

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 17 and page 224 of this Circular apply, unless the context clearly indicates otherwise, throughout this Circular, including this cover page.

Action required:

1. This entire Circular is important and should be read with particular attention to the section entitled "Action required by Pioneer Foods Ordinary Shareholders in relation to the Scheme", which commences on page 9 of this Circular, and the section entitled "Action required by Pioneer Foods Ordinary Shareholders in relation to the Standby Offer", which commences on page 12 of this Circular.
2. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
3. If you have disposed of any of your Pioneer Foods Shares, please forward this Circular incorporating the Form of Proxy (*yellow*) and Form of Surrender, Transfer and Acceptance (*blue*) to the purchaser of such Pioneer Foods Shares, or the Broker, CSDP, banker or other agent through whom the disposal was effected.

Pioneer Foods, PepsiCo and the Pepsi Offeror do not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Pioneer Foods Shares to notify such beneficial owner of the matters set out in this Circular.



PIONEER FOODS
PIONEER FOOD GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1996/017676/06)
Share code: PFG
ISIN: ZAE000118279
("Pioneer Foods" or "the Company")



PEPSICO
PEPSICO, INC.
(Incorporated in the State of North Carolina,
United States)
NASDAQ Share code: PEP
("PepsiCo")



SIMBA PROPRIETARY LIMITED
(Incorporated in the Republic
of South Africa)
(Registration number 1995/003667/07)
("the Pepsi Offeror")

COMBINED CIRCULAR TO PIONEER FOODS SHAREHOLDERS

Relating, amongst other things to:

- a scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the Pioneer Foods Board between Pioneer Foods and Pioneer Foods Ordinary Shareholders, in terms of which, if successfully implemented, the Pepsi Offeror will acquire all of the Scheme Shares from the Scheme Participants for the Per Share Scheme Consideration for each Scheme Share disposed of in terms of the Scheme which, if successfully implemented, will result in the delisting of all Pioneer Foods Ordinary Shares from the main board of the JSE;
- a Standby Offer, if a Standby Offer Trigger Event occurs, and the delisting of all Pioneer Foods Ordinary Shares from the main board of the JSE, in the event that the Standby Offer becomes unconditional and:
 - the Pepsi Offeror thereafter acquires the remaining Pioneer Foods Ordinary Shares pursuant to the provisions of section 124 of the Companies Act; or
 - the Pepsi Offeror does not or is not entitled to thereafter invoke, or does not thereafter acquire the remaining Pioneer Foods Ordinary Shares pursuant to, the provisions of section 124 of the Companies Act, but Pioneer Foods Shareholders have voted in favour of the delisting;
- the Pioneer Foods Class A Repurchase in discharge of the Pepsi Offeror's obligation to make a Comparable Offer to the Pioneer Foods Class A Shareholder;
- the PSR Comparable Offer and the PSR Amendment in discharge of the obligation to make a Comparable Offer to the PSR Holders;
- the BEE Trust Repurchase; and
- the BEE Payment,

and incorporating, amongst other things:

- a report prepared by the Independent Expert in terms of Companies Regulations 90 and 110, sections 48(8), 114(2) and 114(3) of the Companies Act and the JSE Listings Requirements, in respect of the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase;
- a statement of Appraisal Rights in terms of section 164(2) of the Companies Act;
- extracts of section 115 of the Companies Act dealing with the approval requirements for the Scheme, the Pioneer Foods Class A Repurchase and, if applicable, the BEE Trust Repurchase, section 164 of the Companies Act dealing with Appraisal Rights and section 124 of the Companies Act dealing with compulsory acquisitions and squeeze-outs;
- the Notice of General Meeting of Pioneer Foods Shareholders;
- the Form of Proxy (*yellow*) in respect of the General Meeting of Pioneer Foods Shareholders for use by Certificated Pioneer Foods Ordinary Shareholders, Own-Name Dematerialised Pioneer Foods Ordinary Shareholders and the Pioneer Foods Class A Shareholder only; and
- a Form of Surrender, Transfer and Acceptance (*blue*) in respect of the Scheme and Standby Offer for use by Certificated Pioneer Foods Shareholders only.

Transaction advisor and Sponsor to Pioneer Foods



PSG CAPITAL

Legal advisor to PepsiCo and the Pepsi Offeror



BOWMANS
THE VALUE OF KNOWING

Financial advisors to PepsiCo and the Pepsi Offeror



CENTERVIEW PARTNERS

Independent Expert to Pioneer Foods



Legal advisor to Pioneer Foods

WEBBER WENTZEL

in alliance with > Linklaters

Independent Reporting Accountant to Pioneer Foods



This Circular is available in English only. Copies of this Circular may be obtained during normal business hours from the registered office of Pioneer Foods, the registered office of PepsiCo's Legal Advisor and the offices of PSG Capital at their respective addresses set out in the "Corporate Information and Advisors" section of this Circular, and on the websites www.pioneerfoods.co.za and www.pepsico.com, from the date of posting of this Circular until the later of (i) the Scheme Implementation Date or (ii) if the Standby Offer becomes effective, the Standby Offer Closing Date.

Date of issue: Thursday, 29 August 2019



IMPORTANT LEGAL NOTES

The definitions and interpretations commencing on page 17 and page 224 of this Circular apply, unless the context clearly indicates otherwise, to this section on Important Legal Notes.

FORWARD-LOOKING STATEMENTS

This Circular contains statements about Pioneer Foods, PepsiCo and the Pepsi Offeror that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Pioneer Foods, PepsiCo and the Pepsi Offeror caution that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which Pioneer Foods, PepsiCo and the Pepsi Offeror operate may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions, as regards Pioneer Foods, made by Pioneer Foods or, as regards PepsiCo and the Pepsi Offeror, made by PepsiCo and the Pepsi Offeror, as communicated in publicly available documents by the respective companies, all of which estimates and assumptions, although Pioneer Foods or PepsiCo and the Pepsi Offeror believe them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Pioneer Foods, or PepsiCo and the Pepsi Offeror or not currently considered material by Pioneer Foods, or PepsiCo and the Pepsi Offeror.

Pioneer Foods Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of either Pioneer Foods, or PepsiCo and the Pepsi Offeror not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Pioneer Foods, PepsiCo and the Pepsi Offeror have no duty to, and do not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by Law.

FOREIGN PIONEER FOODS SHAREHOLDERS

This Circular has been prepared for the purposes of complying with the Laws of South Africa and is subject to applicable Laws, including but not limited to the Companies Act, the Companies Regulations and the JSE Listings Requirements, and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the Laws of any jurisdiction outside of South Africa, or the requirements of any exchange other than the JSE.

The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by Law and therefore any persons who are subject to the Laws of any jurisdiction other than South Africa should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities Laws of any such jurisdiction.

This Circular does not constitute a prospectus or a prospectus equivalent document. Pioneer Foods Shareholders are advised to read this Circular, which contains the full terms and conditions of the Scheme and the Standby Offer, with care. Any decision to approve the Scheme or to accept the Standby Offer or any other response to the proposals should be made only on the basis of the information in this Circular.

This Circular and any accompanying documentation are not intended to, and do not constitute, or form part of, an offer to sell or a solicitation of any vote or approval in any jurisdiction in which it is unlawful to make such an offer or solicitation, or such offer or solicitation would require Pioneer Foods, or PepsiCo and the Pepsi Offeror to comply with disproportionately onerous filing and/or other disproportionately onerous regulatory obligations. In those circumstances or otherwise if the distribution of this Circular and any accompanying documentation in jurisdictions outside of South Africa are restricted or prohibited by the Laws of such jurisdiction, this Circular and any accompanying documentation are deemed to have been sent for information purposes only and should not be copied or redistributed.

Pioneer Foods Ordinary Shareholders who are not resident in, or who have a registered address outside of, South Africa must satisfy themselves as to the full observance of the Laws of any applicable jurisdiction concerning the receipt of, or their election to receive, the Per Share Scheme Consideration or the Standby Offer Consideration, including any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes due in such other jurisdictions and are required to advise Pioneer Foods of all such filing or regulatory obligations as Pioneer Foods, or PepsiCo and the Pepsi Offeror may be required to comply with in such jurisdictions in relation to the Transaction. Pioneer Foods, PepsiCo or the Pepsi Offeror and their respective boards of directors and advisors accept no responsibility for the failure by a Pioneer Foods Shareholder to inform itself about, or to observe, any applicable legal requirements in any relevant jurisdiction, nor for any failure by Pioneer Foods, or PepsiCo and the Pepsi Offeror to observe the requirements of any jurisdiction.

The Scheme and the Standby Offer are governed by the Laws of South Africa and are subject to applicable South African Laws, including the Companies Act, the Takeover Regulations and the JSE Listings Requirements.

The offer by the Pepsi Offeror is made for the securities of a South African company, being Pioneer Foods, by means of the Scheme and the Standby Offer (if applicable). The offer is subject to disclosure requirements under South African Law that are different from those of the United States. Financial statements included in this Circular have been prepared in accordance with South African accounting standards and IFRS that may not be comparable to the financial statements of US companies.

It may be difficult for you to enforce your rights and any claim you may have arising under US or other foreign securities Laws, since Pioneer Foods is located in South Africa. You may not be able to sue Pioneer Foods or its officers or directors in a foreign court, including South African courts, for violations of US securities Laws. It may be difficult to compel Pioneer Foods or a Member of the Pioneer Foods Group to subject itself to a US court's judgment.

Any Pioneer Foods Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

CORPORATE INFORMATION AND ADVISORS

The definitions and interpretations commencing on page 17 and page 224 of this Circular apply, unless the context clearly indicates otherwise, to this Corporate Information and Advisors section.

Directors of Pioneer Foods

ZL (KK) Combi (*Chairman*)*#
TA Carstens (*Chief executive officer*)
F Lombard (*Chief financial officer*)
N Celliers*
PJ Mouton*
ASM Karaan**
NS Mjoli-Mncube**
CG Botha**
AH Sangqu**
NW Thomson**
SS Ntsaluba**
LE Mthimunye**

* non-executive
independent

Date and place of incorporation of Pioneer Foods

11 December 1996
South Africa

Company Secretary and registered office of Pioneer Foods

Jay-Ann Jacobs
Glacier Place
1 Sportica Crescent
Tygervalley, 7530
South Africa
(PO Box 20, Huguenot, 7645)

Directors of PepsiCo

R Laguarta
SL Brown**
C Conde**
I Cook**
D Dublon**
RW Fisher**
M Gass**
WR Johnson**
DC Page**
RC Pohlard**
D Vasella**
D Walker**
A Weisser**

* non-executive
independent

Directors of the Pepsi Offeror

T Reis
E Wilcox

Date and place of incorporation of the Pepsi Offeror and PepsiCo

Pepsi Offeror:
26 April 1995
South Africa

PepsiCo:
First incorporated in Delaware on 18 September 1919 and reincorporated in the State of North Carolina, United States on 13 November 1986

PepsiCo's and the Pepsi Offeror's nominated address in South Africa

c/o Bowman Gilfillan Inc.
11 Alice Lane
Sandton, 2196
Johannesburg
South Africa
Attention: Ezra Davids or the Chairman

**Transaction advisor and Sponsor to Pioneer Foods**

PSG Capital Proprietary Limited
 (Registration number 2006/015817/07)
 1st Floor, Ou Kollege Building
 35 Kerk Street
 Stellenbosch, 7600
 South Africa
 (PO Box 7403, Stellenbosch, 7599)

and at

2nd Floor, Building 3
 11 Alice Lane
 Sandhurst
 Sandton, 2196
 South Africa
 (PO Box 650957, Benmore, 2010)

Legal advisor to Pioneer Foods

Webber Wentzel
 15th Floor, Convention Tower
 Heerengracht, Foreshore
 Cape Town, 8001
 South Africa
 (PO Box 3667, Cape Town, 8000)

and at

90 Rivonia Road
 Sandton
 Gauteng, 2196
 South Africa
 (PO Box 61771, Marshalltown, Johannesburg, 2107)

Legal advisor to PepsiCo and the Pepsi Offeror

Bowman Gilfillan Inc
 (Registration number 1998/021409/21)
 11 Alice Lane
 Sandton, 2196
 Johannesburg
 South Africa

Financial advisors to PepsiCo and the Pepsi Offeror

UBS South Africa Proprietary Limited
 (Registration number 1995/011140/07)
 64 Wierda Road East
 Wierda Valley, 2196
 Johannesburg
 South Africa

and

J.P. Morgan Securities LLC acting directly
 and through its affiliate, JPMorgan Chase Bank,
 N.A., Johannesburg Branch
 (Registration number 2001/016069/10)
 1 Fricker Road
 Illovo, 2196
 Johannesburg
 South Africa

and

Centerview Partners LLC
 31 West 52nd Street
 22nd Floor
 New York, NY 10019
 United States of America
 acting directly and through its United Kingdom affiliate:
 Centerview Partners UK LLP
 100 Pall Mall,
 3rd Floor,
 London,
 SW1Y 5NQ
 which has an exemption from the Financial Advisory and
 Intermediary Services Act 2002

**Transfer Secretaries to Pioneer Foods**

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue, Rosebank
Johannesburg, 2196
South Africa
(PO Box 61051, Marshalltown, 2107)

Independent Expert to Pioneer Foods

BDO Corporate Finance Proprietary Limited
(Registration number 1983/002903/07)
22 Wellington Road, Parktown
Johannesburg, 2196
South Africa
(Private Bag X60500, Houghton, 2041)

Independent Reporting Accountant to Pioneer Foods

PricewaterhouseCoopers Inc
(Registration number 1998/012055/21)
Capital Place
15-21 Neutron Avenue, Technopark
Stellenbosch, 7600
South Africa



TABLE OF CONTENTS

	Page
Important legal notes	2
Corporate information and advisors	4
Action required by Pioneer Foods Shareholders in relation to the Scheme	9
Action required by Pioneer Foods Ordinary Shareholders in relation to the Standby Offer	12
Important dates and times relating to the Scheme	14
Definitions and interpretations	17
Combined Circular to Pioneer Foods Shareholders	33
1. Introduction	33
2. Purpose of this Circular	34
3. Rationale for Scheme and information on PepsiCo	34
4. The Scheme	36
5. The Pioneer Foods Class A Share Comparable Offer and Pioneer Foods Class A Repurchase	41
6. The PSR Comparable Offer and PSR Amendment	42
7. The BEE Trust Repurchase	43
8. BEE Payment	43
9. Material provisions of the Implementation Agreement	44
10. Break Fee	47
11. JSE Provisions	47
12. Delisting of Pioneer Foods	49
13. Intentions regarding the continuation of Pioneer Foods' business and the Pioneer Foods Board	49
14. Interests of PepsiCo, Pepsi Offeror, PepsiCo Directors and Pepsi Offeror Directors in Pioneer Foods Shares	49
15. The Pepsi Offeror acting as principal	49
16. Interests of Pepsi Offeror's Directors in PepsiCo or Pepsi Offeror securities	50
17. Interests of Pioneer Foods and Pioneer Foods Directors in PepsiCo securities or Pepsi Offeror securities	50
18. Interests of Pioneer Foods Directors in Pioneer Foods Shares	51
19. Irrevocable Undertakings	51
20. Dealings by providers of Irrevocable Undertakings	51
21. Agreements	52
22. Financial information of Pioneer Foods	52
23. Report of the Independent Expert	52
24. The views of the Independent Board on the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase	53
25. Pioneer Foods Directors' service contracts	53
26. Service contracts entered into or amended within the six-month period prior to the Last Practicable Date	53
27. Remuneration of Pioneer Foods Directors	53
28. Tax implications for Pioneer Foods Ordinary Shareholders	54
29. Independent Board responsibility statement	54
30. Pepsi Offeror Board responsibility statement	54
31. Advisors' consents	54
32. Costs and expenses	54
33. Documents available for inspection	55

Annexure 1	Report of the Independent Expert regarding the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase	56
Annexure 2	Audited historical financial information of Pioneer Foods for the financial years ended 30 September 2018, 30 September 2017 and 30 September 2016	64
Annexure 3	Interim financial information of Pioneer Foods for the six-month period ended 31 March 2019	179
Annexure 4	<i>Pro forma</i> financial information of Pioneer Foods	199
Annexure 5	Independent Reporting Accountant's report on the <i>pro forma</i> financial information of Pioneer Foods	205
Annexure 6	Foreign Pioneer Foods Ordinary Shareholders and Exchange Control Regulations	207
Annexure 7	Wording of section 115, section 164 and section 124 of the Companies Act	209
Annexure 8	Irrevocable Undertakings by Pioneer Foods Shareholders	215
Annexure 9	Dealings by providers of Irrevocable Undertakings	216
Annexure 10	Standby Offer by the Pepsi Offeror to Pioneer Foods Ordinary Shareholders	224
Notice of General Meeting	of Pioneer Foods Shareholders	235
Form of Proxy (yellow)	(for use by Certificated Pioneer Foods Ordinary Shareholders, Own-Name Dematerialised Pioneer Foods Ordinary Shareholders and the Pioneer Foods Class A Shareholder only)	Enclosed
Form of Surrender, Transfer and Acceptance (blue)	(for use by Certificated Pioneer Foods Shareholders only)	Enclosed



ACTION REQUIRED BY PIONEER FOODS SHAREHOLDERS IN RELATION TO THE SCHEME

The definitions and interpretations commencing on page 17 of this Circular apply, unless the context clearly indicates otherwise, to this section on the action required by Pioneer Foods Shareholders in relation to the Scheme.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of any of your Pioneer Foods Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

A General Meeting of Pioneer Foods Shareholders is scheduled to be held at 10:00 on Tuesday, 15 October 2019, at Cape Town Marriott Hotel Crystal Towers, Corner Century Boulevard and Rialto Road, Century City, Cape Town to consider and, if deemed fit, to pass the resolutions required to approve the Scheme. A notice convening such General Meeting is attached to, and forms part of, this Circular.

ACTION REQUIRED BY PIONEER FOODS SHAREHOLDERS IN RELATION TO THE SCHEME

1. IF YOU HAVE DEMATERIALIZED YOUR PIONEER FOODS SHARES AND DO NOT HAVE OWN-NAME REGISTRATION

1.1 Voting at the General Meeting

1.1.1 If you do not wish to, or are unable to, attend (or appoint a proxy to represent you) at the General Meeting and you have not been contacted by your CSDP or Broker, it is advisable for you to contact your CSDP or Broker immediately and furnish your CSDP or Broker with your voting instructions in the manner and by the cut-off time stipulated by your CSDP or Broker in terms of the Custody Agreement between you and your CSDP or Broker.

1.1.2 If your CSDP or Broker does not obtain voting instructions from you, your CSDP or Broker will be obliged to act in accordance with the instructions contained in the Custody Agreement between you and your CSDP or Broker.

1.1.3 You must not complete the attached Form of Proxy (*yellow*).

1.2 Attendance and representation at the General Meeting

1.2.1 In accordance with the Custody Agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:

1.2.1.1 attend, speak and vote at the General Meeting; or

1.2.1.2 appoint a proxy to represent you at the General Meeting.

1.2.2 Your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to attend, speak and vote at the General Meeting. You will not be permitted to attend, speak or vote at the General Meeting, or send a proxy to represent you at the General Meeting without the necessary letter of representation being issued to you.

1.3 Surrender of Documents of Title

You must not complete the Form of Surrender, Transfer and Acceptance (*blue*).

1.4 Settlement of Per Share Scheme Consideration (Pioneer Foods Ordinary Shareholders only)

If the Scheme becomes Operative, you will have your account held at your CSDP or Broker credited with the Per Share Scheme Consideration due to you and debited with the Scheme Shares you are transferring to the Pepsi Offeror on the Scheme Implementation Date or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1 of this Circular, on the date set out in paragraph 4.7.1.2 of this Circular.

2. IF YOU HAVE NOT DEMATERIALISED YOUR PIONEER FOODS SHARES OR IF YOU HAVE DEMATERIALISED YOUR PIONEER FOODS SHARES WITH OWN-NAME REGISTRATION OR IF YOU ARE THE PIONEER FOODS CLASS A SHAREHOLDER

2.1 Voting, attendance and representation at the General Meeting

You may attend, speak and vote at the General Meeting in person (or, if you are a company or other body corporate, be represented by a duly authorised natural person). Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (*yellow*) in accordance with its instructions and returning it to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107), to be received by it, for administrative purposes, by no later than 10:00 on Friday, 11 October 2019, or thereafter handing such form to the chairperson of the General Meeting or Computershare at the General Meeting, at any time before the proxy exercises any rights of the Pioneer Foods Shareholder at such General Meeting.

2.2 Surrender of Documents of Title (this applies only to Certificated Pioneer Foods Shareholders and not to Own-Name Dematerialised Pioneer Foods Ordinary Shareholders or the Pioneer Foods Class A Shareholder)

2.2.1 You are required to complete the attached Form of Surrender, Transfer and Acceptance (*blue*) in accordance with its instructions and return it, together with the Documents of Title representing all your Certificated Pioneer Foods Shares, to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown, 2107), to be received by it by no later than 12:00 on the Scheme Consideration Record Date.

2.2.2 Documents of Title held by Certificated Pioneer Foods Shareholders in respect of their Pioneer Foods Shares will cease to be of any value, and shall not be good for delivery, from the Scheme Implementation Date, other than for surrender in terms of the Scheme and/or the Appraisal Rights.

2.2.3 If you wish to surrender your Documents of Title in anticipation of the Scheme becoming Operative:

2.2.3.1 you should complete the Form of Surrender, Transfer and Acceptance (*blue*) in accordance with its instructions and return it, together with your Documents of Title, to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown, 2107); and

2.2.3.1.2 it should be noted that you will not be able to Dematerialise or deal in your Pioneer Foods Shares between the date of surrender of your Documents of Title and the Scheme Implementation Date or, if the Scheme does not become Operative, the date on which your Documents of Title are returned to you pursuant to paragraph 2.3.1.5 of this section of the Circular below.

2.3 Settlement of Per Share Scheme Consideration (Pioneer Foods Ordinary Shareholders only)

2.3.1 Certificated Pioneer Foods Ordinary Shareholders

2.3.1.1 If the Scheme becomes Operative and you have surrendered your Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown, 2107), at or before 12:00 on the Scheme Consideration Record Date, the cheque in respect of the Per Share Scheme Consideration will be posted to you, at your risk, within 5 South African Business Days of the Scheme Implementation Date, unless you have elected to receive the Per Share Scheme Consideration by way of electronic funds transfer by completing the relevant section on the Form of Surrender, Transfer and Acceptance (*blue*), in which case the Per Share Scheme Consideration will be paid to you in cash on the Scheme Implementation Date by way of electronic funds transfer.

2.3.1.2 If the Scheme becomes Operative and you surrender your Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) after 12:00 on the Scheme Consideration Record Date, the Per Share Scheme Consideration due to you will be held by Computershare in trust, and Computershare will only post the cheque in respect of the Per Share Scheme Consideration to you, at your risk, or the Per Share Scheme Consideration will be paid to you by way of electronic funds transfer (if this option was selected on the Form of Surrender, Transfer and Acceptance (*blue*)) within 5 South African Business Days of receipt of your Documents of Title and Form of Surrender, Transfer and Acceptance (*blue*), provided that should you:

2.3.1.2.1 be a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1 of this Circular, you will still need to surrender your Documents of Title, together with a completed Form of Surrender, Transfer and Acceptance (*blue*), to Computershare and payment of the Per Share Scheme Consideration by cheque will only be posted to you, at your risk, or paid to you by way of electronic funds transfer (if this option was selected on the Form of Surrender, Transfer and Acceptance (*blue*)) on the date set out in paragraph 4.7.1.2 of this Circular; and



- 2.3.1.2.2 fail to surrender your Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to Computershare or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1 of this Circular, the Per Share Scheme Consideration due to you will be held in trust by Pioneer Foods (or its agent) on your behalf for a period of three years after the Scheme Implementation Date or a period of three years after the date on which you subsequently became a Scheme Participant pursuant to paragraph 4.7.1 of this Circular, after which the Per Share Scheme Consideration due to you will be paid to the benefit of the Guardian's Fund of the Master of the High Court. In this regard such Scheme Participants irrevocably authorise and appoint each of Pioneer Foods, PepsiCo, and/or the Pepsi Offeror (or their respective agents as appointed by each of them), in *rem suam* (that is, irrevocably for Pioneer Foods', PepsiCo's and the Pepsi Offeror's advantage), with full power of substitution, to act as agent in the name, place and stead of such Scheme Participants to pay the Per Share Scheme Consideration to the benefit of the Guardian's Fund of the Master of the High Court in the aforesaid manner.
- 2.3.1.3 For the avoidance of doubt, no interest will accrue for the benefit of Scheme Participants on the Per Share Scheme Consideration.
- 2.3.1.4 Documents of Title surrendered prior to 12:00 on the Scheme Consideration Record Date in anticipation of the Scheme becoming Operative will be held in trust by Computershare, at the risk of the relevant Certificated Pioneer Foods Ordinary Shareholders, pending the Scheme becoming Operative.
- 2.3.1.5 Should the Scheme not become Operative, any Documents of Title surrendered and held by Computershare will, unless they have also been surrendered for purposes of the Standby Offer, be returned to you by Computershare, at your own risk, by registered post within 5 South African Business Days from the date of receipt of the Documents of Title or the date on which it becomes known that the Scheme will not become Operative, whichever is the later.

2.3.2 Own-Name Dematerialised Pioneer Foods Ordinary Shareholders

- 2.3.2.1 If you are an Own-Name Dematerialised Pioneer Foods Ordinary Shareholder who is, or is deemed (pursuant to paragraph 4.7.1 of this Circular) to be, a Scheme Participant, you will have your account held at your CSDP or Broker credited with the Per Share Scheme Consideration due to you and debited with the Pioneer Foods Ordinary Shares you are transferring to the Pepsi Offeror pursuant to the Scheme on the Scheme Implementation Date or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1 of this Circular, on the date contemplated in paragraph 4.7.1.2 of this Circular.
- 2.3.2.2 You must not complete the attached Form of Surrender, Transfer and Acceptance (*blue*).

If you wish to Dematerialise your Pioneer Foods Ordinary Shares, please contact your CSDP or Broker. Pioneer Foods Ordinary Shareholders should note that it will take between 1 and 10 South African Business Days to Dematerialise your Pioneer Foods Ordinary Shares through their CSDP or Broker. Pioneer Foods Ordinary Shareholders that do not have a CSDP or Broker can contact Computershare directly to Dematerialise their Pioneer Foods Ordinary Shares on 086 1100 634 (or +27 11 370 5000 if phoning from outside South Africa) on every South African Business Day between 8:30 and 16:00.

No Dematerialisation or re-materialisation of Pioneer Foods Ordinary Shares may take place from the South African Business Day following the Scheme LDT. You do not need to Dematerialise your Pioneer Foods Ordinary Shares to receive the Per Share Scheme Consideration.

If Documents of Title relating to any Pioneer Foods Ordinary Shares to be surrendered are lost or destroyed, Certificated Pioneer Foods Shareholders should nevertheless return the attached Form of Surrender, Transfer and Acceptance (*blue*) duly signed and completed to Computershare by hand to Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, or by post to PO Box 61763, Marshalltown, 2107, together with an indemnity form, which is obtainable from Computershare.

Pioneer Foods may dispense with the surrender of Documents of Title upon production of evidence satisfactory to Pioneer Foods, PepsiCo and the Pepsi Offeror that the Documents of Title relating to the Pioneer Foods Shares in question have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to Pioneer Foods, PepsiCo and the Pepsi Offeror. Indemnity forms are obtainable from Computershare.

Pioneer Foods Shareholders are advised to consult their professional advisors about their personal tax positions regarding the Scheme.

