Concepts Pioneer Ltd (Note 5)	Nigeria	50
			–
48.2	Properties and letting		
	Amigear Ventures (Note 6)	Botswana	49
			49

Notes (nature of business):

1. Cereals.
2. Wheat and maize milling, production of eggs and distribution of Group products.
3. Food ingredients for industrial customers.
4. Condiments and convenience foods.
5. Baking. Acquired on 1 March 2015.
6. Leases farming properties to Bokomo Botswana.

GROUP		Percentage interest	
		2015 %	2014 %
49.	Investment in associates		
	Farming		
	Bergsig Breeders*	South Africa	–
	Mynsar Eggs*	South Africa	–
	Cottesloe Consultants	Botswana	25
			25

Note:

- * Interest of the Group in Quantum Foods legal entities was unbundled and Quantum Foods was listed separately on the JSE on 6 October 2014.

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	Capital R'000	Interest R'000	Total R'000
50. Maturity analysis of financial liabilities			
30 September 2015			
Not later than 1 year			
Borrowings excluding bank overdrafts and call loans	485 994	142 232	628 226
Trade and other payables	1 969 388	–	1 969 388
Other derivative financial instruments	15 791	–	15 791
Dividends payable	470	–	470
Loan from joint venture	20 540	1 232	21 772
Financial guarantees	31 447	–	31 447
	2 523 630	143 464	2 667 094
Between 1 and 2 years			
Borrowings excluding bank overdrafts and call loans	28 912	110 719	139 631
	28 912	110 719	139 631
More than 2 years			
Borrowings excluding bank overdrafts and call loans	1 271 353	153 341	1 424 694
	1 271 353	153 341	1 424 694
Total			
Borrowings excluding bank overdrafts and call loans	1 786 259	406 292	2 192 551
Trade and other payables	1 969 388	–	1 969 388
Other derivative financial instruments	15 791	–	15 791
Dividends payable	470	–	470
Loan from joint venture	20 540	1 232	21 772
Financial guarantees	31 447	–	31 447
	3 823 895	407 524	4 231 419

Note:

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

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

Note:

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

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Derivatives used for hedging R'000	Available-for-sale R'000	Total R'000
51. Financial instruments by category					
30 September 2015					
Assets as per statement of financial position					
Loans to joint ventures	35 305	–	–	–	35 305
Available-for-sale financial assets	–	–	–	141 776	141 776
Derivative financial instruments	–	12 152	8 467	–	20 619
Trade and other receivables (refer to note 1 below)	2 041 832	–	–	–	2 041 832
Cash and cash equivalents	1 448 843	–	–	–	1 448 843
Total	3 525 980	12 152	8 467	141 776	3 688 375

	Liabilities at fair value through profit or loss R'000	Other financial liabilities R'000	Total R'000
Liabilities as per statement of financial position			
Borrowings	–	1 854 181	1 854 181
Derivative financial instruments	15 791	–	15 791
Trade and other payables (refer to note 2 below)	–	1 969 388	1 969 388
Dividends payable	–	470	470
Loan from joint venture	–	20 540	20 540
Total	15 791	3 844 579	3 860 370

Notes:

- Financial assets do not include prepaid expenses and VAT amounts receivable.
- Financial liabilities do not include provisions, deferred revenue, government grants, accrual for 13th cheque, accrual for leave and VAT amounts payable.

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements

for the year ended 30 September 2015

GROUP	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Available- for-sale R'000	Total R'000
51. Financial instruments by category (continued)				
30 September 2014				
Assets as per statement of financial position				
Loans to joint ventures	61 796	–	–	61 796
Available-for-sale financial assets	–	–	70 025	70 025
Derivative financial instruments	–	14 945	–	14 945
Trade and other receivables (refer to note 1 below)	1 770 370	–	–	1 770 370
Cash and cash equivalents	1 107 618	–	–	1 107 618
Total	2 939 784	14 945	70 025	3 024 754

GROUP	Liabilities at fair value through profit or loss R'000	Derivatives used for hedging R'000	Other financial liabilities R'000	Total R'000
Liabilities as per statement of financial position				
Borrowings	–	–	1 774 215	1 774 215
Derivative financial instruments	6 467	3 214	–	9 681
Trade and other payables (refer to note 2 below)	–	–	2 030 479	2 030 479
Dividends payable	–	–	1 242 543	1 242 543
Loan from joint venture	–	–	15 740	15 740
Total	6 467	3 214	5 062 977	5 072 658

Notes:

- Financial assets do not include prepaid expenses and VAT amounts receivable.
- Financial liabilities do not include provisions, deferred revenue, government grants, accrual for 13th cheque, accrual for leave and VAT amounts payable.