ACTION REQUIRED BY PIONEER FOODS ORDINARY SHAREHOLDERS IN RELATION TO THE STANDBY OFFER

The definitions and interpretations commencing on page 17 and contained in **Annexure 10** to this Circular apply, unless the context clearly indicates otherwise, to this section on the action required by Pioneer Foods Ordinary Shareholders in relation to the Standby Offer. The Standby Offer will only become effective if a Standby Offer Trigger Event occurs.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of any of your Pioneer Foods Ordinary Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

ACTION REQUIRED BY PIONEER FOODS ORDINARY SHAREHOLDERS IN RELATION TO THE STANDBY OFFER

Should a Standby Offer Trigger Event occur, the Standby Offer will automatically become effective in accordance with the provisions of Annexure 10 to this Circular. In such event, an announcement will be issued on SENS, confirming that the Scheme will not proceed and that the Standby Offer has become effective, and advising Pioneer Foods Ordinary Shareholders of the salient dates applicable to the Standby Offer.

1. IF YOU HAVE DEMATERIALISED YOUR PIONEER FOODS ORDINARY SHARES

1.1 Acceptance of the Standby Offer

- 1.1.1 You must not complete the Form of Surrender, Transfer and Acceptance (*blue*).
- 1.1.2 If you wish to accept the Standby Offer you should instruct your duly appointed CSDP or Broker, in accordance with the Custody Agreement concluded with your CSDP or Broker.
- 1.1.3 The instruction to accept the Standby Offer must be provided to your CSDP or Broker by the cut-off time stipulated for such instruction in order for such CSDP or Broker to take the necessary action to accept the Standby Offer by 12:00 on the Standby Offer Closing Date. You are accordingly advised to confirm with your CSDP or Broker as to what the cut-off time will be. This must be done in accordance with the Custody Agreement between you and your CSDP or Broker.

1.2 Surrender of Documents of Title

You must not complete the Form of Surrender, Transfer and Acceptance (*blue*).

1.3 Settlement of Standby Offer Consideration

If the Standby Offer becomes Operative, you will have your account held at your CSDP or Broker credited with the Standby Offer Consideration and debited with the Pioneer Foods Ordinary Shares you are transferring to the Pepsi Offeror on the Standby Offer Settlement Date. For the avoidance of doubt, no interest shall accrue for the benefit of Pioneer Foods Ordinary Shareholders on the Standby Offer Consideration.

2. IF YOU HAVE NOT DEMATERIALISED YOUR PIONEER FOODS ORDINARY SHARES

2.1 Acceptance of the Standby Offer

You must complete the Form of Surrender, Transfer and Acceptance (*blue*) attached to this Circular, in accordance with the instructions therein, and forward it, together with the relevant Documents of Title, by hand or by mail to Computershare.

2.2 Surrender of Documents of Title

- 2.2.1 You are required to complete the attached Form of Surrender, Transfer and Acceptance (*blue*) in accordance with its instructions and return it, together with the relevant Documents of Title representing all your Certificated Pioneer Foods Ordinary Shares, to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown, 2107), to be received by it by no later than 12:00 on the Standby Offer Closing Date.
- 2.2.2 Documents of Title held by Certificated Pioneer Foods Ordinary Shareholders in respect of their Pioneer Foods Ordinary Shares that accept the Standby Offer will cease to be of any value, and shall not be good for delivery, from the Standby Offer Closing Date, other than for surrender in terms of the Standby Offer.

- 2.2.3 If you wish to surrender your Documents of Title in anticipation of the Standby Offer becoming Operative:
- 2.2.3.1 you should complete the Form of Surrender, Transfer and Acceptance (*blue*) in accordance with its instructions and return it, together with your Documents of Title, to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown, 2107); and
- 2.2.3.2 it should be noted that you will not be able to Dematerialise or deal in your Pioneer Foods Ordinary Shares between the date of surrender of your Documents of Title and the Standby Offer Settlement Date.

2.3 Settlement of Standby Offer Consideration

- 2.3.1 If the Standby Offer becomes Operative and you have both (i) forwarded your completed Form of Surrender, Transfer and Acceptance (*blue*), and (ii) surrendered your Documents of Title to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown, 2107) on or before 12:00 on the Standby Offer Closing Date, the cheque in respect of the Standby Offer Consideration will be posted to you, at your risk, on the Standby Offer Settlement Date, unless you have elected to receive the Standby Offer Consideration by way of electronic funds transfer by completing the relevant section of the Form of Surrender, Transfer and Acceptance (*blue*), in which case the Standby Offer Consideration will be paid to you in cash on the Standby Offer Settlement Date by way of electronic funds transfer.
- 2.3.2 If the Standby Offer becomes Operative and you forward your completed Form of Surrender, Transfer and Acceptance (*blue*) to Computershare on or before 12:00 on the Standby Offer Closing Date, but you surrender your Documents of Title after 12:00 on the Standby Offer Closing Date, Computershare will only post the cheque in respect of the Standby Offer Consideration to you, at your risk, or the Standby Offer Consideration will be paid to you by way of electronic funds transfer (if this option was selected on the Form of Surrender, Transfer and Acceptance (*blue*)) within 5 South African Business Days of receipt of your Documents of Title. If you fail to surrender your Documents of Title to Computershare, the Standby Offer Consideration due to you will be held in trust by Pioneer Foods (or its agent) on your behalf, but only for a period of three years after the Standby Offer Settlement Date after which the Standby Offer Consideration due to you will be paid to the benefit of the Guardian's Fund of the Master of the High Court. In this regard such Standby Offer Participants irrevocably authorise and appoint each of Pioneer Foods, PepsiCo, and/or the Pepsi Offeror (or their respective agents, as appointed by each of them) in *rem suam* (that is, irrevocably for Pioneer Foods', PepsiCo's and the Pepsi Offeror's advantage), with full power of substitution, to act as agent in the name, place and stead of such Standby Offer Participants to pay the Standby Offer Consideration to the benefit of the Guardian's Fund in the aforesaid manner.
- 2.3.3 For the avoidance of doubt, no interest shall accrue for the benefit of Certificated Pioneer Foods Ordinary Shareholders on the Standby Offer Consideration.
- 2.3.4 Documents of Title surrendered prior to 12:00 on the Standby Offer Closing Date in anticipation of the Standby Offer becoming Operative will be held in trust by Computershare, at the risk of the relevant Certificated Pioneer Foods Ordinary Shareholders, pending the Standby Offer becoming Operative.

If you wish to Dematerialise your Pioneer Foods Ordinary Shares, please contact your CSDP or Broker. Pioneer Foods Ordinary Shareholders should note that it will take between 1 and 10 South African Business Days to Dematerialise your Pioneer Foods Ordinary Shares through their CSDP or Broker. Pioneer Foods Ordinary Shareholders that do not have a CSDP or Broker can contact Computershare directly to Dematerialise their Pioneer Foods Ordinary Shares on 086 1100 634 (or +27 11 370 5000 if phoning from outside South Africa) on every South African Business Day between 8:30 and 16:00.

No Dematerialisation or re-materialisation of Pioneer Foods Ordinary Shares will be permitted from the South African Business Day following the Standby Offer LDT. You do not need to Dematerialise your Pioneer Foods Ordinary Shares to receive the Standby Offer Consideration.

If Documents of Title relating to any Pioneer Foods Ordinary Shares to be surrendered are lost or destroyed, Certificated Pioneer Foods Ordinary Shareholders should nevertheless return the attached Form of Surrender, Transfer and Acceptance (*blue*) duly signed and completed to Computershare by hand to Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, or by post to PO Box 61763, Marshalltown, 2107, together with an indemnity form, which is obtainable from Computershare.

Pioneer Foods may dispense with the surrender of documents of title upon production of evidence satisfactory to Pioneer Foods, PepsiCo and the Pepsi Offeror that the documents of title relating to the Pioneer Foods Ordinary Shares in question have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to Pioneer Foods, PepsiCo and the Pepsi Offeror. Indemnity forms are obtainable from Computershare.

Pioneer Foods Ordinary Shareholders are advised to consult their professional advisors about their personal tax positions regarding the Standby Offer.

2019

IMPORTANT DATES AND TIMES RELATING TO THE SCHEME

The definitions and interpretations commencing on page 17 of this Circular shall, unless the context clearly indicates otherwise, apply to this section.

Record date to determine which Pioneer Foods Shareholders are entitled to receive this Circular	Friday, 23 August
Circular posted to Pioneer Foods Shareholders and notice convening the General Meeting released on SENS on	Thursday, 29 August
Notice of General Meeting published in the South African press on	Friday, 30 August
Last day to trade in order to be recorded in the Register on the Scheme Voting Record Date in order to be eligible to vote at the General Meeting	Tuesday, 1 October
Scheme Voting Record Date being 17:00 on	Friday, 4 October
For administrative reasons, Forms of Proxy to be lodged with Computershare by 10:00 on	Friday, 11 October
Forms of Proxy to be handed to the chairperson of the General Meeting or Computershare at the General Meeting, at any time before the proxy exercises any rights of the Pioneer Foods Shareholder at the General Meeting on	Tuesday, 15 October
Last date and time for Pioneer Foods Shareholders to give notice to Pioneer Foods objecting, in terms of section 164(3) of the Companies Act, to the Scheme Resolutions or Pioneer Foods Class A Repurchase Resolution (or any other applicable Resolution) to be able to invoke Appraisal Rights by 10:00 on	Tuesday, 15 October
General Meeting of Pioneer Foods Shareholders to be held at 10:00 on	Tuesday, 15 October
Results of General Meeting released on SENS on	Tuesday, 15 October
Results of General Meeting published in the South African press on	Wednesday, 16 October
If the Scheme or the Pioneer Foods Class A Repurchase (or any other applicable Resolution) is approved by Pioneer Foods Shareholders at the General Meeting:	
Last date for Pioneer Foods Shareholders who voted against the Scheme Resolutions or the Pioneer Foods Class A Repurchase Resolution (or any other applicable Resolution), to require Pioneer Foods to seek court approval for the Scheme Resolutions or the Pioneer Foods Class A Repurchase Resolution (or any other applicable Resolution), in terms of section 115(3)(a) of the Companies Act (where applicable) on	Tuesday, 22 October
Last date for Pioneer Foods Shareholders who voted against the Scheme Resolutions or the Pioneer Foods Class A Repurchase Resolution (or any other applicable Resolution), to apply to court for leave to apply for a review of the Scheme Resolutions or the Pioneer Foods Class A Repurchase Resolution (or any other applicable Resolution), in terms of section 115(3)(b) of the Companies Act on	Tuesday, 29 October
Last date for Pioneer Foods to send objecting Pioneer Foods Shareholders notices of the adoption of the Scheme Resolutions and/or the Pioneer Foods Class A Repurchase Resolution (and/or any other applicable Resolution), in accordance with section 164(4) of the Companies Act, on	Tuesday, 29 October
Last day for objecting Pioneer Foods Shareholders, by reason of the adoption of the Scheme Resolutions or the Pioneer Foods Class A Repurchase Resolution (or any other applicable Resolution), to make a demand to Pioneer Foods to pay such objecting Pioneer Foods Shareholders the fair value of all Pioneer Foods Shares held by them, in terms of section 164(7) of the Companies Act	Tuesday, 26 November



Action

The following dates assume that all conditions precedent to the Scheme are fulfilled or, where applicable, waived and that neither court approval nor the review of the Scheme Resolutions or the Pioneer Foods Class A Repurchase Resolution (or any other applicable Resolution) is required and will be confirmed in the finalisation announcement if all conditions precedent to the Scheme are fulfilled or, where applicable, waived:

2020

Scheme Finalisation Date expected to be on	Tuesday, 11 February
Scheme Finalisation Date announcement expected to be released on SENS on	Tuesday, 11 February
Scheme Finalisation Date announcement expected to be published in the South African press on	Wednesday, 12 February
Scheme LDT expected to be on	Tuesday, 18 February
Trading in Pioneer Foods Ordinary Shares on the JSE suspended from commencement of trade on or about	Wednesday, 19 February
Scheme Consideration Record Date to be recorded in the Register in order to receive the Per Share Scheme Consideration expected to be on	Friday, 21 February
Scheme Implementation Date expected to be on	Monday, 24 February
Per Share Scheme Consideration payment to Dematerialised Pioneer Foods Ordinary Shareholders expected to take place on	Monday, 24 February
Per Share Scheme Consideration payment to Certificated Pioneer Foods Ordinary Shareholders expected to take place within 5 South African Business Days of (assuming surrender of Documents of Title and duly completed Form of Surrender, Transfer or Acceptance)	Monday, 24 February
Termination of listing of Pioneer Foods Ordinary Shares on the JSE at commencement of trade on or about	Tuesday, 25 February

Notes:

1. The above dates and times are subject to such changes as may be agreed to by Pioneer Foods and PepsiCo and approved by the Takeover Panel and/or the JSE, if required. If the Scheme Finalisation Date is not on Tuesday, 11 February 2020 (or if the Scheme Finalisation Date falls on a day before Tuesday, 11 February 2020), an updated timetable will be released on SENS.
2. Completed Forms of Proxy and the authority (if any) under which they are signed must be (i) lodged with or posted to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107), to be received by them no later than 10:00 on Friday, 11 October 2019 or (ii) thereafter handed to the chairperson of the General Meeting or Computershare at the General Meeting at any time before the proxy exercises any rights of the Pioneer Foods Shareholder at such General Meeting.
3. Pioneer Foods Ordinary Shareholders should note that, as trade in Pioneer Foods Ordinary Shares on the JSE is settled in the electronic settlement system used by Strate, settlement of trades takes place 3 South African Business Days after the date of such trades. Therefore, Pioneer Foods Ordinary Shareholders who acquire Pioneer Foods Ordinary Shares on the JSE after the voting last day to trade, expected to be on Tuesday, 1 October 2019, being the last day to trade in Pioneer Foods Ordinary Shares so as to be recorded in the Register on the Scheme Voting Record Date, will not be entitled to vote at the General Meeting.
4. Pioneer Foods Shareholders who wish to exercise their Appraisal Rights are referred to **Annexure 7** to this Circular for purposes of determining the relevant timing for the exercise of their Appraisal Rights.
5. The exercise of Appraisal Rights may result in changes to the above salient dates and times and Pioneer Foods Shareholders will be notified separately of the applicable dates and times resulting from any such changes.
6. Pioneer Foods Shareholders who wish to exercise their right in terms of section 115(3) of the Companies Act, to require the approval of a court for the Scheme or the Pioneer Foods Class A Repurchase (or any other applicable Resolution), should refer to **Annexure 7** to this Circular which includes an extract of section 115 of the Companies Act. Should Pioneer Foods Shareholders exercise their rights in terms of section 115(3) of the Companies Act, the dates and times set out above may change, in which case an updated timetable will be released on SENS.
7. Dematerialised Pioneer Foods Ordinary Shareholders, other than those with Own-Name Registration, must provide their CSDP or Broker with their instructions for voting at the General Meeting by the cut-off time and date stipulated by their CSDP or Broker in terms of their respective Custody Agreements between them and their CSDP or Broker.
8. No dematerialisation or rematerialisation of Pioneer Foods Ordinary Shares may take place from the commencement of business on the South African Business Day following the Scheme LDT. The Scheme LDT is expected to be on Tuesday, 18 February 2020.
9. If the General Meeting is adjourned or postponed, the above dates and times will change, but the Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.
10. Although the salient dates and times are stated to be subject to change, such statement shall not be regarded as consent or dispensation for any change to time periods which may be required in terms of the Companies Act, the Companies Regulations and the JSE Listings Requirements, where applicable, and any such consents or dispensations must be specifically applied for and granted.
11. Should a Standby Offer Trigger Event occur, all dates and times pertinent to the Standby Offer will be published on SENS and in the press.
12. All times referred to in this Circular are references to South African Standard Time.



DEFINITIONS AND INTERPRETATION

In this Circular, unless the context clearly indicates a contrary intention, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the following words and expressions bear the meanings assigned to them below:

“2012 BEE Subscription Agreement”	the agreement dated 13 January 2012 between Pioneer Foods and the BEE Trust pursuant to which Pioneer Foods Ordinary Shares were issued to the BEE Trust, as amended by various addenda thereto and as amended by the 2012 BEE Subscription Agreement Addendum;
“2012 BEE Subscription Agreement Addendum”	<p>the addendum to the 2012 BEE Subscription Agreement entered into between the BEE Trust, the Pepsi Offeror and Pioneer Foods in terms of which <i>inter alia</i>, subject to the fulfilment or, where applicable, waiver, of the Conditions:</p> <ul style="list-style-type: none">(i) the Per Share Scheme Consideration or the Standby Offer Consideration is used to determine the market value in the BEE Trust Repurchase Formula;(ii) the terms of the Pioneer Foods Call Option is amended to provide that the consideration per share payable by Pioneer Foods thereunder is the Per Share Scheme Consideration or the Standby Offer Consideration; and(iii) Pioneer Foods:<ul style="list-style-type: none">a) exercises the Pioneer Foods Repurchase Option, pursuant to which the BEE Trust Repurchase Shares will be repurchased by Pioneer Foods at ZAR0.10 (ten cents) per Pioneer Foods Ordinary Share, and cancelled as issued shares, prior to the Scheme Consideration Record Date or the Standby Offer Closing Date; andb) exercises the Pioneer Foods Call Option, pursuant to which the BEE Trust Residual Repurchase Shares will be repurchased by Pioneer Foods, at the Per Share Scheme Consideration and cancelled as issued shares, prior to the Scheme Consideration Record Date or the Standby Offer Closing Date;
“2012 BEE Transaction”	the transaction summarised in a circular to Pioneer Foods Shareholders dated 19 January 2012;
“Act in Concert”	for a specific purpose, means any action pursuant to an agreement between or among 2 (two) or more Persons, in terms of which all or any of them co-operate for that specific purpose, and “Acts in Concert” has a corresponding meaning;
“Appraisal Rights”	the rights afforded to Pioneer Foods Shareholders in terms of section 164 of the Companies Act as set out in Annexure 7 to this Circular;
“Arrangement”	agreement(s), undertaking(s) or arrangement(s), whether or not legally binding, whether contingent, conditional or otherwise, whether oral, in writing or otherwise and whether or not subject to conditions precedent;
“Base Per Share Scheme Consideration”	ZAR110.00 (one hundred and ten Rand) per Scheme Share;
“BEE Payment”	the payment by Pioneer Foods directly or indirectly to the BEE Transaction Participants as contemplated in paragraph 8.3;
“BEE Payment Resolution”	the ordinary resolution to be proposed to Pioneer Foods Shareholders at the General Meeting seeking their approval for the BEE Payment;
“BEE Transaction Participants”	shall have the meaning ascribed thereto in paragraph 8.1;
“BEE Trust”	The Pioneer Foods Broad-Based BEE Trust, formed under the trust Laws of South Africa with trust reference number IT889/2012;
“BEE Trust Initial Shares”	the 10 599 988 Pioneer Foods Ordinary Shares issued to the BEE Trust at par value in terms of the 2012 BEE Transaction;

“BEE Trust Pioneer Foods Shares”	the 10 745 350 Pioneer Foods Ordinary Shares held by the BEE Trust;
“BEE Trust Repurchase”	the proposed repurchase by Pioneer Foods of (i) the BEE Trust Repurchase Shares for an amount of ZAR0.10 (ten cents) per Pioneer Foods Ordinary Share and (ii) the BEE Trust Residual Repurchase Shares for an amount per share equal to the Per Share Scheme Consideration or the Standby Offer Consideration, as contemplated in paragraph 7.4;
“BEE Trust Repurchase Formula”	the “Repurchase Formula” as such term is defined in the 2012 BEE Subscription Agreement;
“BEE Trust Repurchase Resolution”	the special resolution to be proposed to Pioneer Foods Shareholders at the General Meeting seeking their approval for the BEE Trust Repurchase and the amendments contemplated in the 2012 BEE Subscription Agreement Addendum, to the extent required;
“BEE Trust Repurchase Shares”	such number of Pioneer Foods Ordinary Shares as shall be calculated by applying the BEE Trust Repurchase Formula on the first South African Business Day following fulfilment or if applicable, waiver, of the Conditions, which form part of the BEE Trust Initial Shares;
“BEE Trust Residual Repurchase Shares”	all the BEE Trust Pioneer Foods Shares other than the BEE Trust Repurchase Shares;
“Break Fee”	has the meaning ascribed to it in paragraph 10.1;
“Broker”	any Person registered as a “ <i>broking member (equities)</i> ” in terms of the Rules of the JSE and in accordance with the provisions of the Financial Markets Act;
“Business Day”	a day which is not a Saturday, Sunday or official public or bank holiday in the United States of America, the United Kingdom and/or South Africa, save where a reference to “Business Day” is in terms of any applicable Law in which case it will be a day which is not a Saturday, Sunday or official public or bank holiday in the country of origin of such Law;
“Cash Distribution”	a distribution of cash to shareholders in their capacity as such;
“Cautionary Announcement”	the cautionary announcement published by Pioneer Foods on SENS dated 15 July 2019;
“Certificated Pioneer Foods Ordinary Shareholders”	holders of Certificated Pioneer Foods Ordinary Shares;
“Certificated Pioneer Foods Ordinary Shares”	Pioneer Foods Ordinary Shares being “certificated securities” as defined in the Financial Markets Act and having accordingly not yet been Dematerialised, title to which is evidenced by Documents of Title;
“Certificated Pioneer Foods Shareholders”	holders of Certificated Pioneer Foods Shares;
“Certificated Pioneer Foods Shares”	Pioneer Foods Shares being “certificated securities” as defined in the Financial Markets Act and having accordingly not yet been Dematerialised, title to which is evidenced by Documents of Title;
“Change of Control Agreements”	the following agreements to which Pioneer Foods or another Member of the Pioneer Foods Group is a party: <ul style="list-style-type: none"> (i) the joint venture agreement between Weetabix Limited, Melck Street Management Proprietary Limited, Pioneer Foods, Pioneer Foods Proprietary Limited and Alpen Food Company South Africa Proprietary Limited, dated 20 September 2007; (ii) the shareholders’ agreement between Food Concept PLC, Pioneer Foods Proprietary Limited and Food Concepts Pioneer Limited, dated 30 November 2014; (iii) the intellectual property licence agreement between Australasian Conference Association Limited (acting as corporate trustee for Sanitarium Food Company Limited) and Pioneer Foods Proprietary Limited, dated 1 March 2015; (iv) the confidentiality agreement between Australian Health and Nutrition Association Limited and Pioneer Foods Proprietary Limited; and (v) the common terms agreement between <i>inter alia</i> Pioneer Foods Proprietary Limited, Pioneer Foods, FirstRand Bank Limited and other lenders, dated 13 September 2018;



“Circular”	this circular to Pioneer Foods Shareholders, dated Thursday, 29 August 2019, together with the annexures hereto, and including the Notice of General Meeting, the terms of the Standby Offer, the Form of Proxy (<i>yellow</i>) and the Form of Surrender, Transfer and Acceptance (<i>blue</i>);
“Common Monetary Area”	South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of eSwatini;
“Companies Act”	the Companies Act, No. 71 of 2008, as amended from time to time;
“Companies Regulations”	the Companies Regulations, 2011, published in terms of section 223, and item 14 of Schedule 5, of the Companies Act, as amended from time to time;
“Comparable Offer”	a comparable offer in terms of section 125(2) of the Companies Act read with regulation 87(2) of the Companies Regulations;
“Competing Party”	the Person making a Superior Competing Pioneer Foods Proposal;
“Competing Pioneer Foods Proposal”	<p>an approach, offer, proposal or transaction howsoever structured or effected, provided that it is in writing and addressed, sent or directed to, or otherwise received by, Pioneer Foods, the Pioneer Foods Board, the Independent Board and/or any of Pioneer Foods’ professional advisors:</p> <p>(i) whether or not legally binding; and/or</p> <p>(ii) whether or not subject to pre-conditions and/or conditions precedent,</p> <p>proposed by any Person other than a Member of the PepsiCo Group for, in respect of or involving (as the case may be):</p> <p>(a) the Disposal of Pioneer Foods Shares (including the Disposal of Treasury Shares) and/or the issue of Pioneer Foods Shares constituting, in total, 10% or more of all Pioneer Foods Shares in issue immediately prior to implementation of the Disposal and/or issue, or the Disposal and/or issue of securities constituting, in total, 10% or more of the securities of any Material Pioneer Foods Group Member in issue immediately prior to implementation of the Disposal and/or issue;</p> <p>(b) an “amalgamation or merger” or a “scheme of arrangement” (both as contemplated in the Companies Act), or a similar transaction, involving Pioneer Foods or any Material Pioneer Foods Group Member;</p> <p>(c) the Disposal of all or the greater part (whether considered on a consolidated basis or otherwise) of the assets or undertaking of Pioneer Foods and/or any Material Pioneer Foods Group Member;</p> <p>(d) any other approach, offer, proposal or transaction, which, if implemented, would or could be reasonably expected to result in a change of Control of Pioneer Foods; or</p> <p>(e) any matter which, if implemented, would or could be reasonably expected to be inconsistent with the consummation of all or any part of the Transaction or which would or could be reasonably expected otherwise to preclude, frustrate, materially restrict or materially delay all or any part of the Transaction;</p>
“Competition Act”	the Competition Act, No. 89 of 1998, as amended from time to time;
“Competition Appeal Court”	the Competition Appeal Court, a court established in terms of section 36 of the Competition Act;
“Competition Authorities”	the Competition Commission, the Competition Tribunal and/or the Competition Appeal Court, the Competition Authority in Botswana, the Competition Authority in Kenya, the Securities and Exchange Commission and/or Federal Competition and Consumer Protection Commission (as the case may be) in Nigeria, the Namibian Competition Commission, the CEMAC Commission (La Commission de la CEMAC), the COMESA Competition Commission and the Competition and Markets Authority in the United Kingdom, insofar as approvals are required from them in terms of the Competition Act and/or other applicable Laws to implement the Transaction, and all other competition authorities whose approvals are required for the Transaction;
“Competition Commission”	the Competition Commission of South Africa, a statutory body established in terms of section 19 of the Competition Act;
“Competition Tribunal”	the Competition Tribunal of South Africa, a statutory body established in terms of section 26 of the Competition Act;

“Completion”	implementation of those parts of the Transaction which are, in terms of the Transaction Agreements required to be implemented by the Scheme Implementation Date (or by the date of implementation of the Transaction pursuant to the Standby Offer);
“Concert Parties”	of a Person means any other Person who Acts in Concert with that first-mentioned Person;
“Conditions”	(i) in relation to the Scheme, the conditions precedent to the Scheme set out in paragraph 4.2 of this Circular; or (ii) in relation to the Standby Offer, the conditions precedent to which the Standby Offer is subject, as set out in Annexure 10 to this Circular;
“Confidentiality Agreement”	the confidentiality agreement between PepsiCo and Pioneer Foods dated on 2 May 2019, as amended from time to time;
“Control”	by a Person of a company means that Person and its Concert Parties possess, whether directly or indirectly, the right and/or ability to direct or cause the direction of the management and/or policies of that company, whether through the ownership of securities, an agreement and/or otherwise. Without limiting the foregoing, a Person will be regarded as having Control of a company if that Person and Concert Parties have, whether directly or indirectly, the right and/or ability to: (i) direct and determine the manner of exercise of 35% or more of the votes associated with securities of that company; and/or (ii) appoint or elect, or control the appointment or election of, directors of that company who direct and determine the manner of exercise of 50% or more of the votes at meetings of the board of directors of that company, and “Controlled” shall have a corresponding meaning, provided that for purposes of the definitions of “Pioneer Foods Group” and “PepsiCo Group”, “Control” bears the meaning ascribed to it in section 2(2) of the Companies Act and “Controlled” shall have a corresponding meaning;
“Controlling Shareholder”	has the meaning ascribed thereto in the JSE Listings Requirements;
“CSDP”	a “participant” as defined in the Financial Markets Act;
“Custody Agreement”	a custody mandate agreement between a Dematerialised Pioneer Foods Ordinary Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Pioneer Foods Ordinary Shares held on Pioneer Foods’ uncertificated securities register administered by a CSDP or Broker on behalf of such Pioneer Foods Shareholder;
“Delisting Resolution”	the ordinary resolution to be proposed to Pioneer Foods Shareholders at the General Meeting seeking their approval for the delisting of the Pioneer Foods Ordinary Shares in certain circumstances;
“Dematerialise” or “Dematerialised” or “Dematerialisation”	the process by which certificated shares are converted into an electronic format as dematerialised shares and recorded in a company’s uncertificated securities register administered by a CSDP;
“Dematerialised Pioneer Foods Ordinary Shareholders”	holders of Dematerialised Pioneer Foods Ordinary Shares;
“Disposal”	(i) sale, transfer, cession, assignment, exchange, lease, lending transaction, alienation, donation, renunciation, grant of an option, right or warrant, unbundling, distribution, surrender, waiver, relinquishment, exchange or other disposal of any nature whatsoever, including the sale of an option or contract to purchase and the purchase of an option or contract to sell or the acceptance of an offer or invitation to purchase or otherwise acquire; or (ii) transaction(s) or agreement(s) which have, or might have, the same or similar economic effect as, or which is designed to, or may reasonably be expected to result in, any event constituting a Disposal in terms of (i) above, including a swap or other agreement that transfers any economic consequences, in whole or in part, whether or not subject to a condition precedent, and “Disposed” and “Dispose” bear corresponding meanings;



“Dissenting Shareholders”	Pioneer Foods Shareholders who validly exercise their Appraisal Rights (if any) by giving written notice to Pioneer Foods objecting in advance to, and voting against, the relevant Resolutions at the General Meeting and by demanding, in terms of sections 164(5) to 164(8) of the Companies Act, that Pioneer Foods pay to them the fair value of their Pioneer Foods Shares;
“Document of Title”	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Pioneer Foods Shares in question acceptable to the Pioneer Foods Board;
“EBITDA”	<p>annual earnings before interest, tax, depreciation and amortisation, excluding:</p> <ul style="list-style-type: none"> (i) the impact of the share-based payment charge of the Pioneer Foods Employee Share Trust subscribing for and holding the Pioneer Foods Class A Shares, including the hedge related thereto and Pioneer Foods’ expenses related thereto; (ii) professional advisors’ or other transaction costs actually incurred in relation to: <ul style="list-style-type: none"> a) the Transaction; b) any acquisition (as defined in the Implementation Agreement) which Pioneer Foods or another Member of the Pioneer Foods Group is permitted to undertake in terms of clause 16.1.1 of the Implementation Agreement (whether implemented or not); or c) any acquisition (as defined in the Implementation Agreement) undertaken by any Member of the Wider Pioneer Foods Group on or after the Signature Date (but without this derogating from Pioneer Foods’ undertakings in clause 16.2 of the Implementation Agreement); (iii) items of a capital nature (this adjustment to be determined by applying the same accounting policies, practices and methods, with consistent classification, judgement and estimation methodology applied in the preparation of the Pioneer Foods Group’s audited financial statements for the year ending 30 September 2018); (iv) the revisions to IFRS 16 effective 1 January 2019 (and accordingly the impact and interpretation of those revisions); (v) earnings before interest, depreciation, tax and amortisation directly or indirectly attributable to business operations over which ownership is acquired by Pioneer Foods or by any Person in which any Member of the Pioneer Foods Group directly or indirectly holds Equity Shares (including by Members of the Pioneer Foods Group and Members of the Wider Pioneer Foods Group) on or after the Signature Date (whether acquired by way of an acquisition of the business operations themselves or the acquisition of shares or other securities in any Person directly or indirectly conducting those business operations); and (vi) any profits, income, gains or losses resulting directly or indirectly from the Disposal or Encumbrance on after the Signature Date by any Person in which any Member of the Pioneer Foods Group directly or indirectly holds Equity Shares (including by any Member of the Pioneer Foods Group, or by any Member of the Wider Pioneer Foods Group), of any business operations or assets, including shares or other securities, outside the Ordinary Course of Business;
“Encumbrance”	<ul style="list-style-type: none"> (i) a mortgage, pledge, hypothecation, lien, option, restriction, right of first refusal, right of pre-emption, right of retention, right of set-off, third party right or interest, assignment in security, title extension, trust arrangement, cession in security, security interest of any kind or any other encumbrance of any kind; and (ii) any other type of preferential transaction or agreement having, or which might have, the effect of Encumbering as contemplated in (i), <p>whether or not subject to a condition precedent, and “Encumbered”, “Encumber” and “Encumbering” each bears a corresponding meaning;</p>
“Equity Share”	<p>in a Person (“Relevant Person”) means a share, instrument or right in that Person which:</p> <ul style="list-style-type: none"> (i) entitles the holder thereof to participate in the distribution of profits, reserves, capital or any other dividend or distribution which is either based upon, or linked to, the profitability of the Relevant Person or which otherwise entitles the holder thereof to any such distribution beyond a specified amount; and/or (ii) carries voting rights of general meeting of the Relevant Person; or (iii) is convertible, exchangeable or exercisable, whether automatically or by election, whether presently or in the future and whether contingently, conditionally, voluntarily, compulsorily or otherwise, into a share, instrument or right which falls within (i) and/or (ii) above;

“EST Trustees”	the trustees for the time being of the Pioneer Foods Employee Share Trust;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended from time to time, issued in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended from time to time and all directives and rulings issued thereunder;
“Excluded Shares”	the Treasury Shares;
“Excluded Shareholders”	Subsidiaries of Pioneer Foods that hold Treasury Shares. As at the Last Practicable Date, the only Excluded Shareholder is Pioneer Foods Proprietary Limited;
“Exclusivity Period”	<p>the period commencing on the Signature Date and expiring on the day following the earliest of the following dates:</p> <ul style="list-style-type: none"> (i) the date of Completion of the Scheme; (ii) the date on which the Implementation Agreement is terminated pursuant to its provisions; or (iii) if a Standby Offer Trigger Event occurs, the earlier of: <ul style="list-style-type: none"> a) the date on which a condition precedent to the Standby Offer Fails; and b) the date of Completion of the Standby Offer;
“Extraordinary Distribution”	<ul style="list-style-type: none"> (i) a Cash Distribution (irrespective of the amount thereof) declared, distributed or paid by Pioneer Foods on Pioneer Foods Ordinary Shares and/or Pioneer Foods Class A Shares which does not coincide with, or approximate, in respect of date, either the annual final dividend or the interim dividend declared by Pioneer Foods on Pioneer Foods Ordinary Shares and/or Pioneer Foods Class A Shares for the Pioneer Foods financial year ending 30 September 2018 or the 6 month period ending 31 March 2019 (respectively); (ii) the amount(s) by which an annual final Cash Distribution declared, distributed and/or paid by Pioneer Foods for the Pioneer Foods financial year ending 30 September 2019 exceeds a total amount of (i) ZAR2.19 (two Rand and nineteen cents) per Pioneer Foods Ordinary Share and/or (ii) R0.657 (sixty five point seven cents) per Pioneer Foods Class A Share; or (iii) the amount(s) by which any interim Cash Distribution declared, distributed and/or paid by Pioneer Foods for the 6 month period ending 31 March 2020 exceeds either (i) a total amount of ZAR1.05 (one Rand and five cents) per Pioneer Foods Ordinary Share and/or (ii) a total amount of ZAR0.315 (thirty one point five cents) per Pioneer Foods Class A Share;
“Financial Markets Act”	the Financial Markets Act, No. 19 of 2012, as amended from time to time;
“Firm Intention Announcement”	the joint firm intention announcement published by Pioneer Foods, PepsiCo and the Pepsi Offeror on SENS dated 19 July 2019;
“Foreign Pioneer Foods Ordinary Shareholder”	a Pioneer Foods Ordinary Shareholder who is a non-resident of South Africa, as contemplated in the Exchange Control Regulations;
“Form of Proxy”	for purposes of the General Meeting, the form of proxy (<i>yellow</i>) for use by Certificated Pioneer Foods Ordinary Shareholders, Dematerialised Pioneer Foods Ordinary Shareholders with Own-Name Registration, and the Pioneer Foods Class A Shareholder only, enclosed herewith;
“Form of Surrender, Transfer and Acceptance”	a form of surrender, transfer and acceptance (<i>blue</i>) in respect of the PepsiCo Offer for use by Certificated Pioneer Foods Ordinary Shareholders only, enclosed herewith;
“General Meeting”	the general meeting of Pioneer Foods Shareholders scheduled to be held at 10:00 on Tuesday, 15 October 2019 at Cape Town Marriott Hotel Crystal Towers, Corner Century Boulevard and Rialto Road, Century City, Cape Town, South Africa, to consider and, if deemed fit, approve the Resolutions, as same may be postponed or adjourned from time to time;



“Governmental Authority”	<ul style="list-style-type: none"> (i) the government of any applicable jurisdiction (including any national, state, municipal or local government or any political or administrative subdivision thereof) and any department, ministry, agency, instrumentality, court, central bank, commission or other authority thereof; (ii) any governmental, quasi-governmental or private body or agency lawfully exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory, licensing, competition, tax, importing or other governmental authority or quasi-governmental authority within any applicable jurisdiction; and (iii) any securities exchange within any applicable jurisdiction;
“Group”	in relation to any Person, that Person and its Subsidiaries from time to time;
“IFRS”	the international accounting standards within the meaning of the IAS Regulation 1606/2002;
“Implementation Agreement”	the written agreement entitled “Implementation Agreement” entered into between PepsiCo and Pioneer Foods on the Signature Date (being 18 July 2019), as amended, in respect of the Transaction, setting out <i>inter alia</i> the terms upon which the Pioneer Foods Board will propose the Scheme to Pioneer Foods Ordinary Shareholders and upon which the Pepsi Offeror will make the Standby Offer, if applicable, and the further terms of the Transaction, a copy of which is available for inspection by Pioneer Foods Shareholders, as indicated in paragraph 33 of this Circular;
“Independent Board”	collectively, NW Thomson, SS Ntsaluba and LE Mthimunye, being the Pioneer Foods Directors who have been appointed as the independent board in relation to the PepsiCo Offer for purposes of the Companies Regulations;
“Independent Expert”	BDO Corporate Finance Proprietary Limited, a private company incorporated under the Laws of South Africa with registration number 1983/002903/07, whose details appear in the “Corporate Information and Advisors” section of this Circular;
“Independent Reporting Accountant”	PricewaterhouseCoopers Inc, a company incorporated under the Laws of South Africa with registration number 1998/012055/21, whose details appear in the “Corporate Information and Advisors” section of this Circular;
“Insolvency Event”	<p>in respect of a Person means:</p> <ul style="list-style-type: none"> (i) it is dissolved, terminated or deregistered, unless reinstated or re-registered within 15 days after the date of a dissolution, termination or deregistration; (ii) an order or declaration is made, a board, trustee or shareholder meeting is convened to consider the passing of a resolution, or a resolution is passed, for the sequestration, curatorship, administration, custodianship, bankruptcy, business rescue, liquidation, winding-up, receivership, trusteeship or re-organisation of that Person, or of a material part of its assets or undertaking, in each case, whether provisional or final and whether by way of voluntary arrangement, scheme of arrangement or otherwise) other than where (a) such action is dismissed, withdrawn or discharged within 15 days of its service or such step being taken, or (b) it is demonstrated within such 15 day period that such action is frivolous or vexatious and is being vigorously contested; (iii) it seeks the appointment of a curator, sequestrator, administrator, liquidator, conservator, receiver, administrative receiver, business rescue practitioner, compulsory manager, trustee, custodian or other similar official (whether provisional or final) for it or for any material part of its assets or undertaking, and/or such a Person is appointed, other than where such action, proceeding or other procedure or step is withdrawn or discharged within 15 days thereof, or it is demonstrated within such 15 day period that such action is frivolous or vexatious and is being vigorously contested; (iv) it is unable (or admits inability) to pay its debts generally as they fall due or is (or admits to being) otherwise insolvent; (v) it proposes or seeks to make or makes a general assignment or any arrangement or composition or compromise with or for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting its indebtedness, or it is or is deemed by any Law to be “financially distressed”; or (vi) it is the subject of, or is subjected to, any event which, under the applicable Laws of any jurisdiction, has an analogous effect to any of the events specified in (i) to (v) (all inclusive);
“Irrevocable Undertakings”	the irrevocable undertakings to vote in favour of the Resolutions, including the Scheme Resolutions, and to accept the Standby Offer, if applicable, which were provided by the Pioneer Foods Shareholders listed in Annexure 8 to this Circular as at the Last Practicable Date;

“JSE”	the securities exchange, licensed under the Financial Markets Act, operated by JSE Limited (registration number 2005/022939/06), a public company incorporated under the Laws of South Africa;																		
“JSE Listings Requirements”	the Listings Requirements of the JSE in force as at the Last Practicable Date;																		
“Last Practicable Date”	the last practicable date prior to the finalisation of this Circular, being Wednesday, 14 August 2019;																		
“Laws”	laws, legislation, statutes, regulations, directives orders, notices, promulgations and other decrees of any Governmental Authority which have force of law or which would be an offence not to obey, and the common law, all of the aforementioned as modified, re-enacted, restated, replaced or re implemented from time to time;																		
“Long Stop Date”	<p>in respect of the Conditions in each of the following paragraphs, means the date adjacent to it in the following table:</p> <table border="0"> <tr> <td>4.2.1.2</td> <td>30 November 2019</td> </tr> <tr> <td>4.2.1.3</td> <td>30 November 2019</td> </tr> <tr> <td>4.2.1.4</td> <td>30 June 2020</td> </tr> <tr> <td>4.2.1.6</td> <td>30 November 2019</td> </tr> <tr> <td>4.2.1.7</td> <td>31 January 2020</td> </tr> <tr> <td>4.2.1.8</td> <td>30 June 2020</td> </tr> <tr> <td>4.2.1.9</td> <td>30 June 2020</td> </tr> <tr> <td>4.2.1.10</td> <td>30 June 2020</td> </tr> <tr> <td>4.2.1.12</td> <td>the date on which the Condition in paragraph 4.2.1.11 is regarded as having been fulfilled</td> </tr> </table> <p>or such later date(s) as PepsiCo may, on one or more occasions, notify to Pioneer Foods in writing from time to time, provided that extension(s) of the relevant Long Stop Date(s) in respect of:</p> <ul style="list-style-type: none"> (i) the Condition(s) in paragraphs 4.2.1.2, 4.2.1.3 and/or 4.2.1.6 beyond 30 November 2019 will require the written agreement of Pioneer Foods and PepsiCo; and (ii) any Condition beyond 30 June 2020 will require the written agreement of Pioneer Foods and PepsiCo; 	4.2.1.2	30 November 2019	4.2.1.3	30 November 2019	4.2.1.4	30 June 2020	4.2.1.6	30 November 2019	4.2.1.7	31 January 2020	4.2.1.8	30 June 2020	4.2.1.9	30 June 2020	4.2.1.10	30 June 2020	4.2.1.12	the date on which the Condition in paragraph 4.2.1.11 is regarded as having been fulfilled
4.2.1.2	30 November 2019																		
4.2.1.3	30 November 2019																		
4.2.1.4	30 June 2020																		
4.2.1.6	30 November 2019																		
4.2.1.7	31 January 2020																		
4.2.1.8	30 June 2020																		
4.2.1.9	30 June 2020																		
4.2.1.10	30 June 2020																		
4.2.1.12	the date on which the Condition in paragraph 4.2.1.11 is regarded as having been fulfilled																		
“March BEE Repurchase”	has the meaning ascribed to it in paragraph 8.1;																		
“Matching Period”	has the meaning ascribed to it in paragraph 9.1.2.5;																		
“Matching Term”	has the meaning ascribed to it in paragraph 9.1.2.5;																		
“Material Pioneer Foods Group Member”	<ul style="list-style-type: none"> (i) Pioneer Foods Proprietary Limited, Pioneer Foods Groceries Proprietary Limited, Ceres Fruit Juices Proprietary Limited, Pioneer Foods Wellingtons Proprietary Limited and Pioneer Foods UK Limited; and (ii) a Member of the Pioneer Foods Group whose assets or revenue represent(s) 15% or more of the total consolidated assets or total consolidated revenue, as the case may be, of Pioneer Foods, all of the aforementioned as reflected in or ascertained from the Pioneer Foods Group’s audited consolidated financial statements as at Pioneer Foods’ financial year ended 30 September 2018; 																		
“Member”	of a Group is a Person which forms part of that Group;																		
“MOI”	the memorandum of incorporation of Pioneer Foods;																		
“Negotiations”	talks, discussions, negotiations and other communications;																		
“Notice of General Meeting”	the notice of the General Meeting of Pioneer Foods Shareholders forming part of this Circular;																		
“Operative”	in relation to the Scheme or the Standby Offer (as the case may be) means all the Conditions are fulfilled or, where applicable, waived;																		



“Ordinary Course of Business”	in relation to the performance of any act or any omission or the exercise of any right, power or privilege or the incurrance of any obligation or liability, means that such is done in good faith in the best interests of the business concerned, in a lawful fashion, and in a manner consistent in all material respects with the past practice and conduct of the business concerned;
“Own-Name Registration” or “Own-Name Dematerialised Pioneer Foods Ordinary Shareholders”	Pioneer Foods Ordinary Shareholders who hold Pioneer Foods Ordinary Shares that have been Dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Pioneer Foods Ordinary Shareholders;
“PepsiCo”	PepsiCo Inc, a corporation incorporated under the Laws of the State of North Carolina, United States, having its head office in Purchase, New York;
“PepsiCo Directors”	the directors of PepsiCo as at the Last Practicable Date, whose names are set out in the “Corporate Information and Advisors” section of this Circular;
“PepsiCo Group”	PepsiCo, the other Members of its Group and each other Person Controlled from time to time by Member(s) of the PepsiCo Group;
“PepsiCo Offer”	(i) the Scheme, and (ii) subject to the condition precedent that a Standby Offer Trigger Event occurs, the Standby Offer;
“PepsiCo’s Legal Advisor”	Bowman Gilfillan Inc, whose details appear in the “Corporate Information and Advisor’s” section of this Circular;
“Pepsi Offeror”	Simba Proprietary Limited, a private company incorporated under the Laws of South Africa with registration number 1995/003667/07, a wholly-owned Subsidiary of PepsiCo;
“Pepsi Offeror Board” or “Pepsi Offeror Directors”	the directors of the Pepsi Offeror as at the Last Practicable Date, whose names are set out in the “Corporate Information and Advisors” section of this Circular;
“Person”	includes any individual, body corporate, trust, company, close corporation, Governmental Authority, corporate entity, unincorporated association or other entity, whether or not recognised under any Law as having separate legal existence or personality and wherever incorporated, created or established;
“Per Class A Share Comparable Offer Consideration”	the cash consideration (expressed in Rand) payable for each Pioneer Foods Class A Share in discharge of the Pepsi Offeror’s obligation to make the Pioneer Foods Class A Share Comparable Offer, being an amount calculated in accordance with the following formula: D = E minus F where: D = the Per Class A Share Comparable Offer Consideration; E = the Per Share Scheme Consideration or Standby Offer Consideration; and F = the amount as at the Scheme Implementation Date (or, if relevant, the Standby Offer Closing Date) of the “Imaginary Threshold Debt” as defined in schedule 1 to the MOI (which, for avoidance of doubt is an amount per Pioneer Foods Class A Share);



“Per PSR Holder Comparable Offer Consideration”	<p>the cash consideration (expressed in Rand) payable to a PSR Holder in the circumstances set out in paragraph 6.2.3, being an amount calculated in accordance with the following formula:</p> <p>$J = K$ multiplied by L</p> <p>where:</p> <p>J = the Per PSR Holder Comparable Offer Consideration of that PSR Holder; K = the Per Share Scheme Consideration or Standby Offer Consideration; and L = the number of Pioneer Foods Ordinary Shares to which that PSR Holder would have been entitled, applying the formula contained in clause 8.2 of the Phantom Share Plan Rules, (i) had the Relevant PSR Holder exercised all Phantom Share Rights held by him or her on the day succeeding the Scheme Consideration Record Date or on the Standby Offer Closing Date and (ii) had the “Exercise Price” (as defined in the Phantom Share Plan Rules) equalled the Per Share Scheme Consideration or the Standby Offer Consideration;</p>
“Per Share Scheme Consideration”	<p>the cash consideration (expressed in Rand) payable for each Scheme Share, being an amount calculated in accordance with the following formula:</p> <p>$A = \text{Base Per Share Scheme Consideration plus } B \text{ plus } C \text{ minus } D$</p> <p>where:</p> <p>$A$ = the Per Share Scheme Consideration; B = if the Scheme Implementation Date is after 30 September 2019, the amount per Pioneer Foods Ordinary Share (expressed in Rand) of the final Cash Distribution for the Pioneer Foods financial year ending 30 September 2019, but only if and to the extent that both (i) such Cash Distribution is declared by Pioneer Foods after 30 September 2019, but prior to the Scheme Implementation Date, and (ii) the entitlement to such Cash Distribution vests in Persons who are holders of Pioneer Foods Ordinary Shares as at a dividend participation record date which is on or after the Scheme Implementation Date, provided that, notwithstanding anything to the contrary in the Implementation Agreement or this Circular, the maximum amount of B shall be a total amount of ZAR2.19 (two Rand and nineteen cents) per Pioneer Foods Ordinary Share; C = if the Scheme Implementation Date is after 31 March 2020, either:</p> <ul style="list-style-type: none">(i) if the interim Cash Distribution for the 6 (six) month period ending 31 March 2020 has been declared prior to the Scheme Implementation Date, the amount per Pioneer Foods Ordinary Share (expressed in Rand) of that interim Cash Distribution, but only if and to the extent that the entitlement to such Cash Distribution vests in Persons who are holders of Pioneer Foods Ordinary Shares as at a dividend participation record date which is on or after the Scheme Implementation Date; or(ii) if the interim Cash Distribution for the 6 month period ending 31 March 2020 has not been declared prior to the Scheme Implementation Date, an amount of ZAR1.05 (one Rand and five cents), <p>provided that, notwithstanding anything to the contrary in the Implementation Agreement or this Circular, the maximum amount of C shall be ZAR1.05 (one Rand and five cents); and</p> <p>D = the total amount (expressed in Rand) of any Extraordinary Distributions per Pioneer Foods Ordinary Share which are declared by Pioneer Foods prior to the Scheme Implementation Date, and which have been paid or are payable to Persons who are holders of Pioneer Foods Ordinary Shares as at a date prior to the Scheme Implementation Date;</p> <p>Accordingly, assuming no Extraordinary Distributions are declared by Pioneer Foods prior to the Scheme Implementation Date, the minimum Per Share Scheme Consideration shall be the Base Per Share Scheme Consideration of ZAR110 (one hundred and ten Rand) per Scheme Share and the maximum Per Share Scheme Consideration shall be ZAR113.24 (one hundred and thirteen Rand and twenty four cents) per Scheme Share;</p>
“Phantom Share Plan”	the Pioneer Foods Group Limited Equity Settled Phantom Share Plan, as amended;
“Phantom Share Plan Rules”	the rules of the Phantom Share Plan;



“Phantom Share Right”	a “Phantom Share Right” granted under (and defined in) the Phantom Share Plan Rules;
“Pioneer Foods” or “the Company”	Pioneer Food Group Limited (registration number 1996/017676/06), a public company incorporated under the Laws of South Africa, which is listed on the main board of the JSE;
“Pioneer Foods Board” or “Pioneer Foods Directors”	the board of directors of Pioneer Foods as at the Last Practicable Date, whose names are set out in the “Corporate Information and Advisors” section of this Circular;
“Pioneer Foods Call Option”	the option granted to Pioneer Foods under clause 8 of the 2012 BEE Subscription Agreement, to repurchase the BEE Trust Residual Repurchase Shares from the BEE Trust at the Per Share Scheme Consideration or the Standby Offer Consideration;
“Pioneer Foods Class A Repurchase”	the repurchase contemplated in the Pioneer Foods Class A Share Repurchase Agreement, as described in paragraph 5;
“Pioneer Foods Class A Repurchase Resolution”	the special resolution to be proposed to Pioneer Foods Shareholders at the General Meeting seeking their approval for the Pioneer Foods Class A Repurchase, which will require the support of at least 75% of the votes exercised on it;
“Pioneer Foods Class A Share Comparable Offer”	the Comparable Offer which the Pepsi Offeror is obliged to make in relation to the Pioneer Foods Class A Shares, which obligation will be discharged in the manner set out in paragraph 5.4;
“Pioneer Foods Class A Share”	a class A ordinary share in the issued share capital of Pioneer Foods, having a par value of ZAR0.10 (ten cents);
“Pioneer Foods Class A Shareholder”	a holder of one or more Pioneer Foods Class A Shares;
“Pioneer Foods Class A Share Repurchase Agreement”	the agreement entered into between the Pioneer Foods Class A Shareholder, Pioneer Foods and the Pepsi Offeror referred to in paragraph 5.4;
“Pioneer Foods Employee Share Trust”	Pioneer Foods Employee Share Trust, formed under the trust Laws of South Africa with trust reference number IT4965/2005;
“Pioneer Foods Employee Share Trust Addendum”	an addendum to the trust deed of the Pioneer Foods Employee Share Trust, in terms of which the trust deed is amended to permit the Pioneer Foods Class A Repurchase;
“Pioneer Foods Group”	Pioneer Foods, the other Members of its Group and each other Person Controlled from time to time by Members of the Pioneer Foods Group;
“Pioneer Foods Group’s 2018 Audited Financial Statements”	the audited consolidated financial statements (including the income statement, statement of comprehensive income, equity statement, balance sheet, cash flow statement, and notes) of Pioneer Foods as at, and for the Pioneer Foods financial year ended, 30 September 2018 (before any restatement, if any);