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
52. Fair value categories of assets and liabilities measured at fair value				
30 September 2015				
Assets measured at fair value				
Available-for-sale financial assets				
– Listed securities	141 595	–	–	141 595
– Unlisted securities	–	181	–	181
Derivative financial instruments				
– Foreign exchange contracts	–	20 433	–	20 433
– Embedded derivatives	–	186	–	186
Biological assets				
– Vineyards	–	–	16 017	16 017
Total	141 595	20 800	16 017	178 412
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	15 124	–	15 124
– Embedded derivatives	–	667	–	667
Total	–	15 791	–	15 791
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 September 2014				
Assets measured at fair value				
Available-for-sale financial assets				
– Listed securities	68 617	–	–	68 617
– Unlisted securities	–	1 408	–	1 408
Derivative financial instruments				
– Foreign exchange contracts	–	14 258	–	14 258
– Embedded derivatives	–	687	–	687
Biological assets				
– Vineyards	–	–	16 017	16 017
Assets of disposal group classified as held for sale	–	–	2 066 829	2 066 829
Total	68 617	16 353	2 082 846	2 167 816
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	9 681	–	9 681
<i>Dividend in specie</i> – unbundling of Quantum Foods	–	–	1 242 220	1 242 220
Liabilities of disposal group classified as held for sale	–	–	568 111	568 111
Total	–	9 681	1 810 331	1 820 012

Note:

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

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP

53. Shareholder information

Shareholder spread

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
<i>Ordinary shares</i>				
Individuals	4 157	72.6	19 409 099	8.3
Nominees and trusts	749	13.1	13 142 533	5.6
Investment companies and corporate bodies	819	14.3	200 187 699	86.1
	5 725	100.0	232 739 331	100.0
Non-public/public shareholders				
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2015, is as follows:				
Analysis of shareholding – ordinary shares				
Public shareholding				
<i>Major shareholders</i>				
Government Employees Pension Fund	1	–	25 442 450	10.9
Ryla 21 (Pty) Ltd (formerly Thembeke Capital Ltd) (Note 1)	1	–	9 326 640	4.0
<i>Other shareholders</i>	5 713	99.9	109 787 699	47.3
	5 715	99.9	144 556 789	62.2
Non-public shareholding				
<i>Major shareholders</i>				
Zeder Investments Ltd (Note 2)	1	–	58 250 788	25.0
Pioneer Foods (Pty) Ltd	1	–	17 982 056	7.7
<i>Other shareholders</i>				
Pioneer Foods Broad-Based BEE Trust	1	–	10 745 350	4.6
Pioneer Foods Share Incentive Trust	1	–	729 612	0.3
Directors (including subsidiary directors)	6	0.1	474 736	0.2
	10	0.1	88 182 542	37.8
	5 725	100.0	232 739 331	100.0
Distribution of ordinary shareholders				
Number of shares				
1 – 1 000 shares	3 126	54.6	954 829	0.4
1 001 – 10 000 shares	1 695	29.6	6 358 274	2.7
10 001 – 50 000 shares	612	10.7	13 855 331	6.0
50 001 – 100 000 shares	114	2.0	8 295 215	3.6
100 001 – 500 000 shares	135	2.4	27 377 178	11.8
500 001 shares and over	43	0.7	175 898 504	75.5
	5 725	100.0	232 739 331	100.0

Notes:

1. This entity resulted from the unbundling of Thembeke Capital Ltd during December 2014.
2. The ultimate holding company, after the Agri Voedsel transaction was approved in September 2014 and finally implemented in October 2014.

GROUP

54. Restatement of financial information for comparative periods

Segment revenue and segment results were restated to:

- Reflect the operations of all exports, other than to Botswana, Namibia, Lesotho and Swaziland, as well as the operations of all foreign entities to a new segment, International; and
- Allocate corporate results to the operating segments, except for the Phase I B-BBEE share-based payment charge, the results of the legal entities for the ultimate holding company and the insurance captive, corporate legal costs, costs relating to BEE socio-economic and enterprise development and mergers and acquisitions.