“Pioneer Foods Group Material Adverse Event”	<p>any of the following events occurs:</p> <ul style="list-style-type: none"> (i) pursuant to any audited restatement (if any) of the Pioneer Foods Group’s 2018 Audited Financial Statements, the amount of Pioneer Foods’ consolidated EBITDA (including Wider Group Consolidation) in respect of Pioneer Foods’ financial year ending 30 September 2018, as reflected in, and/or ascertained from, those restated audited financial statements being at least 7.5% lower than the amount of Pioneer Foods’ consolidated EBITDA (including Wider Group Consolidation) as reflected in, and/or ascertained from, the Pioneer Foods Group’s 2018 Audited Financial Statements (in the form they were in prior to any such restatement); or (ii) the amount of Pioneer Foods’ consolidated EBITDA (including Wider Group Consolidation) in respect of the 12 month period ending at the end of the month immediately preceding the month in which the Provisional Date falls (“Last Twelve Months”), as reflected in, and/or ascertained from, Pioneer Foods’ Management Accounts, being less than 90% of the amount of Pioneer Foods’ consolidated EBITDA (including Wider Group Consolidation) in respect of the 12 month period ending immediately before the start of the Last Twelve Months, as reflected in, and/or ascertained from, Pioneer Foods’ Management Accounts; or (iii) the amount of Pioneer Foods’ consolidated EBITDA (including Wider Group Consolidation) in respect of Pioneer Foods’ financial year ending 30 September 2019, as reflected in, and/or ascertained from, Pioneer Foods’ audited consolidated financial statements as at, and for the Pioneer Foods financial year ending 30 September 2019, being less than 90% of the amount of R2 055 000 000,
“Pioneer Foods Group Representatives”	<p>as a result of any (or a combination of any) events, circumstances, effects, occurrences, state of affairs:</p>
“Pioneer Foods’ Management Accounts”	<ul style="list-style-type: none"> a) which will include <i>inter alia</i>: (a) changes in the financial or securities markets, interest rates, or other general economic, political or financial conditions; (b) changes in any applicable Laws or the interpretation thereof or accounting practices or the interpretation thereof; (c) compliance with the terms of, or the taking of any action required by, the Implementation Agreement; or (d) the Transaction or the change in Control resulting from the Transaction; b) which will exclude a once-off occurrence which is: (i) of a temporary nature and (ii) reasonably unlikely to affect the Pioneer Foods’ consolidated EBITDA (including Wider Group Consolidation) for longer than the Pioneer Foods financial year ending 30 September 2020;
“Pioneer Foods Ordinary Share”	<p>all Members of the Pioneer Foods Group and their respective prescribed officers, directors, employees, representatives and advisors;</p> <p>Pioneer Foods’ unaudited consolidated management accounts (including income statement, balance sheet, cash flow statement extract and related commentary), prepared in all material respects in accordance with IFRS;</p> <p>an ordinary share in the issued share capital of Pioneer Foods, having a par value of ZAR0.10 (ten cents). For the avoidance of doubt, the term Pioneer Foods Ordinary Share does not include Pioneer Foods Class A Shares, which are a separate class of shares distinct from ordinary shares;</p>
“Pioneer Foods Ordinary Shareholder”	<p>a holder of one or more Pioneer Foods Ordinary Shares;</p>
“Pioneer Foods Proprietary Limited”	<p>Pioneer Foods Proprietary Limited, a private company incorporated under the Laws of South Africa with registration number 1957/000634/07;</p>
“Pioneer Foods Repurchase Option”	<p>the option granted to Pioneer Foods under clause 14 read with clause 7 of the 2012 BEE Subscription Agreement to repurchase the BEE Trust Repurchase Shares at par value;</p>
“Pioneer Foods Shares”	<p>a share of any class in Pioneer Foods;</p>
“Pioneer Foods Shareholders”	<p>a holder of one or more Pioneer Foods Shares;</p>
“Pioneer Foods Shareholder Decision Date”	<p>the date on which either or both of the Scheme Resolutions is/are approved at the General Meeting by Pioneer Foods Shareholders and/or Pioneer Foods Ordinary Shareholders, as the case may be;</p>
“Provisional Date”	<p>the date on which all the Conditions, other than those in paragraphs 4.2.1.10.1, 4.2.1.11 and 4.2.1.12 are fulfilled or, where applicable, waived;</p>



“PSG Capital”	PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company incorporated under the Laws of South Africa, whose details appear in the “Corporate Information and Advisors” section of this Circular;
“PSR Amendment”	the various amendments proposed pursuant to the discretion granted in terms of the Phantom Share Plan Rules, as referred to in paragraph 6.2.1 of this Circular;
“PSR Amendment Resolution”	the ordinary resolution to be proposed to Pioneer Foods Shareholders at the General Meeting seeking their approval for the PSR Amendment, which will require the support of at least 75% of the votes exercised on it;
“PSR Comparable Offer”	the Comparable Offer the Pepsi Offeror is obliged to make in relation to the Phantom Share Rights, which obligation will be discharged in the manner set out in paragraph 6.2;
“PSR Holders”	holders of Phantom Share Rights;
“Register”	Pioneer Foods’ securities register, including the relevant sub-registers of the CSDP(s) administering the sub-registers of Pioneer Foods, and the register of disclosures in relation to Pioneer Foods;
“Repurchases”	the BEE Trust Repurchase and the Pioneer Foods Class A Share Repurchase;
“Resolutions”	(i) the Scheme Resolutions; (ii) the Pioneer Foods Class A Repurchase Resolution; (iii) the BEE Trust Repurchase Resolution; (iv) the BEE Payment Resolution; (v) the PSR Amendment Resolution; and (vi) the Delisting Resolution; and “Resolution” means one of them as the context may require;
“Reverse Break Fee”	has the meaning ascribed to it in paragraph 10.2;
“Scheme”	the scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the Pioneer Foods Board between Pioneer Foods and the Scheme Participants, as more fully described in paragraph 4 of this Circular, in terms of which the Pepsi Offeror will, if the Scheme becomes Operative, acquire all Scheme Shares from the Scheme Participants for the Per Share Scheme Consideration, subject to any amendment or variation, as contemplated in paragraph 4.12;
“Scheme Consideration Record Date”	the time and date for Persons, who are Pioneer Foods Ordinary Shareholders, to be registered as Pioneer Foods Ordinary Shareholders in the Register in order to be eligible to receive the Per Share Scheme Consideration, being the first Friday following the Scheme LDT which is expected to be at 17:00 on Friday, 21 February 2020 (or such other date and time as the JSE may direct);
“Scheme Finalisation Date”	the date on which the “finalisation date announcement” (as contemplated by the JSE Listings Requirements) is released on SENS, after all the Conditions to the Scheme are fulfilled or waived, as the case may be, which is expected to be Tuesday, 11 February 2020;
“Scheme Implementation Date”	the date on which the Scheme is to be implemented, being the Monday immediately following the Scheme Consideration Record Date (or such other date as the JSE may direct);
“Scheme LDT”	the last day to trade in Pioneer Foods Ordinary Shares in order to participate in the Scheme, being at the close of trading 3 trading days prior to the Scheme Consideration Record Date, which is expected to be at 17:00 on Tuesday, 18 February 2020 (or such other date and time as the JSE may direct);
“Scheme Participants”	all Persons who are recorded in the Register on the Scheme Consideration Record Date, (i) including any former PSR Holders who are so recorded; (ii) excluding the Excluded Shareholders, and excluding Dissenting Shareholders who have not, whether voluntarily or pursuant to a final order of the Court, withdrawn their demands made in terms of sections 164(5) to (8) of the Companies Act on or prior to the Scheme Consideration Record Date, or allowed any offers made to them in terms of section 164(11) of the Companies Act to lapse on or prior to the Scheme Consideration Record Date, being Persons who are entitled to receive the Per Share Scheme Consideration;

“Scheme Resolutions”	(i) the special resolution to be proposed to Pioneer Foods Shareholders (other than the Excluded Shareholders), at the General Meeting seeking their approval of the Scheme, which will require the support of at least 75% of the votes exercised on it; and (ii) the special resolution to be proposed to Pioneer Foods Ordinary Shareholders (other than the Excluded Shareholders) at the General Meeting seeking their approval of the Scheme, which will require the support of at least 75% of the votes exercised on it;
“Scheme Shares”	the Pioneer Foods Ordinary Shares held by a Scheme Participant on the Scheme Consideration Record Date;
“Scheme Voting Record Date”	the time and date for Pioneer Foods Shareholders to be recorded in the Register in order to be eligible to attend, speak and vote at the General Meeting, being 17:00 on Friday, 4 October 2019;
“SENS”	the Stock Exchange News Service of the JSE;
“Signature Date”	the date on which the Implementation Agreement other than the amendment thereto was signed by PepsiCo and Pioneer Foods, being 18 July 2019;
“South Africa”	the Republic of South Africa;
“South African Business Day”	a day which is not a Saturday, Sunday or official public holiday in South Africa;
“Standby Offer”	the standby general offer, forming an integral part of the PepsiCo Offer, by the Pepsi Offeror to Pioneer Foods Ordinary Shareholders, the full details of which are set out in Annexure 10 to this Circular;
“Standby Offer Closing Date”	the “Standby Offer Closing Date”, as defined in Annexure 10 to this Circular;
“Standby Offer Consideration”	the “Standby Offer Consideration”, as defined in Annexure 10 to this Circular;
“Standby Offer Opening Date”	the “Standby Offer Opening Date”, as defined in Annexure 10 to this Circular;
“Standby Offer Trigger Event”	a “Standby Offer Trigger Event”, as defined in Annexure 10 to this Circular, being when (i) any Scheme Condition Precedent is not fulfilled and, where applicable, not waived, or (ii) the Scheme otherwise lapses or fails;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated under the Laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
“Subsidiary”	a “subsidiary” as defined in the Companies Act, but also includes a Person incorporated outside South Africa which would, if incorporated in South Africa, be a “subsidiary” as defined in the Companies Act. For the avoidance of doubt, the BEE Trust is not to be construed as a “Subsidiary” of Pioneer Foods;
“Superior Competing Pioneer Foods Proposal”	a Competing Pioneer Foods Proposal contemplated in items (b) – (e) of the definition of Competing Pioneer Foods Proposal which is both: (i) made on terms which are more favourable to Pioneer Foods Shareholders than the Scheme, taking into account such factors as the members of the Independent Board consider appropriate (acting in accordance with their fiduciary duties) including but not limited to the net financial benefit of all aspects of the Transaction; and (ii) made in writing by a <i>bona fide</i> third party which: a) is not related to or inter-related to, and is independent of, any Member of the Pioneer Foods Group; and b) has provided the Independent Board with reasonable evidence of its ability to implement the Competing Pioneer Foods Proposal in whole, including that the third party has sufficient financial resources available to implement the Competing Pioneer Foods Proposal (as evidenced by an unconditional irrevocable guarantee furnished by a South African registered bank and approved by the Takeover Panel);



“Takeover Panel”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
“Transaction”	all transactions contemplated in the Implementation Agreement, including the PepsiCo Offer, the discharge of the Pepsi Offeror’s obligation to make the Pioneer Foods Class A Share Comparable Offer (including the Pioneer Foods Class A Repurchase), the discharge of the Pepsi Offeror’s obligation to make the PSR Comparable Offer, the PSR Amendment, the BEE Trust Repurchase and the amendment pursuant to the 2012 BEE Subscription Agreement Addendum;
“Transaction Agreements”	(i) the Implementation Agreement; (ii) the 2012 BEE Subscription Agreement Addendum; (iii) a document recording and effecting the PSR Amendment; (iv) the Pioneer Foods Employee Share Trust Addendum; and (v) the Pioneer Foods Class A Share Repurchase Agreement;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated under the Laws of South Africa;
“Treasury Shares”	the Pioneer Foods Ordinary Shares beneficially owned by any Member of the Pioneer Foods Group, being, as at the Last Practicable Date, 17 982 056 Pioneer Foods Ordinary Shares held by Pioneer Foods Proprietary Limited;
“USA” or “US” or “United States”	the United States of America;
“VWAP”	volume weighted average price;
“Wider Pioneer Foods Group”	any Person in which Members from time to time of the Pioneer Foods Group has/have any form of “beneficial interest” (as defined in section 1 of the Companies Act) in at least 20% of the Equity Shares, but which does not form part of the Pioneer Foods Group;
“Wider Group Consolidation”	the consolidation into Pioneer Foods’ consolidated EBITDA of that portion of the EBITDA of each Member of the Wider Pioneer Foods Group as equals the portion of the issued Equity Shares of that Member held by a Member of the Pioneer Foods Group;
“ZAR” and “Rand”	the lawful currency of South Africa;
“Zeder”	Zeder Investments Limited, a public company incorporated under the Laws of South Africa with registration number 2006/019240/06, which is listed on the main board of the JSE;
“Zeder Disposal Shares”	the 58 250 788 Pioneer Foods Ordinary Shares beneficially owned by the Zeder Subsidiary as at the Signature Date, and all or any other Pioneer Foods Ordinary Shares of which Zeder and/or any Zeder Subsidiary becomes the beneficial owner after the Signature Date;
“Zeder General Meeting”	the general meeting of Zeder Shareholders (including any annual general meeting) at which the Zeder Shareholder Resolutions will be proposed, together with any reconvened general meetings held as a result of the adjournment or postponement of that general meeting;
“Zeder General Meeting Circular”	the circular to be distributed to Zeder Shareholders to convene a meeting of Zeder Shareholders to approve the Zeder Shareholder Resolutions;
“Zeder Share”	an ordinary share in Zeder;
“Zeder Share Disposal”	the Disposal by Zeder and/or the Zeder Subsidiary of the Zeder Disposal Shares pursuant to the Pepsi Offer;
“Zeder Shareholder”	a holder of one or more issued Zeder Shares;
“Zeder Shareholder Resolutions”	a special resolution of Zeder Shareholders in terms of sections 112 and 115 of the Companies Act (“ Zeder s112 Shareholder Resolution ”) and an ordinary resolution for purposes of section 9 of the JSE Listings Requirements approving the Zeder Share Disposal, both of which will require the support of at least 75% of the votes exercised on them by Zeder Shareholders; and
“Zeder Subsidiary”	Zeder Financial Services Limited, a public company incorporated under the Laws of South Africa with registration number 2010/006171/06.

The following shall apply throughout this Circular, unless the context clearly provides otherwise:

1. headings are to be ignored when construing this Circular;
2. references to one gender include all genders and references to the singular include the plural and *vice versa*;
3. any reference to a time of day is a reference to South African Standard Time, unless a contrary indication appears;
4. a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified, replaced or re-enacted;
5. a reference to any agreement or document referred to in this Circular is a reference to that agreement or document as amended, revised, varied, novated or supplemented at any time;
6. should any provision in a definition be a substantive provision conferring rights or imposing obligations on any Person, effect shall be given to that provision as if it were a substantive provision in the body of this Circular;
7. where any number of days is prescribed, those days shall be reckoned exclusively of the first and inclusively of the last day unless the last day falls on a day which is not a Business Day, in which event the last day shall be the next succeeding Business Day;
8. the use of the word including, include/s, in particular or any similar such word followed by a specific example/s shall not be construed as limiting the meaning of the general wording preceding it and the *eiusdem generis* rule shall not be applied in the interpretation of such general wording or such specific example/s.
9. the use of any expression covering a process available under South African Law shall, if any of Pioneer Foods, PepsiCo or the Pepsi Offeror is subject to the Law of any other jurisdiction, be interpreted as including any equivalent or analogous proceedings under the Law of such other jurisdiction;
10. references to Laws or any similar such word shall be deemed to include the JSE Listings Requirements;
11. a Condition "Fails" if it is not fulfilled by the latest date allowed for its fulfilment, and, if it is capable of being waived, it is also not waived by that latest date;
12. no rule of construction shall be applied to the disadvantage of Pioneer Foods, PepsiCo or the Pepsi Offeror because any or all of them were responsible for, or participated in, the preparation of this Circular; and
13. all references to "Rand", "ZAR", "R", or "cents" are references to the lawful currency of South Africa.



PIONEER FOOD GROUP LIMITED
 (Incorporated in the Republic of South Africa)
 (Registration number 1996/017676/06)
 Share code: PFG
 ISIN: ZAE000118279
 ("Pioneer Foods" or "the Company")



PEPSICO
PEPSICO, INC.
 (Incorporated in the State of North Carolina,
 United States)
 NASDAQ Share code: PEP
 ("PepsiCo")



SIMBA PROPRIETARY LIMITED
 (Incorporated in the Republic
 of South Africa)
 (Registration number 1995/003667/07)
 ("the Pepsi Offeror")

DIRECTORS OF PIONEER FOODS	DIRECTORS OF PEPSICO	DIRECTORS OF THE PEPSI OFFEROR
ZL (KK) Combi (<i>Chairman</i>)*#	R Laguarta	T Reis
TA Carstens (<i>Chief executive officer</i>)	SL Brown**	E Wilcox
F Lombard (<i>Chief financial officer</i>)	C Conde**	
N Celliers*	I Cook**	
PJ Mouton*	D Dublon**	
ASM Karaan**	RW Fisher**	
NS Mjoli-Mncube**	M Gass**	
CG Botha**	WR Johnson**	
AH Sangqu**	DC Page**	
NW Thomson**	RC Pohlad**	
SS Ntsaluba**	D Vasella**	
LE Mthimunye**	D Walker**	
	A Weisser**	
* non-executive	* non-executive	
# independent	# independent	

COMBINED CIRCULAR TO PIONEER FOODS SHAREHOLDERS

1. INTRODUCTION

- 1.1 Pioneer Foods Shareholders are referred to the joint announcement by Pioneer Foods, PepsiCo and the Pepsi Offeror, published on SENS on 19 July 2019. In that announcement, Pioneer Foods Shareholders were advised that PepsiCo and Pioneer Foods had entered into the Implementation Agreement, and Pioneer Foods had received notice from the Pepsi Offeror of its firm intention to make an offer, as contemplated by the Takeover Regulations:
- 1.1.1 to acquire all of the Pioneer Foods Ordinary Shares (other than the Excluded Shares) by way of a scheme of arrangement in terms of section 114 of the Companies Act, to be proposed by the Pioneer Foods Board between Pioneer Foods and the holders of Pioneer Foods Ordinary Shares (other than the holders of the Excluded Shares); or
- 1.1.2 if a Standby Offer Trigger Event occurs, to acquire all of the Pioneer Foods Ordinary Shares (including the Excluded Shares) by way of the Standby Offer.
- 1.2 Should the Scheme become Operative:
- 1.2.1 the Pepsi Offeror will become the registered and beneficial owner of all the Scheme Shares and as a consequence thereof Pioneer Foods will become a subsidiary of the Pepsi Offeror;
- 1.2.2 the Scheme Participants will receive the Per Share Scheme Consideration for each Scheme Share held by them on the Scheme Consideration Record Date; and
- 1.2.3 Pioneer Foods Ordinary Shares will be delisted from the JSE. The JSE will suspend the listing of the Pioneer Foods Ordinary Shares on the JSE with effect from the commencement of trading on the JSE on the South African Business Day following the Scheme LDT and, subject to the Scheme becoming Operative, the termination of the listing of Pioneer Foods on the JSE from the commencement of trading on the South African Business Day following the Scheme Implementation Date.

- 1.3 Should a Standby Offer Trigger Event occur, the Standby Offer will automatically become effective in accordance with the provisions of **Annexure 10** to this Circular.
- 1.4 If (i) a Standby Offer Trigger Event occurs, (ii) the conditions precedent to the Standby Offer are fulfilled or, where applicable, waived, and (iii) the Pepsi Offeror, invoking the “squeeze out” provisions of section 124 of the Companies Act, acquires all the remaining issued Pioneer Foods Ordinary Shares, Pioneer Foods Ordinary Shares will be delisted from the JSE.
- 1.5 If (i) a Standby Offer Trigger Event occurs, and (ii) the conditions precedent to the Standby Offer are fulfilled or, where applicable, waived, but (iii) the Pepsi Offeror does not or is not entitled to invoke, or does not acquire all the remaining issued Pioneer Foods Ordinary Shares pursuant to the “squeeze out” provisions of section 124 of the Companies Act, then, if Pioneer Foods Shareholders vote in favour of the delisting of Pioneer Foods Ordinary Shares from the main board of the JSE (by voting in favour of Ordinary Resolution Number 1 in the Notice of General Meeting), application will be made to the JSE for the delisting of the Pioneer Foods Ordinary Shares from the JSE. Any Controlling Shareholder will be excluded from voting on Ordinary Resolution Number 1 in the Notice of General Meeting. As at the Last Practicable Date, Pioneer Foods does not have a Controlling Shareholder.
- 1.6 The Pepsi Offeror will be entitled to acquire all the remaining issued Pioneer Foods Ordinary Shares, pursuant to the “squeeze out” provisions of section 124 of the Companies Act (i) if the Standby Offer is accepted by Pioneer Foods Ordinary Shareholders holding at least 90% of the Pioneer Foods Ordinary Shares in issue, other than any Pioneer Foods Ordinary Shares held before the PepsiCo Offer by the Pepsi Offeror, a related or inter-related person, or persons acting in concert, or a nominee or subsidiary of any such person or persons or (ii) if court approval is obtained under section 124 for the Pepsi Offeror to invoke the “squeeze out” provisions of section 124 of the Companies Act.

2. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

- 2.1 provide Pioneer Foods Shareholders with information regarding the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer and the Pioneer Foods Class A Repurchase, the PSR Comparable Offer and the PSR Amendment, the BEE Trust Repurchase and the BEE Payment;
- 2.2 provide Pioneer Foods Shareholders with the Independent Expert’s report in respect of the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase, prepared in terms of Companies Regulations 90 and 110 and section 48 read with sections 114 and 115 of the Companies Act and the JSE Listings Requirements;
- 2.3 advise Pioneer Foods Shareholders of the Independent Board’s opinion in respect of the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase (as supported by the Independent Expert’s report);
- 2.4 convene the General Meeting to consider and, if deemed fit, approve the Resolutions; and
- 2.5 inform Pioneer Foods Shareholders of their Appraisal Rights.

3. RATIONALE FOR SCHEME AND INFORMATION ON PEPSICO

3.1 Background in respect of PepsiCo

PepsiCo is incorporated in the State of North Carolina with its executive offices located in Purchase, New York. It is one of the world’s leading food and drink companies and has a global portfolio of diverse products and brands (see <http://www.PepsiCo.com/>). Through its own operations, authorised bottlers, contract manufacturers and other third parties, PepsiCo makes, markets, distributes and sells a wide variety of convenient beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories. PepsiCo consists of six divisions which manufacture, distribute and sell a variety of food and beverages. PepsiCo’s product portfolios consist of snacks, juices, grains and beverages and are represented in South Africa by brands such as Simba, Nik Naks, Lays, Doritos, Pepsi and 7UP.

3.2 Rationale for PepsiCo

- 3.2.1 PepsiCo believes Africa is a key market for future growth. A meaningful portion of PepsiCo’s existing portfolio is in developing and emerging markets where further expansion is a high priority for PepsiCo. Africa is an important component in PepsiCo’s expansion strategy due to its attractive macro-economic prospects and the relative affordability and value positioning of many of PepsiCo’s products.
- 3.2.2 PepsiCo’s existing portfolio, with its broad nutritional offerings, can provide many benefits to both the South African and broader African consumer. Acquiring Pioneer Foods will increase PepsiCo’s presence in a country and region of high growth potential.



- 3.2.3 PepsiCo is confident that Pioneer Foods represents a uniquely attractive investment opportunity and is closely aligned with key pillars of PepsiCo's long-term strategic plan. Together, the two Groups' respective product portfolios, geographic presence, and capabilities have the potential to create an exciting opportunity for future business in the region.
- 3.2.4 Pioneer Foods' portfolio of strong and locally relevant brands complements PepsiCo's existing presence in the country and enables PepsiCo to offer a broad set of consumption choices for consumers.
- 3.2.5 PepsiCo brings extensive category knowledge and global capabilities, such as marketing and research and development which it intends to use to further drive growth in Pioneer Foods' portfolio and develop products tailored to local consumer preferences.
- 3.2.6 Pioneer Foods' manufacturing and go-to-market capabilities will expand penetration of PepsiCo's products to South African consumers. Pioneer Foods forms an important part of PepsiCo's strategy to expand not only in South Africa, but in Sub-Saharan Africa.
- 3.2.7 Each of PepsiCo and Pioneer Foods has an experienced management team with a wide knowledge of African markets and a deep talent pool that can successfully implement the shared vision.

3.3 Benefits for South Africa

- 3.3.1 The Transaction is one of PepsiCo's largest acquisitions outside of the United States, which is a demonstration of PepsiCo's belief in South Africa's potential and its long-term commitment to the country.
- 3.3.2 In the face of a challenging global and domestic economic environment, the Transaction represents a vote of confidence in the South African economy. The foreign direct investment which will result from the implementation of the Transaction will contribute meaningfully to the growth of the South African economy under its newly elected leadership. The Transaction could also help attract further foreign direct investment and reinforces the case that South Africa is an attractive destination for multinationals.
- 3.3.3 PepsiCo intends to use South Africa as a hub for expansion throughout Africa. This will require investment to support the business and develop capabilities in the country, which will benefit local communities in a variety of ways and will support broad socio-economic imperatives around employment and benefiting local suppliers.
- 3.3.4 PepsiCo is committed to investing in the development of its employees (including those of Pioneer Foods). As PepsiCo employs more people to drive growth in Africa, it will provide training that will result in a significant transfer of skills and knowledge to the workforce in South Africa. PepsiCo also expects to bring to South Africa its global capabilities, such as procurement and research and development, which will further enhance the pool of skilled labour.
- 3.3.5 Through PepsiCo's global footprint, Pioneer Foods will have access to new markets. This will improve Pioneer Foods' ability to compete more effectively on the African continent and beyond.
- 3.3.6 Pioneer Foods' socially accountable behaviour will be further enhanced by PepsiCo's vision of "Winning with Purpose", a framework for accelerated, sustainable growth that emphasises integrating sustainability into its business strategy and leaving a positive imprint on society and the environment.
- 3.3.7 PepsiCo's commitment to next generation agriculture, especially its Sustainable Farming Program ("**SFP**"), will help create new opportunities for South Africans throughout the nation's agricultural supply chain. PepsiCo's business around the world is rooted in agriculture, with over 25 crops sourced from thousands of farmers in more than 60 countries. PepsiCo will use its scale and reach to advance local knowledge of agronomy, efficient fertilizer and water use, and plant protection techniques boosting yields, improving livelihoods, and preserving precious natural resources. PepsiCo has also begun working with partners to examine how to boost female engagement with its SFP, and how PepsiCo can do even more to help smallholder farmers improve farming practices and livelihoods.
- 3.3.8 PepsiCo's commitment to optimising farming practices will help reduce water use in one of the most high-water-risk regions in the world, while also helping to proactively mitigate the impact of climate change. For example, PepsiCo is currently piloting the adoption of the Alliance for Water Stewardship Standard at its Parow facility. Through this pilot, it will harness ongoing efforts to improve water use efficiency across its value chain and replenish water back to its source watershed. At the same time, PepsiCo is working with farmers in other regions to install efficient, solar powered, drip irrigation systems that increase yield whilst reducing water use. PepsiCo is also testing tools that allow farmers to quantify on-farm greenhouse gas emissions, enabling them to improve the climate impact of the farm, increase soil quality, and support local biodiversity.

3.4 Rationale for Pioneer Foods

- 3.4.1 As part of PepsiCo, Pioneer Foods will gain access to leading research and development and brand expertise, along with global scale and distribution.
- 3.4.2 Pioneer Foods will be able to drive growth by leveraging PepsiCo's global research and development and brand expertise, geographic footprint and distribution network. This will allow Pioneer Foods to enter new categories, develop new products within existing categories, improve local brand building and strengthen its go-to-market model.
- 3.4.3 Pioneer Foods will have access to PepsiCo's brand portfolio for Africa, including Simba, Doritos, Nik Naks, as well as PepsiCo's bottling network, boosting local presence and go-to-market capability.
- 3.4.4 In addition to the aforementioned, as indicated in paragraph 4.3 of this Circular, the Base Per Share Scheme Consideration represents a premium of 56.5% to the 30-day VWAP of Pioneer Foods of ZAR70.31 (seventy Rand and thirty one cents) per Pioneer Foods Ordinary Share, as at 12 July 2019, being the last trading date prior to the date of the publication of the Cautionary Announcement.
- 3.4.5 The Transaction will provide Pioneer Foods Ordinary Shareholders with an opportunity to dispose of their Scheme Shares for cash at a substantial premium and with manageable transaction risk. Accordingly the Independent Board believes that it is in the interest of Pioneer Foods Shareholders that they be given an opportunity to consider the PepsiCo Offer.

3.5 Broad-Based Black Economic Empowerment (B-BBEE)

- 3.5.1 PepsiCo understands and respects the importance of B-BBEE, both for Pioneer Foods and in the wider context.
- 3.5.2 PepsiCo is aware and supportive of Pioneer Foods' B-BBEE programme and expects to continue these efforts.

4. THE SCHEME

4.1 Overview and effects of the Scheme

- 4.1.1 In terms of section 114(1) of the Companies Act, the Pioneer Foods Board proposes the Scheme as set out in this paragraph 4 between Pioneer Foods and the Pioneer Foods Ordinary Shareholders (other than the holders of the Excluded Shares). The Scheme will constitute an "affected transaction" as defined in section 117(1)(c) of the Companies Act. It will be implemented in accordance with the Companies Act and the Companies Regulations and will be regulated by the Takeover Panel.
- 4.1.2 In terms of the Scheme, subject to the Scheme becoming Operative, the Pepsi Offeror will acquire the Scheme Shares from the Scheme Participants for the Per Share Scheme Consideration, whereupon Pioneer Foods will become a subsidiary of the Pepsi Offeror.
- 4.1.3 If the Scheme becomes Operative:
 - 4.1.3.1 the Scheme Participants (whether they voted in favour of the Scheme or not, or abstained or refrained from voting) shall be deemed to have disposed of and transferred their Scheme Shares (including all rights, interests and benefits attaching thereto), free of Encumbrances, to the Pepsi Offeror on and with effect from the Scheme Implementation Date;
 - 4.1.3.2 the Pepsi Offeror shall acquire and/or be deemed to have acquired registered and beneficial ownership, free of Encumbrances, of all the Scheme Shares on and with effect from the Scheme Implementation Date;
 - 4.1.3.3 the disposal and transfer by each Scheme Participant of the Scheme Shares held by such Scheme Participant to the Pepsi Offeror and the acquisition of registered and beneficial ownership of these Scheme Shares by the Pepsi Offeror pursuant to the provisions of the Scheme, shall be effected on the Scheme Implementation Date;
 - 4.1.3.4 each Scheme Participant shall be deemed to have disposed of and transferred to the Pepsi Offeror, on the Scheme Implementation Date, all of the Scheme Shares held by such Scheme Participant, without any further act or instrument being required; and
 - 4.1.3.5 Scheme Participants shall be entitled to receive the Per Share Scheme Consideration, subject to the provisions of this Circular.
- 4.1.4 Each Scheme Participant irrevocably, unconditionally authorises and empowers Pioneer Foods in *rem suam* (that is, irrevocably for Pioneer Foods' advantage), as principal, with power of substitution, to cause the Scheme Shares held by such Scheme Participant to be disposed of and transferred to, and registered in the name of, the Pepsi Offeror on or at any time after the Scheme Implementation Date, and to do all such things and take all such steps (including the signing of any transfer form) as Pioneer Foods in its discretion considers necessary in order to effect that transfer and registration.



- 4.1.5 The Pepsi Offeror will, on or before the Scheme Implementation Date, transfer or cause to be transferred to Computershare, as agent for and on behalf of Pioneer Foods, a cash amount in ZAR equal to the total Per Share Scheme Consideration to which Scheme Participants are entitled. As agent for and on behalf of Pioneer Foods, Computershare will, once it has received same, discharge the Per Share Scheme Consideration due to Scheme Participants in terms of the Scheme. Scheme Participants will be entitled to receive the Cash Consideration from Computershare only.
- 4.1.6 The Per Share Scheme Consideration shall be settled, in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Pepsi Offeror or Pioneer Foods may otherwise be, or claim to be, entitled against any Scheme Participant.
- 4.1.7 Pioneer Foods, as principal, shall procure that the Pepsi Offeror complies with its obligations under the Scheme, and Pioneer Foods alone shall have the right to enforce those obligations (if necessary) against the Pepsi Offeror.
- 4.1.8 The rights of the Scheme Participants to receive the Per Share Scheme Consideration will be rights enforceable by Scheme Participants against Pioneer Foods only. Scheme Participants will be entitled to require Pioneer Foods to enforce its rights in terms of the Scheme against the Pepsi Offeror.
- 4.1.9 The effect of the Scheme, *inter alia*, will be that the Pepsi Offeror will, with effect from the Scheme Implementation Date, become the registered and beneficial owner of all the Scheme Shares (including all rights, interests and benefits attaching thereto), free of Encumbrances.
- 4.1.10 The Pepsi Offeror and Pioneer Foods agree that, upon the Scheme becoming Operative, they will give effect to the terms and conditions of the Scheme and will take all actions and sign all necessary documents to give effect to and implement the Scheme.
- 4.1.11 The Scheme is subject to, *inter alia*, Pioneer Foods Shareholders' approval. The Excluded Shareholders will be excluded from voting on the Scheme Resolutions.

4.2 Scheme Conditions

- 4.2.1 The Scheme is subject to the fulfilment or waiver, as applicable, of each of the following Conditions:
- 4.2.1.1 Pioneer Foods Shareholders holding no more than 5% of all of the issued Pioneer Foods Shares exercise their Appraisal Rights by (i) delivering notice objecting to the Scheme Resolutions, the Pioneer Foods Class A Repurchase Resolution and/or (as applicable) the BEE Trust Repurchase Resolution as contemplated in section 164(3) of the Companies Act; (ii) voting against all or any of those Resolutions and (iii) delivering their demand, as contemplated in sections 164(5) to 164(8) of the Companies Act, within the maximum time period specified in the Companies Act;
- 4.2.1.2 by the relevant Long Stop Date, each of the Scheme Resolutions is approved by the requisite majority of votes of the Pioneer Foods Shareholders or Pioneer Foods Ordinary Shareholders, as the case may be, as contemplated in section 115(2) of the Companies Act;
- 4.2.1.3 by the relevant Long Stop Date:
- 4.2.1.3.1 the BEE Trust Repurchase Resolution is approved by the requisite majority of votes of the Pioneer Foods Shareholders, as required by section 5.69 of the JSE Listings Requirements (and, if applicable, section 48(8) of the Companies Act);
- 4.2.1.3.2 the Pioneer Foods Class A Repurchase Resolution is approved by the requisite majority of votes of the Pioneer Foods Shareholders, as required by section 5.69 of the JSE Listings Requirements and section 48(8) of the Companies Act;
- 4.2.1.3.3 the PSR Amendment Resolution is approved by the requisite majority of votes of the Pioneer Foods Shareholders; and
- 4.2.1.3.4 the BEE Payment Resolution is approved by the requisite majority of votes of the Pioneer Foods Shareholders;
- 4.2.1.4 by the relevant Long Stop Date, to the extent required in terms of the Companies Act, the High Court of South Africa (“**Court**”) approves the implementation of the Scheme Resolutions, the Pioneer Foods Class A Repurchase Resolution and (as applicable) the BEE Trust Repurchase Resolution;
- 4.2.1.5 if any Person who voted against the Scheme Resolutions, the Pioneer Foods Class A Repurchase Resolution and/or (as applicable) the BEE Trust Repurchase Resolution applies to court for a review of all or any of those resolutions in terms of section 115(3)(b) and section 115(6) of the Companies Act, either:

- 4.2.1.5.1 leave to apply to Court for any such review is refused; or
- 4.2.1.5.2 if leave is so granted, the Court refuses to set aside the Scheme Resolutions, the Pioneer Foods Class A Repurchase Resolution and/or (as applicable) the BEE Trust Repurchase Resolution;
- 4.2.1.6 by the relevant Long Stop Date, the Zeder Shareholder Resolutions are approved by the requisite majority of the votes of Zeder Shareholders at the Zeder General Meeting as contemplated in section 115(2) of the Companies Act and section 9 of the JSE Listings Requirements;
- 4.2.1.7 if Zeder Shareholders holding more than 15% (fifteen per cent) of all of the issued Zeder Shares:
- 4.2.1.7.1 give notice objecting to the Zeder s112 Shareholder Resolution as contemplated in section 164(3) of the Companies Act; and
- 4.2.1.7.2 then vote against the Zeder s112 Shareholder Resolution at the Zeder General Meeting; and
- 4.2.1.7.3 then exercise their appraisal rights, by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act within the maximum period permitted by the Companies Act,
- Zeder has delivered, by the relevant Long Stop Date, a written notice to PepsiCo advising that the condition relating to appraisal rights of Zeder Shareholders (contained in the irrevocable undertaking of Zeder referred to in **Annexure 8** to this Circular), has been waived in accordance with the provisions of such irrevocable undertaking;
- 4.2.1.8 by the relevant Long Stop Date, to the extent Court approval is required by the Companies Act, the Court approves the implementation of the Zeder s112 Shareholder Resolution pursuant to section 115 of the Companies Act;
- 4.2.1.9 by the relevant Long Stop Date, the counterparties to each Change of Control Agreement irrevocably and unconditionally (or conditionally on terms acceptable to PepsiCo) agree in writing in favour of Pioneer Foods and the relevant Member of the Pioneer Foods Group to irrevocably and unconditionally waive all rights (howsoever arising) which arise or might arise directly or indirectly under or pursuant to the Change of Control Agreement directly or indirectly by reason of the entry into and/or implementation of the Transaction, including without limitation rights (howsoever arising) to amend, cancel or terminate the Change of Control Agreement or to acquire or dispose of shares or other assets;
- 4.2.1.10 by the relevant Long Stop Date, all regulatory approvals required to implement the Transaction and the Zeder Share Disposal are obtained, including:
- 4.2.1.10.1 the Takeover Panel issuing compliance certificates to each of Pioneer Foods and Zeder with respect to the Transaction and the Zeder Share Disposal, respectively, in terms of section 121(b) of the Companies Act;
- 4.2.1.10.2 the Competition Authorities granting such approvals as are required in terms of the Competition Act and other applicable Laws to implement the Transaction either unconditionally or subject to conditions acceptable to PepsiCo;
- 4.2.1.10.3 the Financial Surveillance Department of the South African Reserve Bank granting such approvals with respect to the Transaction, and the PepsiCo Group's financing arrangements relating thereto, as are required in terms of the South African Exchange Control Regulations (promulgated in terms of the South African Currency and Exchanges Act No. 9 of 1933) to implement the Transaction either unconditionally, or subject to conditions acceptable to PepsiCo;
- 4.2.1.10.4 the JSE granting such approvals as are required in terms of the JSE Listings Requirements with respect to the Transaction and the Zeder Share Disposal;
- 4.2.1.11 no Pioneer Foods Group Material Adverse Event occurs during the period from the Signature Date, up to the date on which all Conditions, other than those in this paragraph 4.2.1.11 and paragraphs 4.2.1.10.1 and 4.2.1.12 are fulfilled, or where applicable, waived (both dates inclusive); and
- 4.2.1.12 by the relevant Long Stop Date, the Implementation Agreement is not terminated in accordance with its terms.
- 4.2.2 PepsiCo and Pioneer Foods shall use their reasonable endeavours to procure the fulfilment of the Conditions as soon as reasonably practicable.
- 4.2.3 PepsiCo shall be entitled, in its sole and exclusive discretion, by notice in writing delivered to Pioneer Foods, to waive, in whole or in part, all or any of the Conditions stipulated in:
- 4.2.3.1 4.2.1.1, 4.2.1.3 (each individually), 4.2.1.6, 4.2.1.7, 4.2.1.8, 4.2.1.9, 4.2.1.10.2 (in certain circumstances) and/or 4.2.1.11; and/or
- 4.2.3.2 4.2.1.4 and/or 4.2.1.5, if the waiver relates to the Pioneer Foods Class A Repurchase Resolution and/or the BEE Trust Repurchase Resolution.



4.2.4 Save as provided in 4.2.3, neither PepsiCo nor Pioneer Foods may waive any Condition unless that waiver is agreed to in writing by both Pioneer Foods and PepsiCo and is permissible in Law.

4.2.5 An announcement will be released on SENS and published in the South African press as soon as possible after the (i) fulfilment, or waiver, as the case may be, of all of the Conditions or (ii) non-fulfilment of any Condition.

4.3 Per Share Scheme Consideration

Subject to the Scheme becoming Operative, Scheme Participants will receive the Per Share Scheme Consideration for each Scheme Share held by them on the Scheme Consideration Record Date.

4.4 Settlement of the Per Share Scheme Consideration

4.4.1 Pioneer Foods Ordinary Shareholders are referred to the section entitled "Action required by Pioneer Foods Shareholders in relation to the Scheme", commencing on page 9 of the Circular, for further information regarding the steps to be taken by Pioneer Foods Ordinary Shareholders in relation to the settlement of the Per Share Scheme Consideration.

4.4.2 Scheme Participants who hold Dematerialised Pioneer Foods Ordinary Shares will have their accounts held at their CSDP or Broker credited with the Per Share Scheme Consideration due to them and debited with the Pioneer Foods Ordinary Shares they are transferring to the Pepsi Offeror pursuant to the Scheme on the Scheme Implementation Date or, in the case of Dissenting Shareholders who subsequently become Scheme Participants pursuant to paragraph 4.7.1 of this Circular, on the date contemplated in paragraph 4.7.1.2 of this Circular; and

4.4.3 Scheme Participants who hold Certificated Pioneer Foods Ordinary Shares:

4.4.3.1 who have surrendered their Documents of Title and the completed Form of Surrender, Transfer and Acceptance (*blue*) to Computershare at or before 12:00 on the Scheme Consideration Record Date, will have the cheques in respect of the Per Share Scheme Consideration posted to them, at their risk, within 5 South African Business Days of the Scheme Implementation Date, unless they have elected to receive the Per Share Scheme Consideration by way of electronic funds transfer by completing the relevant section on the Form of Surrender, Transfer and Acceptance (*blue*), in which case the Per Share Scheme Consideration will be paid to them in cash on the Scheme Implementation Date by way of electronic funds transfer; or

4.4.3.2 who surrender their Documents of Title and the completed Form of Surrender, Transfer and Acceptance (*blue*) to Computershare after 12:00 on the Scheme Consideration Record Date, will have the cheques in respect of the Per Share Scheme Consideration posted to them, at their risk, or the Per Share Scheme Consideration paid to them by way of an electronic funds transfer (if this option was selected on the Form of Surrender, Transfer and Acceptance (*blue*)), within 5 South African Business Days of Computershare receiving their Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*), unless such Scheme Participants were Dissenting Shareholders who have subsequently become Scheme Participants pursuant to paragraph 4.7.1 of this Circular, in which case such Scheme Participants will still need to surrender their Documents of Title, together with completed Forms of Surrender, Transfer and Acceptance (*blue*), to Computershare and payment of the Per Share Scheme Consideration by cheque will only be posted to such Scheme Participants, at their risk, or paid to them by way of electronic funds transfer (if this option was selected on the Form of Surrender, Transfer and Acceptance (*blue*)) on the date contemplated in paragraph 4.7.1.2 of this Circular.

4.4.3 If:

4.4.3.1 a Scheme Participant who holds Certificated Pioneer Foods Ordinary Shares fails to surrender its Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to Computershare;

4.4.3.2 a Dissenting Shareholder subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1.2 of this Circular;

the Per Share Scheme Consideration due to such Scheme Participants will be held in trust by Pioneer Foods (or its appointed agent) on behalf of such Scheme Participants for a period of three years from the Scheme Implementation Date, after which the Per Share Scheme Consideration will be paid to the benefit of the Guardian's Fund of the Master of the High Court. In this regard such Scheme Participants irrevocably authorises and appoints each of Pioneer Foods, PepsiCo and/or the Pepsi Offeror (or their respective agents, as appointed by each of them), in *rem suam* (that is, irrevocably for their advantage), with full power of substitution, to act as agent in the name, place and stead of such Scheme Participants to pay the Per Share Scheme Consideration to the benefit of the Guardian's Fund in the aforesaid manner.

4.4.4 For the avoidance of doubt, no interest will accrue for the benefit of Scheme Participants on the Per Share Scheme Consideration.

4.5 No Encumbrance

Each Scheme Participant is deemed, on and with effect from the Scheme Implementation Date, to have warranted and undertaken in favour of the Pepsi Offeror that (i) the relevant Scheme Shares are not subject to a pledge or otherwise Encumbered, or (ii) if subject to any such pledge or Encumbrance, such Scheme Shares shall be released from such pledge or other Encumbrance immediately on payment and discharge of the Per Share Scheme Consideration. In this regard such Scheme Participants irrevocably authorise and appoint Pioneer Foods, PepsiCo and the Pepsi Offeror, in *rem suam* (that is, irrevocably for Pioneer Foods', PepsiCo's and the Pepsi Offeror's advantage), with full power of substitution, to act as agent in the name, place and stead of such Scheme Participants in doing all things and signing all documents in ensuring that the relevant Scheme Shares are released from any pledge or Encumbrance, including the removal of any endorsements to that effect present in the Register.

4.6 Pepsi Offeror

4.6.1 Notwithstanding anything to the contrary in this Circular, the Pepsi Offeror shall be the entity which will acquire title to the Scheme Shares in terms of the Scheme.

4.6.2 PepsiCo confirms that the Pepsi Offeror will be the ultimate acquirer of the Scheme Shares and that the Pepsi Offeror is acting alone and not in concert with any other Person.

4.7 Dissenting Shareholders

4.7.1 Any Dissenting Shareholder that withdraws its demand made in terms of sections 164(5) to 164(8) of the Companies Act, either voluntarily or pursuant to an order of Court, or that allows an offer by Pioneer Foods in terms of section 164(11) of the Companies Act to lapse without exercising its rights in terms of section 164(14) of the Companies Act, shall, if that Dissenting Shareholder withdrew its demand or allowed the offer to lapse:

4.7.1.1 on or prior to the Scheme Consideration Record Date, be deemed to be a Scheme Participant and be subject to the provisions of the Scheme; and

4.7.1.2 after the Scheme Consideration Record Date, be deemed to have been a Scheme Participant and be subject to the provisions of the Scheme, provided that settlement of the Per Share Scheme Consideration due to such Dissenting Shareholder, and the transfer of such Dissenting Shareholder's Pioneer Foods Ordinary Shares to the Pepsi Offeror, shall take place on the latest of (i) the Scheme Implementation Date, (ii) the date which is 5 South African Business Days after that Dissenting Shareholder so withdrew its demand or allowed the offer to lapse, as the case may be, and (iii) if that Pioneer Foods Ordinary Shareholder is a Certificated Pioneer Foods Ordinary Shareholder, the date which is 5 South African Business Days after that Dissenting Shareholder shall have surrendered its Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to Computershare.

4.7.2 The wording of section 164 of the Companies Act (which sets out the Appraisal Rights) is included in **Annexure 7** to this Circular.

4.8 Foreign and Emigrant Pioneer Foods Ordinary Shareholders and Exchange Control Regulations

Annexure 6 to this Circular contains a summary of the Exchange Control Regulations as they apply to Scheme Participants. Scheme Participants who are not resident in, or who have a registered address outside of, South Africa, must satisfy themselves as to the full observance of the Laws of any relevant territory concerning the receipt of the Per Share Scheme Consideration, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes due in such territory.

4.9 Cash Confirmation

4.9.1 The Takeover Panel has been furnished with an irrevocable unconditional guarantee issued by JPMorgan Chase Bank, N.A., Johannesburg Branch ("**JPM**"), in accordance with regulation 111(4)(a) of the Companies Regulations, in which JPM has agreed to pay up to a maximum guaranteed amount equal to ZAR25 400 000 000 (twenty five billion and four hundred million Rand) in relation to:

4.9.1.1 the Per Share Scheme Consideration payable to all Scheme Participants;

4.9.1.2 the Per Class A Share Comparable Offer Consideration payable in relation to the Pioneer Foods Class A Share Comparable Offer;

4.9.1.3 the consideration payable by Pioneer Foods for the BEE Trust Residual Repurchase Shares under the BEE Trust Repurchase; and

4.9.1.4 any amount payable as consideration for the cancellation of the Phantom Share Rights pursuant to paragraph 6.2.3 below,

if the Pepsi Offeror fails to do so, pursuant to fulfilment or, where applicable, waiver of the Conditions.



4.10 Restricted jurisdictions

- 4.10.1 To the extent that the distribution of this Circular in certain jurisdictions outside of South Africa may be restricted or prohibited by the Laws of such foreign jurisdiction, then this Circular is deemed to have been provided for information purposes only, and none of Pioneer Foods, PepsiCo and the Pepsi Offeror and their respective boards of directors accept any responsibility for any failure by Pioneer Foods Shareholders to inform themselves about, and to observe, any applicable legal requirements in any relevant foreign jurisdiction.
- 4.10.2 Pioneer Foods Shareholders who are in doubt as to their position should consult their professional advisors.

4.11 Undertakings

PepsiCo and Pioneer Foods have agreed that, upon the Scheme becoming Operative, they will give effect to the terms and conditions of the Scheme and will take all actions and sign all necessary documents to give effect to the Scheme.

4.12 Amendment or variation of the Scheme

Subject to compliance with applicable Law including the requirements of the JSE and the Takeover Panel, no amendment or variation of the Scheme shall be valid unless it is consented to by Pioneer Foods and PepsiCo in writing, provided that the Pepsi Offeror shall, notwithstanding anything to the contrary in the Implementation Agreement or this Circular, be entitled to (without the consent of Pioneer Foods) propose a higher consideration than the Per Share Scheme Consideration.

4.13 Termination of the Scheme

- 4.13.1 Pioneer Foods Shareholders are advised that, notwithstanding that the Resolutions may have been approved at the General Meeting:
- 4.13.1.1 the Scheme will automatically fail or lapse if the Implementation Agreement is terminated on or before the Scheme Finalisation Date, in circumstances as more fully set out in paragraph 9.4 of this Circular below;
- 4.13.1.2 in terms of section 115(3) of the Companies Act, Pioneer Foods will, in certain circumstances, not be permitted, to proceed to implement the Scheme without the approval of the Court. A copy of section 115 of the Companies Act pertaining to the required approval(s) for the Scheme is set out in **Annexure 7** to this Circular. Pioneer Foods has agreed in the Implementation Agreement that it will not treat any Resolution as a nullity (as contemplated in section 115(5)(b) of the Companies Act).
- 4.13.2 Failure or lapsing of the Scheme shall be without prejudice to the rights of Pioneer Foods or PepsiCo to bring any other claim or action available at Law against the other arising from a breach of the Implementation Agreement, and shall not affect those provisions of the Implementation Agreement which expressly provide they will operate after any such failure or lapsing of the Scheme or which by implication must continue to have effect thereafter.
- 4.13.3 The failure or lapsing of the Scheme will not impact the Standby Offer which will automatically become effective upon the occurrence of a Standby Offer Trigger Event.

4.14 General

The Scheme is governed by the Laws of South Africa. Each of Pioneer Foods, PepsiCo and the Pepsi Offeror submits, and each Scheme Participant shall be deemed to have irrevocably submitted, to the non-exclusive jurisdiction of the High Court of South Africa, Western Cape Division, Cape Town, in relation to all matters arising out of or in connection with the Scheme.

5. THE PIONEER FOODS CLASS A SHARE COMPARABLE OFFER AND PIONEER FOODS CLASS A REPURCHASE

- 5.1 The Pioneer Foods Class A Shares are held by the Pioneer Foods Employee Share Trust.
- 5.2 In terms of (i) the rights, privileges, limitations and terms of the Pioneer Foods Class A Shares and (ii) the trust deed of the Pioneer Foods Employee Share Trust, as amended by the Pioneer Foods Employee Share Trust Addendum, the EST Trustees are entitled to sell the Pioneer Foods Class A Shares to Pioneer Foods or nominees of Pioneer Foods, on terms approved by Pioneer Foods in writing.
- 5.3 By reason of the Pepsi Offeror making the PepsiCo Offer, the Pepsi Offeror is obliged in terms of the Companies Act to make a Comparable Offer to the Pioneer Foods Class A Shareholder.
- 5.4 In discharge of the Pepsi Offeror's obligation to make a Comparable Offer to the Pioneer Foods Class A Shareholder, the Pepsi Offeror, Pioneer Foods and the Pioneer Foods Class A Shareholder have entered into the Pioneer Foods Class A Share Repurchase Agreement whereby the EST Trustees have:

- 5.4.1 subject to the fulfilment or, where applicable, waiver of the Conditions, whether to the Scheme or the Standby Offer, agreed to sell all the Pioneer Foods Class A Shares in issue, as follows:
- 5.4.1.1 subject to paragraph 5.4.1.2 below, to Pioneer Foods at a consideration per share equal to the Per Class A Share Comparable Offer Consideration, whereupon those Pioneer Foods Class A Shares will be cancelled as issued shares; or
- 5.4.1.2 to the Pepsi Offeror at a consideration equal to the Per Class A Share Comparable Offer Consideration, if:
- 5.4.1.2.1 (i) the Pioneer Foods Class A Repurchase Resolution is not approved by the requisite majority of votes of the Pioneer Foods Shareholders, (ii) PepsiCo waives the Pioneer Foods Class A Repurchase Resolution as a Condition and (iii) the other Conditions to the Scheme are fulfilled or, where applicable, waived;
- 5.4.1.2.2 (i) the Pioneer Foods Class A Repurchase Resolution is not approved by the requisite majority of votes of the Pioneer Foods Shareholders, (ii) a Standby Offer Trigger Event occurs, (iii) PepsiCo waives the Pioneer Foods Class A Repurchase Resolution as a Condition and (iv) the other Conditions to the Standby Offer are fulfilled or, where applicable, waived; or
- 5.4.1.2.3 the Conditions are fulfilled or, where applicable waived, but Pioneer Foods is, by Law, prohibited from paying the amount payable as consideration for the Pioneer Foods Class A Share Repurchase by reason of the requirements of sections 46 and 48 of the Companies Act in relation to solvency and liquidity; and
- 5.4.2 irrevocably and unconditionally agreed to not exercise their Appraisal Rights.
- 5.5 The Pepsi Offeror will advance to Pioneer Foods the funding required to repurchase all the Pioneer Foods Class A Shares in issue at the Per Class A Share Comparable Offer Consideration. Settlement to the Pioneer Foods Class A Shareholder will be made after withholding of amounts for employees tax.
- 5.6 In addition Pioneer Foods has:
- 5.6.1 selected the Pepsi Offeror as a nominee to purchase, and consents to the sale by the EST Trustees of, the Pioneer Foods Class A Shares in circumstances set out in paragraph 5.4.1.2; and
- 5.6.2 undertaken that it will not consent to the Pioneer Foods Employee Share Trust, or any beneficiary of the Pioneer Foods Employee Share Trust, Disposing of all or any of its Pioneer Foods Class A Shares (or any rights forming part thereof) in any manner, save to:
- 5.6.2.1 Pioneer Foods or the Pepsi Offeror in accordance with the Pioneer Foods Class A Share Repurchase Agreement; or
- 5.6.2.2 Pioneer Foods in accordance with the MOI and the trust deed of the Pioneer Foods Employee Share Trust, pursuant to termination of employment.
- 5.7 The Pioneer Foods Class A Repurchase is subject to Pioneer Foods Shareholder approval and the Scheme or the Standby Offer, as applicable, becoming Operative.

6. THE PSR COMPARABLE OFFER AND THE PSR AMENDMENT

- 6.1 By reason of the Pepsi Offeror making the PepsiCo Offer, the Pepsi Offeror will be obliged in terms of the Companies Act to make a Comparable Offer to the PSR Holders.
- 6.2 In discharge of the Pepsi Offeror's obligation to make the PSR Comparable Offer:
- 6.2.1 the "Directors" (as defined in the Phantom Share Plan Rules) have determined by resolution in terms of the discretion granted to them in the Phantom Share Plan Rules that all Phantom Share Rights will be deemed to be exercised, without the need for any action on the part of the PSR Holders, on the first South African Business Day following the date on which the Conditions are fulfilled or, where applicable waived, at a deemed "Exercise Price" (as defined in the Phantom Share Plan Rules) equal to the Per Share Scheme Consideration or the Standby Offer Consideration;
- 6.2.2 accordingly, all Pioneer Foods Ordinary Shares (as calculated in terms of clause 8.2 of the Phantom Share Plan Rules) which are issued or transferred to PSR Holders as a result of and in settlement of the automatic exercise, will:
- 6.2.2.1 constitute Scheme Shares. Pioneer Foods will issue, or procure the transfer of, the Pioneer Foods Ordinary Shares referred to in this paragraph 6.2.2 to the PSR Holders as soon as reasonably possible after the Scheme Finalisation Date, but in any event before the Scheme Consideration Record Date; or



- 6.2.2.2 participate in the Standby Offer;
- 6.2.3 if (i) the PSR Amendment Resolution is not approved by the requisite majority of Pioneer Foods Shareholders at the General Meeting, (ii) PepsiCo elects to waive the PSR Amendment Resolution as a Condition and (iii) the other Conditions are fulfilled or, where applicable waived, Pioneer Foods will procure that the relevant Members of the Pioneer Foods Group offer to each PSR Holder holding Phantom Share Rights on the South African Business Day succeeding the Scheme Consideration Record Date (or, if applicable, the Standby Offer Closing Date), as applicable, the right to cancel all of his or her Phantom Share Rights. If a PSR Holder accepts that offer within the period permitted for acceptance, Members of the Pioneer Foods Group, funded by the Pepsi Offeror, will pay the Per PSR Holder Comparable Offer Consideration to that PSR Holder. Settlement to the PSR Holders will be made after withholding of amounts for employees tax.
- 6.3 The PSR Amendment is subject to Pioneer Foods Shareholder approval and will be effective even if any of the other Conditions Fail. The deemed exercise in paragraph 6.2.1 is subject to the Scheme or the Standby Offer (if applicable), becoming Operative.