(Decrease)/increase in revenue

Essential Foods	(275 587)
Groceries: Cereals and other (formerly Bokomo Foods)	(1 366 327)
Groceries: Beverages (formerly Ceres Beverages)	(929 572)
International	2 273 559
Quantum Foods	(109)
Internal revenue reallocated to segments	298 036
Total	–

(Decrease)/increase in operating profit before items of a capital nature

Essential Foods	(99 347)
Groceries: Cereals and other (formerly Bokomo Foods)	(186 043)
Groceries: Beverages (formerly Ceres Beverages)	(203 991)
International	363 353
Other	126 028
Total	–

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP	2015 R'000	2014 R'000
55. Non-current assets held for sale and discontinued operations		
55.1 Quantum Foods		
The assets and liabilities related to the Quantum Foods segment, which included the shares held in the wholly owned subsidiaries Philadelphia Chick Breeders (Pty) Ltd, Lohmann Breeders SA (Pty) Ltd, Bokomo Uganda (Pty) Ltd, Quantum Foods (Pty) Ltd, Quantum Foods Holdings Ltd, Quantum Foods Zambia Ltd and Bokomo Zambia Ltd (included with Quantum Foods until 31 July 2014) have been presented as held for sale at 30 September 2014 following the Group Board's decision to restructure the Group's interest in these businesses as advised on SENS on 5 September 2013. Pioneer Foods unbundled its interest in Quantum Foods to its shareholders and subsequently Quantum Foods was listed as a separate legal entity on the JSE on 6 October 2014.		
Assets of the disposal group classified as held for sale:		
Property, plant and equipment	-	1 075 554
Intangible assets	-	7 188
Investment in associates	-	6 112
Available-for-sale financial assets	-	2
Inventory	-	232 462
Biological assets	-	292 371
Trade and other receivables	-	343 538
Deferred income tax	-	3 051
Derivative financial instruments	-	991
Cash and cash equivalents	-	105 560
	-	2 066 829
Liabilities of the disposal group classified as held for sale:		
Deferred income tax	-	195 670
Provision for other liabilities and charges	-	15 639
Trade and other payables	-	355 337
Current income tax	-	1 465
	-	568 111
Hedging reserve	-	238
Currency translation reserve	-	7 271

Notes to the annual financial statements
for the year ended 30 September 2015

GROUP	2015	2014
	R'000	R'000
55. Non-current assets held for sale and discontinued operations (continued)		
55.1 Quantum Foods (continued)		
The results of discontinued operations and the results recognised on the remeasurement of the Quantum Foods disposal group are as follows:		
Revenue	–	3 591 339
Operating profit before items of a capital nature	–	90 846
Items of a capital nature	(27 402)	1 613
Investment income	–	3 611
Finance costs	–	(724)
Share of profit of associated companies	–	595
(Loss)/profit before income tax	(27 402)	95 941
Income tax expense	(17 624)	(20 697)
(Loss)/profit after income tax	(45 026)	75 244
Loss after income tax recognised on the remeasurement of assets of the disposal group	–	(57 028)
Before income tax	–	(77 653)
Income tax expense	–	20 625
(Loss)/profit for the year from discontinued operations	(45 026)	18 216
Other comprehensive income/(loss) for the year from discontinued operations		
Fair value adjustments to cash flow hedging reserve		
For the year	–	331
Deferred income tax effect	–	(93)
Currency translation differences	–	(15 593)
Total comprehensive (loss)/profit for the year from discontinued operations	(45 026)	2 861
Cash flows of the disposal group classified as held for sale:		
Net cash flow from operating activities	–	93 006
Net cash flow from investment activities	–	(37 803)
Net cash flow from financing activities	–	25 775
Net cash, cash equivalents and bank overdrafts on unbundling of Quantum Foods	(105 560)	–
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(105 560)	80 978
Net cash, cash equivalents and bank overdrafts at beginning of year	105 560	24 582
Net cash, cash equivalents and bank overdrafts at end of year	–	105 560

GROUP FINANCIAL STATEMENTS (CONTINUED)

Notes to the annual financial statements for the year ended 30 September 2015

GROUP		2015 R'000	2014 R'000
55.	Non-current assets held for sale and discontinued operations (continued)		
55.2	Maitland Vinegar Works (Pty) Ltd		
	As on 1 October 2015, all conditions precedent for the disposal of the Group's interest in Maitland Vinegar Works (Pty) Ltd were met. Consequently, the assets and liabilities relating to this interest have been presented as a disposal group held for sale at 30 September 2015. The results for the year ended at this date is not presented as discontinued operations as this business does not represent a separate major line of business.		
	Assets of the disposal group classified as held for sale:		
	Property, plant and equipment	42 724	–
	Intangible assets	606	–
	Inventory	12 458	–
	Trade and other receivables	20 250	–
	Current income tax	201	–
	Cash and cash equivalents	11 875	–
		88 114	–
	Liabilities of the disposal group classified as held for sale:		
	Deferred income tax	4 764	–
	Trade and other payables	20 839	–
		25 603	–
	Non-controlling interest	12 417	–
56.	Going concern		
	The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of preparing the financial statements.		