7. THE BEE TRUST REPURCHASE

- 7.1 Pioneer Foods is entitled to exercise the Pioneer Foods Repurchase Option if:
 - 7.1.1 an actual or proposed scheme of arrangement occurs during the notional funding period and the BEE Trust Pioneer Foods Shares will be, or are, in the opinion of Pioneer Foods likely to be, compulsorily acquired from the BEE Trust;
 - 7.1.2 or a general offer is made to Pioneer Foods Shareholders.
- 7.2 By reason of the proposal of the Pepsi Offer:
 - 7.2.1 the Pioneer Foods Board has unanimously resolved to reduce the "Lock-in Period" (as defined in the 2012 BEE Subscription Agreement), and to exercise the Pioneer Foods Repurchase Option; and
 - 7.2.2 Pioneer Foods has exercised the Pioneer Foods Repurchase Option with effect from the South African Business Day succeeding (i) the Scheme Finalisation Date or, (ii) if applicable, the date the Standby Offer becomes Operative,
 - subject to the approval of the BEE Trust Repurchase Resolution by the requisite majority of votes of the Pioneer Foods Shareholders and to the other Conditions being fulfilled or, where applicable waived.
- 7.3 Pioneer Foods has undertaken to not retract or revoke that exercise of the Pioneer Foods Repurchase Option without PepsiCo's prior written consent.
- 7.4 In addition, in order to facilitate the disposal by the BEE Trust of the BEE Trust Residual Repurchase Shares, Pioneer Foods has exercised the Pioneer Foods Call Option, pursuant to the 2012 BEE Subscription Agreement, with effect from the South African Business Day succeeding (i) the Scheme Finalisation Date or (ii) if applicable, the date on which the Standby Offer becomes Operative, subject to the approval of the BEE Trust Repurchase Resolution by the requisite majority of votes of the Pioneer Foods Shareholders and to the other Conditions being fulfilled or, where applicable, waived. The Pepsi Offeror will fund the repurchase of the BEE Trust Residual Repurchase Shares by way of a payment or advance to Pioneer Foods (but not fund the repurchase of the BEE Trust Repurchase Shares).
- 7.5 The BEE Trust is not a related party to Pioneer Foods for purposes of the JSE Listings Requirements.
- 7.6 The BEE Trust Repurchase is subject to Pioneer Foods Shareholder approval, and the Scheme or the Standby Offer, as applicable, becoming Operative.

8. BEE PAYMENT

- 8.1 Certain direct or indirect participants in the 2012 BEE Transaction ("**BEE Transaction Participants**") elected to sell the Pioneer Foods Ordinary Shares they directly or indirectly held to Pioneer Foods. Pioneer Foods acquired in aggregate 11 563 013 (eleven million five hundred and sixty three thousand and thirteen) Pioneer Foods Shares from them on 15 March 2019 at a price of ZAR78.19 (seventy eight Rand and nineteen cents) per Pioneer Foods Ordinary Share ("**March BEE Repurchase**").
- 8.2 A non-binding expression of interest to enter into the Transaction was subsequently received by Pioneer Foods from PepsiCo.

8.3 Considering that (i) the BEE Transaction Participants were not entitled to freely dispose of their Pioneer Foods Ordinary Shares prior to the March BEE Repurchase, (ii) Pioneer Foods benefitted from the shareholding of the BEE Transaction Participants in Pioneer Foods under applicable broad-based black economic empowerment legislation, and (iii) the non-binding expression of interest was received shortly after the implementation of the March BEE Repurchase, the Pioneer Foods Independent Board decided that Pioneer Foods will, on the Scheme Implementation Date, subject to the fulfilment or where applicable, waiver of the Conditions relating to the Scheme, pay the BEE Transaction Participants (whether directly or indirectly, as Pioneer Foods determines acting reasonably) an amount of R7.50 per each of the 11 563 013 (eleven million five hundred and sixty three thousand and thirteen) Pioneer Foods Ordinary Shares repurchased from such BEE Transaction Participants in terms of the March BEE Repurchase, totalling in aggregate ZAR86 722 597.50 (eighty six million seven hundred and twenty two thousand and five hundred and ninety seven Rand and fifty cents) ("**BEE Payment**").

8.4 The BEE Payment is subject to Pioneer Foods Shareholders' approval.

9. MATERIAL PROVISIONS OF THE IMPLEMENTATION AGREEMENT

9.1 Non-solicitation by Pioneer Foods

9.1.1 In terms of the Implementation Agreement, Pioneer Foods has undertaken, subject to Pioneer Foods and the Independent Board complying with their obligations in terms of the Companies Act, to PepsiCo that, during the Exclusivity Period, Pioneer Foods shall (and Pioneer Foods shall procure that each other Member of the Pioneer Foods Group and each other Pioneer Foods Group Representative shall), except with the written consent of PepsiCo:

9.1.1.1 refrain from initiating or entering into or participating in any:

9.1.1.1.1 Negotiations; or

9.1.1.1.2 Arrangements,

constituting, relating to, or which might reasonably be expected to lead to, a Competing Pioneer Foods Proposal; provided that Pioneer Foods shall not be in breach of these provisions simply in accepting a meeting invitation from, and/or meeting, a Person in circumstances where Pioneer Foods has no reasonable basis for thinking that the Person has requested the meeting for a purpose (whether or not the sole purpose) that constitutes or relates to a Competing Pioneer Foods Proposal. If Pioneer Foods meets a Person and it becomes reasonably clear that the Person has requested the meeting for a purpose (whether or not the sole purpose) that constitutes, relates to, or which might reasonably be expected to lead to, a Competing Pioneer Foods Proposal, Pioneer Foods shall in such circumstances inform the Person to follow the procedures set out in the Companies Act, notify such Person that Pioneer Foods is subject to the provisions of the Implementation Agreement and thereafter bring the meeting to an end;

9.1.1.2 terminate any Negotiations which have been entered into by it on or prior to the Signature Date constituting, relating to, or which might reasonably be expected to lead to, a Competing Pioneer Foods Proposal;

9.1.1.3 refrain from directly or indirectly soliciting, encouraging, initiating, facilitating or seeking to procure any Negotiations or Arrangements constituting, relating to, or which might reasonably be expected to lead to, a Competing Pioneer Foods Proposal;

9.1.1.4 notify PepsiCo in writing within 3 (three) Business Days after the date on which:

9.1.1.4.1 any Person makes an unsolicited approach constituting, relating to, or which might reasonably be expected to lead to, a Competing Pioneer Foods Proposal; or

9.1.1.4.2 Pioneer Foods decides to make any information available to a particular *bona fide* offeror or potential offeror; and

9.1.1.5 not enter into any Arrangement to do any of the acts prohibited by the provisions of the Implementation Agreement set out in the foregoing provisions of this paragraph 9.1, unless required by Law to do so.

9.1.2 Notwithstanding the provisions of the Implementation Agreement set out in paragraph 9.1.1, if the Pioneer Foods Board receives a Competing Pioneer Foods Proposal from time to time which the Pioneer Foods Board, acting reasonably and in good faith, considers to be a Superior Competing Pioneer Foods Proposal, then without derogating from PepsiCo's other rights in Law or under the Implementation Agreement (including paragraph 9.4 below), Pioneer Foods shall, until the Pioneer Foods Shareholder Decision Date, be entitled to enter into or participate in Negotiations, and enter into an Arrangement, relating to that Superior Competing Pioneer Foods Proposal, but only if:



- 9.1.2.1 Pioneer Foods has received a written proposal setting out the terms and conditions of such Superior Competing Pioneer Foods Proposal in sufficient detail to enable that Superior Competing Pioneer Foods Proposal to be compared in detail with the Transaction;
- 9.1.2.2 the Independent Board is of the reasonable and good faith opinion that it would be a breach of the directors' fiduciary duties, or their other obligations in Law in their capacity as directors, if it does not enter into or participate in Negotiations during the Exclusivity Period relating to such Superior Competing Pioneer Foods Proposal;
- 9.1.2.3 Pioneer Foods has not, directly or indirectly, solicited, encouraged, initiated or sought to procure the Superior Competing Pioneer Foods Proposal or the approach of the Competing Party;
- 9.1.2.4 within 2 Business Days after receipt of the Superior Competing Pioneer Foods Proposal, Pioneer Foods notifies PepsiCo in writing of the salient terms and conditions of the Superior Competing Pioneer Foods Proposal and the identity of the Competing Party and its ultimate holding company or principal (if known); and
- 9.1.2.5 PepsiCo or the Pepsi Offeror fails, within 10 Business Days of receiving the written notice referred to in paragraph 9.1.2.4 ("**Matching Period**"), to confirm in writing that PepsiCo or the Pepsi Offeror will vary or amend the terms and conditions of the Scheme such that the new terms and conditions of the Scheme ("**Matching Terms**") are at least as favourable to Pioneer Foods Shareholders as the Superior Competing Pioneer Foods Proposal.
- 9.1.3 The provisions of the Implementation Agreement set out in paragraph 9.1.2 will apply again if the Pioneer Foods Board receives a subsequent Superior Competing Pioneer Foods Proposal(s) (whether or not from a new offeror).
- 9.1.4 The Pioneer Foods Independent Board shall not:
 - 9.1.4.1 up until the Pioneer Foods Shareholder Decision Date, be entitled to withdraw, modify or qualify (i) its unanimous recommendation of the PepsiCo Offer to Pioneer Foods Shareholders, its unanimous recommendation of the Pioneer Foods Class A Share Comparable Offer to the Pioneer Foods Class A Shareholders, its unanimous recommendation of the PSR Comparable Offer to the PSR Holders and its unanimous recommendation that Pioneer Foods Shareholders vote in favour of the Resolutions, or (ii) its view that the Per Share Scheme Consideration, the Per Class A Share Comparable Offer Consideration and the Per PSR Holder Comparable Offer Consideration is fair and reasonable, unless the Pioneer Foods Board receives a Superior Competing Pioneer Foods Proposal, PepsiCo fails to confirm in writing within the Matching Period that it will provide Matching Terms and the Pioneer Foods Board concludes thereafter that such withdrawal, modification or qualification is necessary to ensure that the directors of Pioneer Foods are not in breach of their fiduciary duties; and
 - 9.1.4.2 after the Pioneer Foods Shareholder Decision Date, be entitled for any reason to withdraw, modify or qualify (i) its unanimous recommendation of the PepsiCo Offer to Pioneer Foods Shareholders, its unanimous recommendations of the Class A Share Comparable Offer to the Pioneer Foods Class A Shareholders, its unanimous recommendation of the PSR Comparable Offer to the PSR Holders and its unanimous recommendation that Pioneer Foods Shareholders vote in favour of the Scheme Resolutions, or (ii) its view that any of the Per Share Scheme Consideration or Per Class A Share Comparable Offer Consideration is fair and reasonable.
- 9.1.5 The provisions of the Implementation Agreement set out in paragraphs 9.1.2 and 9.1.4 (both inclusive) do not derogate from PepsiCo's other rights and remedies under the Implementation Agreement or in Law, including those set out in paragraph 9.4.

9.2 Other Exclusivity Period undertakings

In terms of the Implementation Agreement, Pioneer Foods has provided during the Exclusivity Period certain interim period undertakings to PepsiCo that are appropriate for a transaction of the nature of the Transaction.

9.3 Representations and warranties

In terms of the Implementation Agreement each of Pioneer Foods and PepsiCo has provided to each other representations and warranties appropriate for a transaction of the nature of the Transaction, including but not limited to warranties in relation to power, capacity and authority to enter into and perform its obligations under the Implementation Agreement.

9.4 Termination

- 9.4.1 The Implementation Agreement shall terminate with immediate effect and all rights and obligations of Pioneer Foods and PepsiCo under the Implementation Agreement shall, subject to the surviving provisions of the Implementation Agreement, cease in terms of the Implementation Agreement, in any of the following circumstances:
 - 9.4.1.1 on written notice of termination by PepsiCo to Pioneer Foods if:

PepsiCo termination rights (leading to a Break Fee)

- 9.4.1.1.1 the Independent Board withdraws, modifies or qualifies its recommendation of the PepsiCo Offer to Pioneer Foods Ordinary Shareholders, its recommendation of the Pioneer Foods Class A Share Comparable Offer to the Pioneer Foods Class A Shareholder, its recommendation of the PSR Comparable Offer to the PSR Holders and/or its recommendation that Pioneer Foods Shareholders vote in favour of the Scheme Resolutions and/or withdraws, modifies or qualifies its view that the Per Share Scheme Consideration, the Per PSR Holder Comparable Offer Consideration and/or the Per Class A Share Comparable Offer Consideration are fair and reasonable to Pioneer Foods Shareholders;
- 9.4.1.1.2 the Independent Board approves or recommends a Competing Pioneer Foods Proposal, whether or not conditionally and whether or not that approval or recommendation is legally binding on Pioneer Foods;
- 9.4.1.1.3 all conditions precedent to a Competing Pioneer Foods Proposal are fulfilled or, where applicable, waived and a Competing Pioneer Foods Proposal is completed;
- 9.4.1.1.4 Pioneer Foods breaches the provisions of the Implementation Agreement set out in paragraph 9.1 above and, if such breach is capable of remedy fails to remedy such breach within 10 Business Days of a written notice from PepsiCo to Pioneer Foods requiring same; or
- 9.4.1.1.5 Pioneer Foods commits a material breach of the provisions of the Implementation Agreement and, if such breach is capable of remedy, Pioneer Foods fails to remedy such breach within the remedy period provided in the Implementation Agreement (or if no such remedy period is provided, then within 10 Business Days of a written notice from PepsiCo to Pioneer Foods requiring same);

PepsiCo termination rights (no Break Fee)

- 9.4.1.1.6 the Zeder General Meeting Circular is not sent to the Zeder Shareholders by 30 November 2019 (or such later date(s) as is/are agreed in writing between PepsiCo and Pioneer Foods from time to time);
- 9.4.1.1.7 Zeder's independent board withdraws, modifies or qualifies (i) its recommendation to any Zeder Shareholders to vote in favour of the Zeder Shareholder Resolutions, and/or (ii) its view that the Per Share Scheme Consideration is fair and reasonable to Zeder Shareholders and/or, more generally, its support for the Transaction and/or the Zeder Share Disposal; or
- 9.4.1.1.8 Pioneer Foods or any Material Pioneer Foods Group Member is the subject of an Insolvency Event;

Pioneer Foods termination rights (leading to a Reverse Break Fee)

- 9.4.1.2 on written notice of termination by Pioneer Foods to PepsiCo if:
 - 9.4.1.2.1 PepsiCo commits a material breach of the provisions of the Implementation Agreement and, if such breach is capable of remedy, PepsiCo fails to remedy such breach within the remedy period provided in the Implementation Agreement (or if no such remedy period is provided, then within 10 Business Days of a written notice from Pioneer Foods to PepsiCo requiring same);
 - 9.4.1.2.2 PepsiCo engages in a sustained course of action which exhibits a clear-cut, deliberate and unequivocal intention on its part to no longer to be bound by the Transaction and/or the Transaction Agreements. For the avoidance of doubt and without limitation, PepsiCo shall not be regarded as having engaged in such a course of action merely because it:
 - 9.4.1.2.2.1 disagrees with, disputes, debates, appeals against, questions or makes any counter-proposal to, conditions which a Governmental Authority imposes or proposes to impose on the granting of any regulatory approval required to implement the Transaction and the Transaction Agreements; or
 - 9.4.1.2.2.2 fails to take an action that would lead to it to incur an undue or disproportionate cost, liability or expense (whether actual, conditional or contingent);

Other termination rights applicable to both PepsiCo and Pioneer Foods (no Break Fee or Reverse Break Fee)

- 9.4.1.3 on written notice of termination by either PepsiCo or Pioneer Foods to the other if it becomes illegal to implement all or a material part of the Transaction; or
- 9.4.1.4 by mutual written agreement between Pioneer Foods and PepsiCo.
- 9.4.2 Termination of the Implementation Agreement shall be without prejudice to the rights that Pioneer Foods, PepsiCo and the Pepsi Offeror have against each other which have arisen prior to termination and/or the rights of any of Pioneer Foods, PepsiCo and the Pepsi Offeror to bring any other claim or action available under the Implementation Agreement or at law against another arising from a breach of the Implementation Agreement.



- 9.4.3 Notwithstanding the above, the Implementation Agreement cannot be terminated after the Scheme Finalisation Date.
- 9.4.4 The Standby Offer will automatically become effective upon the occurrence of a Standby Offer Trigger Event, even if the Implementation Agreement has been terminated.

10. BREAK FEE

- 10.1 Pioneer Foods undertakes to pay to PepsiCo or PepsiCo's nominee a break fee equal to ZAR115 000 000 (one hundred and fifteen million Rand) excluding value-added tax ("**Break Fee**"), if PepsiCo terminates the Implementation Agreement pursuant to the events set out in paragraphs 9.4.1.1.1, 9.4.1.1.2, 9.4.1.1.3, 9.4.1.1.4 or 9.4.1.1.5. For the avoidance of doubt, the Break Fee shall not be payable more than once by Pioneer Foods even if more than one of the events listed in paragraphs 9.4.1.1.1, 9.4.1.1.2, 9.4.1.1.3, 9.4.1.1.4 or 9.4.1.1.5 occur.
- 10.2 PepsiCo undertakes to pay to Pioneer Foods or Pioneer Foods' nominee a break fee equal to ZAR115 000 000 (one hundred and fifteen million Rand) excluding value-added tax ("**Reverse Break Fee**"), if Pioneer Foods terminates the Implementation Agreement pursuant to an event listed in clause 9.4.1.2. For the avoidance of doubt, the Reverse Break Fee shall not be payable more than once by PepsiCo even if more than one of the events listed in paragraph 9.4.1.2 occur.
- 10.3 Pioneer Foods or PepsiCo (as applicable) shall pay the Break Fee or Reverse Break Fee (as applicable) to PepsiCo or its nominee, or to Pioneer Foods or its nominee, within 10 Business Days of written demand from PepsiCo or Pioneer Foods (as applicable).
- 10.4 Notwithstanding anything to the contrary in the Implementation Agreement or any other Transaction Agreement, the remedy provided to PepsiCo in 10.1 and Pioneer Foods in 10.2 is:
- 10.4.1 PepsiCo's and Pioneer Foods' (as applicable) sole and exclusive remedy arising from the occurrence of an event set out in paragraphs 9.4.1.1.1, 9.4.1.1.2, 9.4.1.1.3, 9.4.1.1.4 or 9.4.1.1.5 and paragraph 9.4.1.2 (as applicable) which results in a termination of the Implementation Agreement; and
- 10.4.2 granted to the exclusion of (i) a claims for damages or (ii) any other remedy which would, but for the provisions of the Implementation Agreement set out in this paragraph 10.4, be available under Law or the Implementation Agreement arising from the occurrence of an event in paragraphs 9.4.1.1.1, 9.4.1.1.2, 9.4.1.1.3, 9.4.1.1.4 or 9.4.1.1.5 and paragraph 9.4.1.2 (as applicable) which results in a termination of the Implementation Agreement,
- but shall not prevent PepsiCo and Pioneer Foods (as applicable) from seeking an interdict or an order of specific performance pursuant to the occurrence, or anticipated occurrence, of an event set out in paragraphs 9.4.1.1.1, 9.4.1.1.2, 9.4.1.1.3, 9.4.1.1.4 or 9.4.1.1.5 and paragraph 9.4.1.2 (as applicable).

11. JSE PROVISIONS

11.1 Adequacy of Capital

- 11.1.1 The Pioneer Foods Directors have considered the impact of the Repurchases and are of the opinion that:
- 11.1.1.1 the relevant provisions of sections 4, 46 and 48 of the Companies Act in relation to the Repurchases have been complied with or will be complied with;
- 11.1.1.2 the Pioneer Foods Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months from the date of approval of this Circular;
- 11.1.1.3 the assets of the Pioneer Foods Group will be in excess of its liabilities for a period of 12 months from the date of approval of this Circular, where for this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the Pioneer Foods Group;
- 11.1.1.4 the share capital and reserves of the Pioneer Foods Group will be adequate for ordinary business purposes for a period of 12 months from the date of approval of this Circular; and
- 11.1.1.5 the working capital of the Pioneer Foods Group will be adequate for ordinary business purposes for a period of 12 months from the date of approval of this Circular.
- 11.1.2 Furthermore, the Pioneer Foods Directors state as follows:
- 11.1.2.1 in terms of section 46(1)(a)(ii) of the Companies Act and paragraph 5.69(d) of the JSE Listings Requirements, the Pioneer Foods Board has, by resolution, authorised the Repurchases;

11.1.2.2 in terms of section 46(1)(b) of the Companies Act, it reasonably appears that Pioneer Foods and the Pioneer Foods Group will satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act ("**Solvency and Liquidity Test**") immediately after completing the Repurchases; and

11.1.2.3 in terms of section 46(1)(c) of the Companies Act and paragraph 5.69 of the JSE Listings Requirements, the Pioneer Foods Board has, by resolution, acknowledged that it has applied the Solvency and Liquidity Test, and reasonably concluded that Pioneer Foods and the Pioneer Foods Group will satisfy the Solvency and Liquidity Test immediately after completing the Repurchases and that, since the Solvency and Liquidity Test was performed, there have been no material changes to the financial position of any company of the Pioneer Foods Group.

11.2 Share Capital

11.2.1 As at the Last Practicable Date, the authorised and issued share capital of Pioneer Foods, before the implementation of the Repurchases, are as follows

BEFORE THE REPURCHASES	R'000
Authorised	
400 000 000 ordinary shares with a par value of 10 cents each	40 000
18 130 000 class A ordinary shares with a par value of 10 cents each	1 813
Issued	
221 796 399 ordinary shares with a par value of 10 cents each	22 180
2 662 940 class A ordinary shares with a par value of 10 cents each	266
Share premium	1 217 483
Total share capital	1 239 929

11.2.2 Assuming that each of the BEE Trust Resolution and the Pioneer Foods Class A Repurchase Resolution is approved by the requisite majority of Pioneer Foods Shareholders, and the Repurchases are implemented, the authorised and issued share capital of Pioneer Foods after the implementation of the Repurchases, will be as follows:

AFTER THE REPURCHASES	R'000
Authorised	
400 000 000 ordinary shares with a par value of 10 cents each	40 000
Issued	
211 051 049 ordinary shares with a par value of 10 cents each	21 105
Share premium	1 217 483
Total share capital	1 238 588

Note: The Repurchases has no impact on the share premium account.

11.2.3 As at the Last Practicable Date, Pioneer Foods Proprietary Limited, a subsidiary of Pioneer Foods, held 17 982 056 Pioneer Foods Ordinary Shares in treasury.

11.3 Major Shareholders

As at the Last Practicable Date, the following Pioneer Foods Shareholders are directly or indirectly beneficially interested in 5% or more of the issued shares of Pioneer Foods:

NAME	NUMBER OF PIONEER FOODS ORDINARY SHARES HELD BENEFICIALLY	NUMBER OF PIONEER FOODS ORDINARY SHARES HELD BENEFICIALLY AS A % OF PIONEER FOODS ISSUED SHARE CAPITAL ¹
Zeder Investment Limited	58 250 788	26.26%
Government Employees Pension Fund	14 815 715	6.68%
Total	73 066 503	32.94%

Note: (1) Excludes the Pioneer Foods Class A Shares



11.4 Expenses

- 11.4.1 There have been no preliminary expenses relating to the Repurchases incurred by Pioneer Foods in the three years immediately preceding the date of this Circular.
- 11.4.2 The estimated expenses of Pioneer Foods in relation to the Repurchases, including the fees payable to professional advisors, exclusive of value-added tax, are as follows:

	R'000
Sponsor and Transaction Advisor – PSG Capital	1 250
Legal Advisor – Webber Wentzel	600
Independent Reporting Accountant – PwC	100
Independent Expert – BDO	75
Tax advisory – Grayston Elliot	390
JSE documentation fees	25
Takeover Panel Fees – Takeover Panel	150
Transfer Secretaries – Computershare	25
Printing, publication, distribution and advertising expenses – Studio 5	70
Contingency	200
Total	2 885

11.5 Material Change

There has been no material change in the financial or trading position of Pioneer Foods since the end of its last financial period, being 30 September 2018, up to and including the Last Practicable Date.

12. DELISTING OF PIONEER FOODS

Should the Scheme be implemented, Pioneer Foods will be a subsidiary of the Pepsi Offeror and the Pioneer Foods Ordinary Shares will be delisted from the JSE.

13. INTENTIONS REGARDING THE CONTINUATION OF PIONEER FOODS' BUSINESS AND THE PIONEER FOODS BOARD

Should the PepsiCo Offer become Operative, Pioneer Foods will continue its business as a subsidiary of the Pepsi Offeror, following which the size and composition of the Pioneer Foods Board will be considered.

14. INTERESTS OF PEPSICO, PEPSI OFFEROR, PEPSICO DIRECTORS AND PEPSI OFFEROR DIRECTORS IN PIONEER FOODS SHARES

- 14.1 As at the Last Practicable Date, neither PepsiCo nor the Pepsi Offeror held any Pioneer Foods Shares.
- 14.2 Neither PepsiCo nor the Pepsi Offeror has had dealings in Pioneer Foods Shares during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.
- 14.3 As at the Last Practicable Date, none of the PepsiCo Directors or Pepsi Offeror Directors have any beneficial interest in Pioneer Foods Shares.
- 14.4 None of the PepsiCo Directors or Pepsi Offeror Directors have had any dealings in Pioneer Foods Shares during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date.

15. THE PEPSI OFFEROR ACTING AS PRINCIPAL

PepsiCo confirms that the Pepsi Offeror is the ultimate prospective purchaser of the Scheme Shares and is acting alone and not in concert with any other Person.

16. INTERESTS OF PEPSI OFFEROR'S DIRECTORS IN PEPSICO OR PEPSI OFFEROR SECURITIES

16.1 As at the Last Practicable Date, no Pepsi Offeror Director had any beneficial interest in PepsiCo securities or Pepsi Offeror securities, other than the beneficial interest in PepsiCo securities as set out below:

PEPSI OFFEROR DIRECTOR	DIRECT	INDIRECT	AGGREGATE % OF PEPSICO ISSUED SHARE CAPITAL
E Wilcox	479 ordinary shares 3 833 ordinary shares over which the director has an exercisable option 1 810 ordinary shares over which the director has an option which will become exercisable during the next three years 1 026 ordinary shares title to which the director will acquire during the next three years	-	0.00051%
T Reis	2 888 ordinary shares over which the director has an exercisable option 2 336 ordinary shares over which the director has an option which will become exercisable during the next three years 722 ordinary shares title to which the director will acquire during the next three years	-	0.00042%
Total	13 094	-	0.00093%

16.2 The Pepsi Offeror Directors had no dealings in PepsiCo securities or Pepsi Offeror securities during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date, other than the following beneficial interest in PepsiCo as set out below:

PEPSI OFFEROR DIRECTOR	DATE	NATURE OF TRANSACTION	NUMBER OF PEPSICO SECURITIES	PRICE
T Reis	29/03/2019	Sale of ordinary shares	414	\$116
	13/06/2019	Exercise of stock options	200	\$132.41
	21/06/2019	Exercise of stock options	600	\$134.16

17. INTERESTS OF PIONEER FOODS AND PIONEER FOODS DIRECTORS IN PEPSICO SECURITIES OR PEPSI OFFEROR SECURITIES

17.1 As at the Last Practicable Date, Pioneer Foods held no PepsiCo securities or Pepsi Offeror securities.

17.2 Pioneer Foods had no dealings in PepsiCo securities or Pepsi Offeror securities during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.

17.3 As at the Last Practicable Date, no Pioneer Foods Director held any beneficial interest in PepsiCo securities or Pepsi Offeror securities.

17.4 No Pioneer Foods Director had any dealings in PepsiCo securities or Pepsi Offeror securities during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date.



18. INTERESTS OF PIONEER FOODS DIRECTORS IN PIONEER FOODS SHARES

18.1 As at the Last Practicable Date, no Pioneer Foods Director had any beneficial interest in Pioneer Foods Shares, other than as set out below:

PIONEER FOODS DIRECTOR			AGGREGATE % OF PIONEER FOODS ISSUED SHARE CAPITAL
	DIRECT	INDIRECT	
TA Carstens	363 688	–	0.16%
F Lombard	83 947	5 604	0.04%
Total	447 635	5 604	0.20%

Note: (1) Excludes the Pioneer Foods Class A Shares

18.2 No Pioneer Foods Director had any dealings in Pioneer Foods Shares during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date, other than as set out in the table below:

PIONEER FOODS DIRECTOR	DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE PER SHARE
NS Mjoli-Mncube	11 March 2019	Sale of shares by an associate of the director pursuant to a repurchase by Pioneer Foods	86 147	ZAR78.19
AH Sanqu	11 March 2019	Sale of shares by an associate of the director pursuant to a repurchase by Pioneer Foods	86 147	ZAR78.19
ZL Combi	11 March 2019	Sale of shares by an associate of the director pursuant to a repurchase by Pioneer Foods	172 295	ZAR78.19
ASM Karaan	11 March 2019	Sale of shares by an associate of the director pursuant to a repurchase by Pioneer Foods	86 147	ZAR78.19
ASM Karaan	11 March 2019	Sale of shares by an associate of the director pursuant to a repurchase by Pioneer Foods	1 059 999	ZAR78.19

19. IRREVOCABLE UNDERTAKINGS

As announced in the Firm Intention Announcement, as at the date of the Firm Intention Announcement, the Pioneer Foods Ordinary Shareholders listed in **Annexure 8** to this Circular collectively holding 52.85% of the aggregate of the issued Pioneer Foods Ordinary Shares and Pioneer Foods Class A Shares as at the date of the Firm Intention Announcement (excluding the Excluded Shares), provided Irrevocable Undertakings to vote in favour of the Resolutions in respect of Pioneer Foods Ordinary Shares held on the Scheme Voting Record Date and to accept the Standby Offer.

20. DEALINGS BY PROVIDERS OF IRREVOCABLE UNDERTAKINGS

Details regarding dealings by the Pioneer Foods Ordinary Shareholders referred to in paragraph 19 of this Circular above, during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date, are set out in **Annexure 9** to this Circular.

21. AGREEMENTS

- 21.1 Save for the Implementation Agreement, the Pioneer Foods Class A Share Repurchase Agreement, the 2012 BEE Subscription Agreement Addendum, the Confidentiality Agreement and the Irrevocable Undertakings:
- 21.1.1 no agreements have been entered into by PepsiCo, the Pepsi Offeror and/or any persons acting in concert with the Pepsi Offeror, with any of:
- 21.1.1.1 Pioneer Foods;
- 21.1.1.2 the Pioneer Foods Directors (or persons who were Pioneer Foods Directors in the 12 months preceding the Last Practicable Date); or
- 21.1.1.3 Pioneer Foods Shareholders (or Persons who were Pioneer Foods Ordinary Shareholders in the 12 months preceding the Last Practicable Date) which agreements are considered to be material to the decision to be taken by Pioneer Foods Shareholders regarding the Scheme; and
- 21.1.2 no agreements have been entered into by Pioneer Foods with any of:
- 21.1.2.1 PepsiCo, the Pepsi Offeror and/or persons acting in concert with the Pepsi Offeror;
- 21.1.2.2 the PepsiCo Directors or Pepsi Offeror Directors (or persons who were PepsiCo Directors or Pepsi Offeror Directors in the 12 months preceding the Last Practicable Date); or
- 21.1.2.3 PepsiCo and/or PepsiCo shareholders (or Persons who were PepsiCo shareholders in the 12 months preceding the Last Practicable Date) which agreements are considered to be material to the decision to be taken by Pioneer Foods Shareholders regarding the Scheme.
- 21.2 The material terms of the Implementation Agreement are embodied in this Circular including in paragraphs 4 to 10 (both inclusive) of this Circular.
- 21.3 The material terms of the Pioneer Foods Class A Share Repurchase Agreement are set out in paragraph 5 of this Circular.
- 21.4 The material terms of the 2012 BEE Subscription Agreement Addendum are set out in paragraph 7 of this Circular.
- 21.5 The material terms of the Confidentiality Agreement are, *inter alia*, that PepsiCo irrevocably and unconditionally agrees to treat and safeguard the confidential information provided to it by Pioneer Foods as strictly private, secret and confidential, not to permit the use of such information for any purpose other than the Transaction and not to disclose or divulge any such confidential information, directly or indirectly, in any manner to any third party for any reason or purpose whatsoever without the prior written consent of Pioneer Foods.
- 21.6 The material terms of the Irrevocable Undertakings are, *inter alia*, that the providers of the Irrevocable Undertakings, irrevocably undertake in favour of PepsiCo and the Pepsi Offeror to vote in favour of, or support, all resolutions proposed at the General Meeting and to accept the Standby Offer.
- 21.7 A copy of the Implementation Agreement, the Pioneer Foods Class A Share Repurchase Agreement, the 2012 BEE Subscription Agreement Addendum, the Confidentiality Agreement and the Irrevocable Undertakings are available for inspection as set out in paragraph 33 of this Circular below.

22. FINANCIAL INFORMATION OF PIONEER FOODS

- 22.1 The audited historical financial information of Pioneer Foods for the last three financial years ended 30 September 2016, 2017 and 2018 is annexed hereto as **Annexure 2**.
- 22.2 The interim financial information of Pioneer Foods for the six-month period ended 31 March 2019 is annexed hereto as **Annexure 3**.
- 22.3 The *pro forma* financial information of Pioneer Foods and the Independent Reporting Accountant's report on the *pro forma* financial information of Pioneer Foods are annexed hereto as **Annexure 4** and **Annexure 5**.

23. REPORT OF THE INDEPENDENT EXPERT

- 23.1 The report of the Independent Expert prepared in accordance with sections 48(8), 114(2) and 114(3) of the Companies Act, regulations 90 and 110 of the Companies Regulations and the JSE Listings Requirements is provided in **Annexure 1** to this Circular, and has not been withdrawn prior to publication of this Circular.



23.2 Having considered the terms and conditions of each of the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase based on the conditions set out in its report, the Independent Expert has concluded that the terms and conditions of each of the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase are fair and reasonable to Pioneer Foods Ordinary Shareholders, Pioneer Foods Class A Shareholders and PSR Holders, respectively, as each of these terms is contemplated in the Companies Regulations.

24. THE VIEWS OF THE INDEPENDENT BOARD ON THE PEPSICO OFFER, THE PIONEER FOODS CLASS A SHARE COMPARABLE OFFER, THE PSR COMPARABLE OFFER AND THE BEE TRUST REPURCHASE

24.1 As stated above, the Independent Board has appointed the Independent Expert to compile a report on the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase.

24.2 The Independent Board, after due consideration of the report of the Independent Expert, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the PepsiCo Offer and the Per Share Scheme Consideration, the Pioneer Foods Class A Share Comparable Offer and the Per Class A Share Comparable Offer Consideration, the PSR Comparable Offer and the Per PSR Holder Comparable Offer Consideration and the BEE Trust Repurchase as contemplated in Companies Regulation 110(3)(b). The Independent Board has formed a view on the value of Pioneer Foods Shares, which accords with the value of Pioneer Foods Shares contained in the Independent Expert's report, in considering its opinion and recommendation. The Independent Board is aware of those factors which are difficult to quantify or are unquantifiable (as contemplated in Companies Regulation 110(6)) which were considered by the Independent Expert and referred to in its report, and has taken such factors into account in forming its opinion.

24.3 The Independent Board, taking into account the report of the Independent Expert, has considered the terms and conditions of each of the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase and the members of the Independent Board are unanimously of the opinion that the terms and conditions thereof are fair and reasonable to Pioneer Foods Shareholders, to Pioneer Foods Class A Shareholders and to PSR Holders and, accordingly, recommend that Pioneer Foods Shareholders (as applicable) vote in favour of the Resolutions at the General Meeting.

24.4 As at the Last Practicable Date, the Pioneer Foods Board has not received any firm intention offers, other than the PepsiCo Offer set out in this Circular.

25. PIONEER FOODS DIRECTORS' SERVICE CONTRACTS

25.1 The executive Pioneer Foods Directors have concluded service contracts with terms and conditions that are market-related and appropriate for their positions in Pioneer Foods.

25.2 No service contracts have been concluded between Pioneer Foods and the non-executive Pioneer Foods Directors.

25.3 All Pioneer Foods Directors, other than the executive Pioneer Foods Directors, are subject to retirement by rotation and re-election in terms of the MOI.

26. SERVICE CONTRACTS ENTERED INTO OR AMENDED WITHIN THE SIX-MONTH PERIOD PRIOR TO THE LAST PRACTICABLE DATE

No service contracts of the executive Pioneer Foods Directors have been entered into or amended within the six-month period prior to the Last Practicable Date.

27. REMUNERATION OF PIONEER FOODS DIRECTORS

27.1 The remuneration of the non-executive Pioneer Foods Directors will not be affected by the Scheme or the Standby Offer, however following the successful implementation of either the Scheme or the Standby Offer, the composition of the Pioneer Foods Board will be assessed by PepsiCo. The members of the Independent Board will receive a market related fee for their role as independent board in the Transaction.

27.2 Following Completion, the executive Pioneer Foods Directors will be subject to PepsiCo's remuneration policies and will receive a total remuneration commensurate with that of similarly-positioned PepsiCo employees, taking into account their consideration prior to Completion.

28. TAX IMPLICATIONS FOR PIONEER FOODS ORDINARY SHAREHOLDERS

The tax position of a Pioneer Foods Ordinary Shareholder under the Transaction is dependent on such Pioneer Foods Ordinary Shareholder's individual circumstances, including but not limited to whether it holds the Pioneer Foods Ordinary Shares as capital assets or as trading stock, whether the Pioneer Foods Ordinary Shares are held by a Collective Investment Scheme or Pension Fund and on the tax jurisdiction in which the Pioneer Foods Ordinary Shareholder is resident. It is recommended that the Pioneer Foods Shareholders seek appropriate advice in this regard.

29. INDEPENDENT BOARD RESPONSIBILITY STATEMENT

The Independent Board accepts responsibility for the information contained in this Circular which relates to Pioneer Foods and confirms that, to the best of its knowledge and belief, such information which relates to Pioneer Foods is true and the Circular does not omit anything likely to affect the importance of such information.

30. PEPSI OFFEROR BOARD RESPONSIBILITY STATEMENT

The Pepsi Offeror Board accepts responsibility for the information contained in this Circular which relates to the Pepsi Offeror and confirms that, to the best of its knowledge and belief, such information which relates to the Pepsi Offeror is true and the Circular does not omit anything likely to affect the importance of such information.

31. ADVISORS' CONSENTS

The parties referred to in the "Corporate Information and Advisors" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, reports, in this Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Circular.

32. COSTS AND EXPENSES

- 32.1 Subject to paragraph 32.2, each of Pioneer Foods, PepsiCo and the Pepsi Offeror shall bear and pay the costs incurred by it in connection with the Transaction.
- 32.2 PepsiCo shall, as per the Implementation Agreement, be liable for:
 - 32.2.1 the filing fees payable to the Competition Authorities; and;
 - 32.2.2 costs of experts jointly appointed by PepsiCo and Pioneer Foods to assist them in obtaining the approvals of the Competition Authorities.

**33. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection by the Pioneer Foods Shareholders at the registered office of Pioneer Foods and at the offices of PSG Capital and PepsiCo's Legal Advisor at their respective addresses set out in the "Corporate Information and Advisors" section of this Circular from the date of posting of this Circular until the later of (i) the Scheme Implementation Date or (ii) if the Standby Offer becomes effective, the Standby Offer Closing Date (as defined in **Annexure 10** of this Circular):

- 33.1 the audited annual financial statements of Pioneer Foods for the three financial years ended 30 September 2016, 2017 and 2018 as reproduced in **Annexure 2** to this Circular;
- 33.2 the financial statements of Pioneer Foods for the interim financial period ended 31 March 2019 as reproduced in **Annexure 3** to this Circular;
- 33.3 the *pro forma* financial information of Pioneer Foods;
- 33.4 the Independent Reporting Accountant's Report on the *pro forma* financial information of Pioneer Foods;
- 33.5 the consent letter of the Independent Expert and all other consent letters referred to in paragraph 31 of this Circular;
- 33.6 the Irrevocable Undertakings;
- 33.7 a signed copy of this Circular;
- 33.8 the signed report of the Independent Expert;
- 33.9 the Confidentiality Agreement;
- 33.10 the letter confirming approval of this Circular by the Takeover Panel;
- 33.11 the signed firm intention letter;
- 33.12 the MOI;
- 33.13 the signed Implementation Agreement;
- 33.14 the PSR Amendment;
- 33.15 the Pioneer Foods Class A Share Repurchase Agreement; and
- 33.16 the 2012 BEE Subscription Agreement Addendum.

**SIGNED AT TYGERVALLEY ON 29 AUGUST 2019 BY NW THOMSON
ON BEHALF OF THE PIONEER FOODS BOARD**

NW THOMSON

Chairman of the Independent Board

**SIGNED AT LONDON ON 29 AUGUST 2019 BY J AVERISS
ON BEHALF OF THE PEPSI OFFEROR BOARD**

J AVERISS

Authorised Signatory

REPORT OF THE INDEPENDENT EXPERT REGARDING THE PEPSICO OFFER, THE PIONEER FOODS CLASS A SHARE COMPARABLE OFFER, THE PSR COMPARABLE OFFER AND THE BEE TRUST REPURCHASE

The Independent Board
Pioneer Food Group Limited
Management Office
Glacier Place
1 Sportica Crescent
Tygervally
7530

22 August 2019

Dear Sirs/Mesdames

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO PIONEER FOOD GROUP LIMITED REGARDING THE PEPSICO OFFER, THE PIONEER FOODS CLASS A COMPARABLE OFFER, THE PSR COMPARABLE OFFER AND THE BEE TRUST REPURCHASE ("INDEPENDENT EXPERT REPORT")
Introduction

In terms of the joint firm intention announcement published by Pioneer Food Group Limited ("**Pioneer Foods**"), PepsiCo Inc (Incorporated in the United States of America) ("**PepsiCo**") and Simba Proprietary Limited, a wholly-owned subsidiary of PepsiCo, ("**the Pepsi Offeror**") on the Stock Exchange News Service of the JSE Limited ("**JSE**") ("**SENS**") on Friday, 19 July 2019, holders of ordinary shares with a par value of 10 cents each in the issued share capital of Pioneer Foods ("**Pioneer Foods Ordinary Shares**") ("**Pioneer Foods Ordinary Shareholders**") were advised that Pioneer Foods and PepsiCo had entered into a transaction implementation agreement ("**Implementation Agreement**"), pursuant to which the Pepsi Offeror, had delivered notice to Pioneer Foods of its firm intention to make an offer ("**PepsiCo Offer**") to acquire the Pioneer Foods Ordinary Shares from Pioneer Foods Ordinary Shareholders. The PepsiCo Offer will be made at a cash consideration of ZAR110 ("**Base Price**") per Pioneer Foods Ordinary Share with certain possible increases to the Base Price linked to dividend(s).

The PepsiCo Offer will be implemented by way of a single offer comprising:

- a scheme of arrangement ("**Scheme**") in terms of section 114 of the Companies Act 71 of 2008 ("**Companies Act**"), to be proposed by the Pioneer Foods board of directors ("**Pioneer Foods Board**") between Pioneer Foods and Pioneer Foods Ordinary Shareholders, other than subsidiaries of Pioneer Foods holding Pioneer Foods Ordinary Shares ("**Excluded Shareholders**"), at the Per Share Scheme Consideration (as defined below) and upon the terms and subject to the conditions set out in the circular to which this Independent Expert Report forms Annexure 1 ("**Circular**"); and
- if, *inter alia*, after the Scheme is proposed, the Pioneer Foods general meeting to consider the Scheme is cancelled by Pioneer Foods or is not held for any reason, or court approval is required but not obtained, or any condition precedent to the Scheme is not fulfilled and, where applicable, not waived, or the Scheme otherwise fails, a general offer to Pioneer Foods Ordinary Shareholders (including the Excluded Shareholders) ("**Standby Offer**") at the Per Share Scheme Consideration (as defined below) and upon the terms and subject to the conditions set out in the Circular.

In this Independent Expert Report the:

- Pioneer Foods Ordinary Shares forming the subject matter of the PepsiCo Offer are collectively referred to as the "**Scheme Shares**";
- holders of the Scheme Shares are referred to as the "**Scheme Participants**";
- PepsiCo Offer, the BEE Payment (as defined in the Circular), the BEE Trust Repurchase (as defined below) and the discharge by the Pepsi Offeror of its obligations to make the Pioneer Foods Class A Share Comparable Offer (as defined below) and the PSR Comparable Offer (as defined below) are collectively referred to as the "**Transaction**"; and
- holders of the Pioneer Foods' class A shares ("**Class A Shares**") and the Pioneer Foods Ordinary Shareholders are collectively referred to as the "**Pioneer Foods Shareholders**".

The cash consideration payable for each Scheme Share will be calculated in accordance with the formula as detailed in definitions and interpretations section of the Circular ("**Per Share Scheme Consideration**").

The Class A Shares are held by the Pioneer Foods Employee Share Trust. By reason of the Pepsi Offeror making the PepsiCo Offer, the Pepsi Offeror will be obliged in terms of section 125(2) of the Companies Act read with regulation 87(2) of the Companies Regulations, to make a comparable offer ("**Comparable Offer**") to the holder of the Pioneer Foods Class A Shares ("**Pioneer Foods Class A Share Comparable Offer**").



In discharge of the Pepsi Offeror's obligation to make a Comparable Offer to the holder of the Pioneer Foods Class A Shares, the Pepsi Offeror, Pioneer Foods and the holder of the Pioneer Foods Class A Shares will enter into an agreement ("**Pioneer Foods Class A Share Repurchase Agreement**") in terms of which the EST Trustees will agree to sell all the Pioneer Foods Class A Shares in issue on the implementation date of the Scheme ("**Scheme Implementation Date**") to either Pioneer Foods or to the Pepsi Offeror at a cash consideration per share calculated in accordance with the following formula:

$$D = E \text{ minus } F$$

where:

D = the Per Class A Share Comparable Offer Consideration;

E = the Per Share Scheme Consideration; and

F = the amount as at the Scheme Implementation Date of the "Imaginary Threshold Debt" as defined in schedule 1 to the memorandum of incorporation of Pioneer Foods (which, for the avoidance of doubt is an amount per Pioneer Foods Class A Share)

("Per Class A Share Comparable Offer Consideration").

By reason of the Pepsi Offeror making the PepsiCo Offer, the Pepsi Offeror is obliged in terms of the Companies Act to make a Comparable Offer ("**PSR Comparable Offer**") to the holders of phantom share rights ("**PSR Holders**") awarded in terms Pioneer Foods Group Limited Equity Settled Phantom Share Plan ("**Phantom Share Rights**").

In discharge of the Pepsi Offeror's obligation to make PSR Comparable Offer the directors of Pioneer Foods (as described in the rule of the Phantom Share Plan rules as amended) ("**Phantom Share Plan Rules**") have made a determination in terms of the rights granted to them in Phantom Share Plan Rules that all Phantom Share Rights will be deemed to be exercised, at a deemed "Exercise Price" (as defined in the Phantom Share Plan Rules) equal to the Per Share Scheme Consideration and accordingly, all Pioneer Foods Ordinary Shares which are issued to PSR Holders as a result of and in settlement of the automatic exercise, will form part of the Scheme Shares.

Alternatively, if the Phantom Share Rights are not converted into ordinary shares, Pioneer Foods will procure that the relevant members of the Pioneer Foods group offer to each PSR Holder holding Phantom Share Rights the right to cancel all of his or her Phantom Share Rights. If a PSR Holder accepts that offer members of the Pioneer Foods group, funded by the Pepsi Offeror, will pay the Per PSR Holder Comparable Offer Consideration (as defined below) to that PSR Holder. The cash consideration ("**Per PSR Holder Comparable Offer Consideration**") payable to a PSR Holder in the circumstances set out above is an amount calculated in accordance with the following formula:

$$J = K \text{ multiplied by } L$$

where:

J = the Per PSR Holder Comparable Offer Consideration of that PSR Holder

K = the Per Share Scheme Consideration; and

L = the number of Pioneer Foods Ordinary Shares to which that PSR Holder would have been entitled, had the relevant PSR Holder exercised all Phantom Share Rights held and had the "Exercise Price" (as defined in the Phantom Share Plan Rules) equalled the Per Share Scheme Consideration.

In terms of the subscription agreement ("**2012 BEE Subscription Agreement**"), dated 13 January 2012 entered into between Pioneer Foods and The Pioneer Foods Broad-Based BEE Trust ("**BEE Trust**") as part of the BEE ownership transaction implemented by Pioneer Foods in 2012 ("**2012 BEE Transaction**"), as amended, Pioneer Foods is entitled to exercise an option to repurchase such number of Pioneer Foods Ordinary Shares as is calculated by applying the Repurchase Formula (as such term is defined in the 2012 BEE Subscription Agreement) ("**BEE Trust Repurchase Shares**") from the BEE Trust at par value ("**BEE Trust Initial Shares**") ("**Pioneer Foods Repurchase Option**") if:

- an actual or proposed scheme of arrangement occurs during the notional funding period; and
- the BEE Trust Initial Shares will, or are, in the opinion of Pioneer Foods likely to be, compulsorily acquired from the BEE Trust.

By reason of the proposal of the Scheme, the Pioneer Foods Board has unanimously resolved to:

- reduce the Lock-in Period (as defined in the 2012 BEE Subscription Agreement), and to exercise the Pioneer Foods Repurchase Option; and
- exercise the Pioneer Foods Repurchase Option in the addendum to the 2012 BEE Subscription Agreement (“**2012 BEE Subscription Agreement Addendum**”).

In addition, in order to facilitate the disposal of the BEE Trust’s remaining shareholding in Pioneer Foods, Pioneer Foods shall agree to exercise the option to repurchase those residual shares held by the BEE Trust (“**BEE Trust Residual Repurchase Shares**”), for an amount per share equal to the Per Share Scheme Consideration. The Pepsi Offeror will fund this repurchase of the BEE Trust Residual Repurchase Shares (but not fund the repurchase of the BEE Trust Repurchase Shares) (“**BEE Trust Repurchase**”).

To the extent that the Standby Offer proceeds, Pioneer Foods Shareholders will be requested to vote on the delisting of Pioneer Foods Ordinary Shares in terms of paragraph 1.14 of the JSE Listings Requirements (“**Delisting**”). In such circumstances, paragraph 1.15(d) of the JSE Listings Requirements required the board to obtain a fairness opinion on the Standby Offer in accordance with Schedule 5 of the JSE Listings Requirements.

As at the date of this Independent Expert Report, the authorised and issued share capital of the Company comprises the following:

- authorised ordinary share capital comprising:
 - 400,000,000 Pioneer Foods Ordinary Shares; and
 - 18,130,000 Class A Shares.
- issued ordinary share capital comprising:
 - 221,796,399 Pioneer Foods Ordinary Shares; and
 - 2,662,940 Class A Shares.

Full details of the Transaction are contained in the Circular, which will include a copy of this letter.

The material interests of the directors are set out in paragraph 16 of the Circular and the effect of the Scheme on those interest and persons are set out in this section of the Circular.

Extracts of sections 115 and 164 of the Companies Act are set out in Annexure 7 of the Circular and are incorporated herein by reference for purposes of section 114(3)(g) of the Companies Act.

Reports required in respect of the Transaction

The PepsiCo Offer (which includes the Scheme and the Standby Offer) will constitute an “affected transaction” as defined in section 117(1)(c) of the Companies Act. It will be implemented in accordance with the Companies Act and the Companies Regulations, 2011 (“**Companies Regulations**”) and will be regulated by the Takeover Regulation Panel (“**TRP**”).

In terms of the PepsiCo Offer, the Pepsi Offeror will acquire the Scheme Shares from the Scheme Participants for the Per Share Scheme Consideration, whereupon Pioneer Foods will become a subsidiary of the Pepsi Offeror.

Regulation 87 of the Companies Regulations states that the offer consideration in a comparable offer is to be determined by the offeror taking account of the class of security to which the comparable offer is to be made.

The independent board of directors of Pioneer Foods (“**Independent Board**”) is required to retain an independent expert to express an opinion dealing with the matters set out in sections 48(8), 114(2) and 114(3) of the Companies Act and regulations 90, 110(1) and 113(1)(a) of the Companies Regulations, on whether the in relation to each of the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase confirming that each of the Per Share Scheme Consideration, the Per Class A Share Comparable Offer Consideration, the Per PSR Holder Comparable Offer Consideration and the BEE Trust Repurchase are fair and reasonable to the Pioneer Foods Ordinary Shareholders, the Class A Shareholders and the PSR Holders, as the case may be (the “**Fair and Reasonable Opinions**”).

The Independent Board has appointed BDO Corporate Finance Proprietary Limited (“**BDO Corporate Finance**” or “**the Independent Expert**”) as the Independent Expert, as required in terms of section 114(2) of the Companies Act and the Companies Regulations, to issue the Fair and Reasonable Opinions.

In terms of paragraph 1.15(d) of the Listings Requirements, the Board is required to obtain a fairness opinion from an independent professional expert confirming whether the Standby Offer is fair insofar as Pioneer Foods Ordinary Shareholders are concerned.

BDO Corporate Finance has been appointed as the independent professional expert by the Independent Board to provide the Fairness Opinion in respect of the Standby Offer.



Even though the BEE Trust Repurchase might not be a repurchase contemplated in section 48(8) of the Companies Act, Pioneer Foods have elected to voluntarily comply with the provisions of section 48(8)(b) of the Companies Act, but without becoming bound to apply section 48(8)(b) and without prejudice to Pioneer Foods' and/or PepsiCo's right to subsequently assert that the BEE Trust Repurchase is not a repurchase contemplated in section 48(8) of the Companies Act.

As the Pioneer Foods Class A Share Repurchase involves the acquisition by Pioneer Foods of more than 5% of the issued shares of any particular class of Pioneer Foods shares, section 48(8)(b) of the Companies Act specifies that the Pioneer Foods Class A Share Repurchase are subject to the requirements of section 114 and 115 of the Companies Act. In terms of section 114(2) of the Companies Act as read together with Regulation 90 of the Companies Regulations, the Board must retain an independent expert to compile a report on the Pioneer Foods Class A Share Repurchase (which forms part of the Pioneer Foods Class A Share Comparable Offer).

Responsibility

Compliance with the Listings Requirements is the responsibility of the Board. Compliance with the Companies Act and the Companies Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Independent Board and Pioneer Foods Shareholders on whether the terms and conditions of the each of the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase are fair and reasonable to Pioneer Foods Shareholders.

Explanation as to how the terms "fair" and "reasonable" apply in the context of the Transaction

The "fairness" of a transaction is based on quantitative issues. A transaction will generally be considered to be fair to a company's shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

The PepsiCo Offer (which includes the Scheme and the Standby Offer) will be considered fair if the Per Share Scheme Consideration is considered to be equal or more than the market value per Pioneer Foods Ordinary Share and unfair if the Per Share Scheme Consideration is less than the market value per Pioneer Foods Ordinary Share.

The assessment of reasonableness of the PepsiCo Offer (which includes the Scheme and the Standby Offer) is generally based on qualitative considerations surrounding the transaction. Hence, even though the consideration to be paid in respect of an offer may be lower than the market value, the offer may be considered reasonable after considering other significant qualitative factors. The offer may be said to be reasonable if the offer consideration is greater than the trading price of an offer share as at the time of announcement of the offer consideration, or at some other more appropriate identifiable time.

Regulation 87 of the Companies Regulations states that the offer consideration in a comparable offer is to be determined by the offeror taking account of the class of security to which the comparable offer is to be made.

DETAIL AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- The Implementation Agreement;
- The terms and conditions of the Transaction, as set out in the Circular;
- Audited annual financial statements and annual results presentation of Pioneer Foods and its subsidiaries for the financial years ("FY") ended 30 September 2017 and 30 September 2018;
- Unaudited condensed consolidated interim financial statements of Pioneer Foods for the interim periods 31 March 2018 and 31 March 2019;
- Budget and forecast financial information for the Pioneer Foods and its subsidiaries ("Group") prepared by the management of Pioneer Foods up to the financial years ending 30 September 2023 ("FY23");
- Reconciliation of the Pioneer Foods Ordinary Shares and Class A Shares and the net debt/cash position of the Group as at 31 March 2019;
- Early termination valuation models provided by the Pioneer Foods directors relating to the derivative financial instruments and the Phantom Share Plan;
- Historical and forecast income statement and the net debt/cash position of the equity accounted joint venture investments of Pioneer Foods;
- Discussions with Pioneer Foods directors, management and advisers regarding the historic and forecast financial information;
- Discussions with Pioneer Foods directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- Publicly available information relating to the fast moving consumer goods ("FMCG") industry in general; and
- Publicly available information relating to Pioneer Foods that we deemed to be relevant, including company announcements, media articles and analyst presentations.

The information above was secured from:

- Directors and management of Pioneer Foods and their advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Pioneer Foods.

Procedures

In arriving at our opinion we have undertaken the following procedures in evaluating the fairness and reasonableness of the each of the PepsiCo Offer, the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust Repurchase:

- Reviewed the terms and conditions of the Transaction;
- Reviewed the audited and unaudited financial information related to Pioneer Food and forecasts prepared by management;
- Held discussions with the management of Pioneer Foods regarding historic and forecast financial information and the outlook of the sector;
- Reviewed and obtained an understanding from management as to the forecast financial information of the Group prepared by management. Considered the forecast cash flows and the basis of the assumptions therein including the prospects of the business of Pioneer Foods. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management and assessed the achievability thereof by considering historical information as well as macro-economic and sector-specific data;
- Compiled forecast cash flows for Pioneer Foods by using the forecast financial information as detailed above. Applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow ("DCF") valuation of Pioneer Foods;
- Compiled a capitalisation of maintainable earnings valuation of Pioneer Foods per business category by using adjusted historical and forecast financial information and applied BDO Corporate Finance's calculated earnings multiples per business category based on market comparables to earnings before interest, taxation, depreciation and amortisation ("EBITDA");
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience and knowledge of the FMCG industry generally;
- Assessed the long-term potential of Pioneer Foods;
- Performed a sensitivity analysis on key assumptions included in the valuation;
- Evaluated the relative risks associated with the Group and the industry in which it operates;
- Reviewed certain publicly available information relating to Pioneer Foods and the FMCG sector that we deemed to be relevant, including company announcements and media articles, including available analyst coverage;
- Where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Pioneer Foods operates, and to analyse external factors that could influence the businesses of Pioneer Foods; and
- Held discussions with the directors and management of Pioneer Foods as to their strategy and the rationale for the Transaction and considered such other matters as we considered appropriate, including assessing the prevailing economic and market conditions and trends in the FMCG sector.

Key qualitative considerations

In arriving at our opinion, we have considered, in addition to the procedures referred to above, other key factors, which are set out below:

- The rationale for the Transaction as set out in the Circular.

Assumptions

We arrived at our opinion based on the following assumptions:

- That all agreements that have been entered into in terms of the Transaction will be legally enforceable;
- That the Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Pioneer Foods; and
- That reliance can be placed on the financial information of Pioneer Foods.



Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Placing reliance on audit reports in the financial statements of Pioneer Foods;
- Conducting analytical reviews on the historical financial results and the forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary and audited financial evidence, as well as our understanding of Pioneer Foods and the economic environment in which the Company operates.

Limiting conditions

This opinion has been given to the Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of the Pioneer Foods Shareholders. The opinion does not purport to cater for each individual Pioneer Foods Shareholders' perspective, but rather that of the general body of Pioneer Foods Shareholders. Should a Pioneer Foods Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual shareholder's decision as to whether to vote in favour of the Transaction may be influenced by his particular circumstances. The assessment as to whether or not the Independent Board decides to recommend the Transaction is a decision that can only be taken by the Independent Board of Pioneer Foods.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of Pioneer Foods relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Pioneer Foods will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of Pioneer Foods and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

Independence, competence and fees

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in the Pioneer Foods Ordinary Shares or the Transaction, nor have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulation 90(6)(i) and 90(3)(a) of the Companies Regulations, that we are independent in relation to the Transaction and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Fair and Reasonable Opinion and meet the criteria set out in section 114(2)(a) of the Companies Act.

We confirm that neither we, nor any person related to us (as contemplated in the JSE Listings Requirements), have any relationship with Pioneer Foods or with any party involved in the Delisting as contemplated in paragraph 5.12 of schedule 5 of the Listings Requirements and have not had such relationship within the immediately preceding two years.

Furthermore, we confirm that our professional fees of R450,000 (excluding VAT) are not contingent upon the success of the Transaction.

Valuation approach

We have performed a valuation of a Pioneer Foods Ordinary Share by applying the DCF methodology as the primary valuation methodology and the capitalisation of maintainable earnings methodology as a secondary methodology to support the results of the DCF valuation.

This valuation has been prepared on the basis of "Market Value". The generally accepted definition of "Market Value" is the value as applied between a hypothetical willing vendor and a hypothetical willing prudent buyer in an open market and with access to all relevant information.

The valuations were performed taking cognisance of risk and other market and industry factors affecting Pioneer Foods. Additionally, sensitivity analyses were performed considering key value drivers.

Key internal value drivers to the DCF valuation included revenue growth (compound annual growth rate ("CAGR") in revenue of 7.7% over the forecast period), EBITDA margins (sustainable EBITDA margins of 9.3% by FY23), the discount rate (represented by the weighted average cost of capital ("WACC") of 12.88%), working capital (net working capital as a percentage of revenue of 11.2% over the forecast period) and capital expenditure requirements (average capital expenditure as a percentage of revenue of 3.2% over the forecast period). Net sales value and volume growth are the main drivers of forecast revenue. Input costs and total basket inflation are the main drivers of forecast EBITDA margins.

External value drivers, including; key macro-economic parameters such as, GDP growth (forecast to improve 1.9% growth by 2020 from 0.8% in 2019), interest rates (the prime lending rate at 10% for the forecast period), headline inflation rates (4.6% in 2019 deteriorating to 5.6% in 2020), and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of Pioneer Foods.

Our valuation results are also sensitive to revenue growth, sustainable EBITDA margins and WACC applied in the DCF valuation.

We performed a sensitivity analysis on key assumptions included in the DCF valuations, specifically related to cost of capital, growth in revenue and EBITDA margins. The sensitivity analysis was performed by:

- increasing and decreasing the WACC rate by a maximum of 0.5%;
- increasing and decreasing the revenue CAGR by a maximum of 0.5%; and
- increasing the EBITDA margins by a maximum of 1.0%.

These sensitivity analyses did not indicate a sufficient effect to alter our opinion in respect of the Transaction.

Valuation results

In undertaking the valuation exercise above, we have determined a valuation range of ZAR102 to ZAR112 per Pioneer Foods Ordinary Share, with a most likely value of ZAR107 per Pioneer Foods Ordinary Share. The Base Price of ZAR110 is within the suggested price per the ordinary share range calculation from our valuation and is at a premium of 2.8% to our most likely value. The Base Price is subject to certain possible increases linked to dividend(s).

The valuation range above is provided solely in respect of this opinion and should not be used for any other purposes.

The offer consideration compared to the trading price

The Base Price represents a premium of 56.5% to the 30-day volume weighted average traded price of Pioneer Foods Ordinary Shares of ZAR70.31, as at 12 July 2019, being the last trading date prior to the date on which the cautionary announcement was published on SENS.



Opinions

BDO Corporate Finance has considered the terms and conditions of the PepsiCo Offer (which includes the Scheme and the Standby Offer), the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the PepsiCo Offer (which includes the Scheme and the Standby Offer), the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust are fair to the Pioneer Foods Ordinary Shareholders, the Class A Shareholders and the PSR Holders, as the case may be.

Based on qualitative factors, we are of the opinion that the terms and conditions of the PepsiCo Offer (which includes the Scheme and the Standby Offer), the Pioneer Foods Class A Share Comparable Offer, the PSR Comparable Offer and the BEE Trust are reasonable from the perspective of the Pioneer Foods Ordinary Shareholders, the Class A Shareholders and the PSR Holders, as the case may be.

The Pioneer Foods Class A Share Comparable Offer and the PSR Comparable Offer are deemed comparable in accordance with Regulation 87(5) of the Companies Regulation.

Our opinions are necessarily based upon the information available to us up to Last Practicable Date (as defined in the Circular), including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Consent

We hereby consent to the inclusion of this letter and references thereto in the Circular in the form and context in which they appear.

Yours faithfully

BDO Corporate Finance Proprietary Limited

Nick Lazanakis
Director
22 Wellington Road
Parktown
2193

AUDITED HISTORICAL FINANCIAL INFORMATION OF PIONEER FOODS FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2018, 30 SEPTEMBER 2017 and 30 SEPTEMBER 2016

The definitions and interpretations commencing on page 17 of this Circular apply to this Annexure 2.

Basis of preparation

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes of Pioneer Food Group Limited ("Pioneer Foods" or "the Company") for the years ending 30 September 2018, 30 September 2017 and 30 September 2016, have been extracted and compiled from the audited consolidated annual financial statements of Pioneer Foods, which are available on the Pioneer Foods website (www.pioneerfoods.co.za). The preparation of this Annexure is the responsibility of the Pioneer Foods Directors.

The historical financial information of Pioneer Foods has previously been audited by PricewaterhouseCoopers Inc. (Stellenbosch) and reported on without qualification for all of the aforementioned financial periods.

Principal activities and business review

Pioneer Foods and its subsidiaries are involved in the manufacturing of food, beverages and related products for human and animal consumption. The various segments are highlighted in the operational review in the integrated report.

Share capital

The authorised share capital consists of 400,000,000 (2017: 400,000,000; 2016: 400,000,000) ordinary shares of 10 cents each and 18,130,000 (2017: 18,130,000; 2016: 18,130,000) class A ordinary shares of 10 cents each. At 30 September 2018 233,177,067 (2017: 233,379,445; 2016: 232,472,909) ordinary shares and 2,878,680 (2017: 3,174,920; 2016: 3,707,830) class A ordinary shares are in issue.

The movement in issued share capital is disclosed in note 22 to the Group annual financial statements. The Company issued the following listed ordinary shares of 10 cents each in terms of the management share appreciation rights scheme:

2018: 423,880 at an average of R121.54 per share

2017: 906,536 at an average of R163.49 per share

2016: 345,578 at an average of R167.24 per share

The Company bought back and cancelled 626,258 (2017: Nil; 2016: Nil) listed ordinary shares during the 2018 financial year at R108.34 (2017: Rnil; 2016: Rnil) per share.

There was no movement in the treasury shares held by a subsidiary. This subsidiary held 17,982,056 (2017: 17,982,056; 2016: 17,982,056) ordinary shares at 30 September 2018.

The Pioneer Foods Broad-Based BEE Trust held 10,745,350 (2017: 10,745,350; 2016: 10,745,350) ordinary shares at 30 September 2018.

The number of ordinary shares held by the Pioneer Foods management share incentive trust at 30 September 2018 is Nil (2017: Nil; 2016: 47,620). The share incentive trust sold 47,620 ordinary shares in 2017 (2016: 69,992) for R3,193,054 (2016: R1,630,338). In 2016, 612,000 ordinary shares were bought back and cancelled by Pioneer Food Group Ltd for a consideration of R82,075,320.

The Company bought back and cancelled 296,240 (2017: 532,910; 2016: 526,470) class A ordinary shares during 2018 at a premium of R88.73 (2017: R129.82; 2016: R131.42) per share in addition to the par value of 10 cents per share.



Borrowings

FOR FINANCIAL YEARS ENDING 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

The syndicated borrowing facilities matured in September 2018 and new syndicated facility agreements were entered into. These agreements allow for bullet term facilities with three and five year terms of R500 million each, as well as a three year revolving credit facility of R250 million and a three year term bullet facility of GBP10 million. General working capital facilities amounting to a base of R1 billion, and a seasonal increase for a part of the year of a further R600 million, were obtained. Five year structured trade and headroom facilities (both for R500 million) were also entered into. These borrowings were obtained to refinance existing borrowings (including the matured R600 million bullet loan), to fund working capital and to fund expansions at Group legal entities.

The syndicated facilities are secured by pledges over inventory and trade receivables of Pioneer Foods (Pty) Ltd, Pioneer Foods Groceries (Pty) Ltd and Ceres Fruit Juices (Pty) Ltd. Bank accounts of these entities were also ceded in favour of the security SPV. Bonds and notarial bonds are also registered over specific immovable properties and specific movable assets of these entities as indicated in note 25 of the Group annual financial statements.

Foods Concepts Pioneer Ltd entered into a new six year funding arrangement amounting to NGN570 million with the Bank of Industry Ltd in Nigeria. Monthly capital repayments will only commence after August 2019. The funding acquired will be used to finance the construction of a new bakery plant in Lagos. This loan is secured by a bank guarantee from First City Monument Bank PLC. The bakery equipment to be acquired will be encumbered up to an amount of NGN570 million.

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

FOR FINANCIAL YEAR ENDING 30 SEPTEMBER 2016

The Group entered into supplier contracts in terms of which equipment was capitalised to comply with the requirements of IFRIC 4 – Determining Whether an Arrangement Contains a Lease. The balance outstanding at 30 September 2016 on these borrowings was R42,376,838.

Bokomo Foods UK Ltd obtained a revolving credit asset backed finance facility from the Royal Bank of Scotland during the 2016 financial year. This facility was mainly used to provide funding for the acquisition of Streamfoods Ltd. The funding is secured primarily against trade and other receivables and inventories of Bokomo Foods UK Ltd, however, does include security against the other assets of this entity should this be insufficient. The initial funding was for £7.84m, however at 30 September 2016 the draw down against this facility amounted to £6.70m. A similar facility was obtained by Streamfoods Ltd to provide for future cash flows, however, at 30 September 2016 no draw down was made against this facility.

The three-year syndicated bullet facility of R400 million matured in September 2016 and was repaid.

Pioneer Foods obtained a R300 million vehicle and asset finance facility during the year ended 30 September 2014. This facility is used to finance the replacement of the Group's bakery delivery vehicle fleet. The vehicles are acquired in terms of instalment sale agreements. These borrowings are secured by the vehicles acquired in terms of these agreements. At 30 September 2016 the carrying amount of these borrowings amounted to R277,137,671.

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

Dividends

A final gross dividend of 260 cents (2017: 260 cents; 2016: 260 cents) per ordinary share was declared. This is in addition to the interim gross dividend of 105 cents (2017: 105 cents; 2016: 105 cents) per ordinary share.

The interim dividend for the 2018 financial year amounted to R236,386,949 (2017: R235,897,532; 2016: R234,984,374) and the final dividend for the 2018 financial year will be approximately R583,910,046 (2017: R584,503,572; 2016: R582,146,370). The exact amount will be dependent on the number of shares in issue at the record date. These amounts include the dividends paid or payable to the Pioneer Foods Broad-Based BEE Trust.

The 10,745,350 Pioneer Foods shares held by the Pioneer Broad-Based BEE Trust are entitled to 20% of the gross interim and final dividends per share as indicated above, i.e. 21.0 cents per share for the 2018 financial year (2017: 21.0 cents; 2016: 21.0 cents) and 52.0 cents (2017: 52.0 cents; 2016: 52.0 cents) respectively. This gross interim dividend for the 2018 financial year amounted to R2,256,524 (2017: R2,256,524; 2016: R2,256,524) and the final dividend for the 2018 financial year will amount to R5,587,582 (2017: R5,587,582; 2016: R5,587,582).

FOR FINANCIAL YEAR ENDING 30 SEPTEMBER 2018

The dividend is payable on 4 February 2019 to shareholders recorded as such in the share register of the Company on 1 February 2019 (the record date). The last date of trading cum dividend will be 29 January 2019.

FOR FINANCIAL YEAR ENDING 30 SEPTEMBER 2017

The dividend is payable on 5 February 2018 to shareholders recorded as such in the share register of the Company on 2 February 2018 (the record date). The last date of trading cum dividend will be 30 January 2018.

FOR FINANCIAL YEAR ENDING 30 SEPTEMBER 2016

The dividend is payable on 30 January 2017 to shareholders recorded as such in the share register of the Company on 27 January 2017 (the record date). The last date of trading cum dividend will be 24 January 2017.

Directors

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

Litigation statement

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

Events after the reporting period

Other than the matters raised in note 46 to the Group annual financial statements, no other events occurred after the reporting date that may have a material effect on the Group's results.

Auditors

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



ACCOUNTING POLICIES

FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016

1. Basis of preparation

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

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

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

1.1 NEW AND AMENDED ACCOUNTING STANDARDS EFFECTIVE IN 2018

The following amendments to standards have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2017.

Amendment to IAS 7 – Cash Flow Statements (effective 1 January 2017)

The amendment introduces additional disclosure to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Refer to note 43 of the consolidated annual financial statements for a reconciliation of changes in liabilities arising from financing activities.

Amendments to IAS 12 – Income Taxes (effective 1 January 2017)

The amendments mainly clarify the requirements for recognising deferred income tax assets on unrealised losses and the accounting for deferred income tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments do not change the underlying principles for the recognition of deferred income tax assets.

Annual Improvements 2014 – 2016 (effective 1 January 2017 or 1 January 2018)

The most notable amendment clarifies that the disclosure requirements of *IFRS 12 – Disclosure of Interests in Other Entities* are applicable to interest in entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests (retrospectively effective 1 January 2017).

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

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

ACCOUNTING POLICIES

FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

1. Basis of preparation continued**1.2 NEW ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP**

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

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

This standard replaces IAS 39 and addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets that replaces the current incurred loss model with an expected credit loss model.

An assessment of the expected impact from the adoption of an expected credit loss model indicates an increase in the provision for impairment of trade receivables of between R2.5 million and R4.5 million before income tax. Adoption of the standard is not expected to have a material impact on the classification or measurement of other financial assets and liabilities.

The Group intends to take the exemption allowed by IFRS 9 to continue to apply the hedging principles in terms of IAS 39.

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

A new standard has been issued for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of goods or services transfers to customers.

Based on an initial assessment, the Group does not expect the adoption of the standard to have a material impact on its results or financial position.

***IFRS 16 – Leases
(effective 1 January 2019)***

IFRS 16 will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use asset and related liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not change significantly.

The standard will affect primarily the accounting of the Group's operating leases. A project was launched to collate and analyse all relevant information timeously. The Group is still in the process of quantifying the impact. Adoption of this standard will have a significant impact on the Group. As at the reporting date the Group has non-cancellable operating lease commitments of R1.104 billion. Refer to note 33.1 of the consolidated annual financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

1.3 USE OF ADJUSTED MEASURES

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

1.4 ITEMS OF A CAPITAL NATURE

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

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



2. Significant accounting policies

2.1 REVENUE RECOGNITION

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

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

Income is recognised as follows:

Sale of goods

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

Sale of services

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

Interest income

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

Interest income on impaired loans and receivables is recognised using the original effective interest rate. Interest income is included in 'investment income' in profit or loss.

Dividend income

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

2.2 SEGMENT REPORTING

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

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

ACCOUNTING POLICIES

FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

2. Significant accounting policies continued**2.3 BASIS OF CONSOLIDATION*****Subsidiaries***

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

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

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

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 – Financial Instruments: Recognition and Measurement either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

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



2. Significant accounting policies continued

2.3 BASIS OF CONSOLIDATION continued

Treasury shares

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

Associates

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as part of the share of profit/(loss) of investments accounted for applying the equity method in profit or loss.

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

Joint arrangements

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

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

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

Consolidation of special purpose entities

The special purpose entities ("SPEs") established in terms of the B-BBEE equity transaction implemented in March 2012, have been consolidated in the Group results. The substance of the relationship between the Company and these entities has been assessed and the conclusion was made that they are controlled entities, mainly due to the fact that the Group retains residual or ownership risks relating to the SPEs.

ACCOUNTING POLICIES

FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

2. Significant accounting policies continued**2.4 FOREIGN CURRENCY TRANSLATION*****Functional and presentation currency***

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

Transactions and balances

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

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

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

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

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

Group entities

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

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

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

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



2. Significant accounting policies continued

2.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

The expected useful lives are as follows:

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

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

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

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

2.6 INTANGIBLE ASSETS

Goodwill

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

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

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

Trademarks and intellectual property

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

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

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

ACCOUNTING POLICIES
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

2. Significant accounting policies continued

2.6 INTANGIBLE ASSETS continued

Computer software

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

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

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

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

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

2.8 FINANCIAL ASSETS

2.8.1 Classification

The Group classifies its financial assets in the following categories:

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

2. Significant accounting policies continued

2.8 FINANCIAL ASSETS continued

2.8.2 Recognition and measurement

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

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

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

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

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

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

2.8.3 Impairment

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

Loans and receivables

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

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

Impairment testing on trade receivables is described in note 2.11 of the accounting policy.

Available-for-sale financial assets

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

2.8.4 Offsetting financial instruments

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

ACCOUNTING POLICIES

FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

2. Significant accounting policies continued**2.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

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

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

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

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

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

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

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in 'cost of goods sold' in the case of inventory or in 'depreciation' in the case of property, plant and equipment.

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



2. Significant accounting policies continued

2.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES continued

Embedded derivatives

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

Derivatives that do not qualify for hedge accounting

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

2.10 INVENTORIES

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

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

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

2.11 TRADE RECEIVABLES

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

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

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

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

2.12 BORROWINGS

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

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

2.13 TRADE PAYABLES

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

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

ACCOUNTING POLICIES

FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

2. Significant accounting policies continued**2.14 CASH AND CASH EQUIVALENTS**

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

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

2.15 CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

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

2.16 SHARE-BASED PAYMENTS***Share-based compensation***

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

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



2. Significant accounting policies continued

2.16 SHARE-BASED PAYMENTS continued

Broad-based employee share scheme

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

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

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

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

2.17 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (“B-BBEE”) TRANSACTIONS

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

B-BBEE transactions, where employees are involved, are measured and accounted for on the same basis as share-based compensation (refer to note 2.16 of the accounting policy).

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

3. Other less significant accounting policies

3.1 ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSEE

Finance leases

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

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

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

Operating leases

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

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

3.2 ACCOUNTING FOR LEASES: GROUP COMPANY IS THE LESSOR

Operating leases

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

ACCOUNTING POLICIES

FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

3. Other less significant accounting policies continued**3.3 EMPLOYEE BENEFITS*****Retirement scheme arrangements***

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

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

Post-retirement medical benefits

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

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

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

Other long-term employee benefits

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

Termination benefits

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

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

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

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

Bonus plans

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

Leave pay

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

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



3. Other less significant accounting policies continued

3.4 GOVERNMENT GRANTS

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

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

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

3.5 DIVIDEND DISTRIBUTION

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

3.6 BORROWING COSTS

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

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

3.7 SHARE CAPITAL

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

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R'000	2017 R'000	2016 R'000
Revenue	45	20 151 853	19 575 045	20 599 725
Cost of goods sold		(14 356 322)	(14 419 077)	(14 516 747)
Gross profit		5 795 531	5 155 968	6 082 978
Other income	3	218 247	153 595	138 967
Other gains/(losses) – net	3	(20 859)	(11 301)	30 785
Sales and distribution costs	4	(2 779 199)	(2 450 921)	(2 436 090)
Marketing costs	4	(315 470)	(329 573)	(265 154)
Administrative expenses	4	(786 956)	(728 896)	(661 011)
Other operating expenses	4	(538 971)	(632 679)	(572 547)
Items of a capital nature	5	73 228	(56 957)	21 343
Operating profit		1 645 551	1 099 236	2 339 271
Investment income	6	27 987	22 214	46 765
Finance costs	7	(197 467)	(196 805)	(167 256)
Share of (loss)/profit of joint ventures	15	(13 770)	53 901	98 032
Share of profit of associated companies	16	13 811	6 407	2 348
Profit before income tax		1 476 112	984 953	2 319 160
Income tax expense	8	(398 998)	(258 802)	(628 987)
Profit for the year		1 077 114	726 151	1 690 173
Other comprehensive income/(loss) for the year				
Items that will not be reclassified to profit or loss:				
Re-measurement of post-retirement medical benefit obligations		2 174	1 566	935
Items that may subsequently be reclassified to profit or loss:				
Fair value adjustments to cash flow hedging reserve		(12 178)	115 746	(118 370)
For the year		3 623	(60 165)	134 684
Current income tax effect		(5 658)	17 518	(36 747)
Deferred income tax effect		4 643	(672)	(965)
Reclassified to profit or loss		(20 537)	220 924	(299 086)
Current income tax effect		5 079	(63 949)	85 624
Deferred income tax effect		672	2 090	(1 880)
Fair value adjustments on available-for-sale financial assets		568	4 037	(1 161)
For the year		18 744	8 203	1 633
Deferred income tax effect		6 400	634	110
Reclassified to profit or loss		(24 576)	(4 800)	(8 332)
Reversal of fair value adjustment against fair value reserve		–	–	5 428
Share of other comprehensive income of investments accounted for applying the equity method		7 437	15 946	(28 686)
Movement on foreign currency translation reserve				
Currency translation differences		26 077	7 636	(55 158)
Total comprehensive income for the year		1 101 192	871 082	1 487 733
Profit for the year attributable to:				
Owners of the parent		1 072 600	726 003	1 690 173
Non-controlling interest		4 514	148	–
		1 077 114	726 151	1 690 173
Total comprehensive income for the year attributable to:				
Owners of the parent		1 090 857	869 693	1 487 733
Non-controlling interest		10 335	1 389	–
		1 101 192	871 082	1 487 733
Earnings per ordinary share (cents)	9	574.6	390.3	912.1
Diluted earnings per ordinary share (cents)	9	546.5	366.0	846.9

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Notes	2018 R'000	2017 R'000	2016 R'000
Assets				
Non-current assets				
		7 953 382	7 447 775	7 011 690
Property, plant and equipment	12	5 653 909	5 356 965	4 763 380
Intangible assets	13	1 200 001	814 941	782 384
Biological assets	14	–	–	16 017
Investments in joint ventures	15	580 586	665 006	769 810
Loans to joint ventures	15	14 448	35 737	74 564
Investments in associates	16	196 241	198 410	16 877
Loans to associate	16	–	7 593	–
Derivative financial instruments	19	128 687	203 059	439 670
Available-for-sale financial assets	17	77 912	138 092	128 295
Trade and other receivables	20	45 751	15 433	16 783
Deferred income tax	26	55 847	12 539	3 910
Current assets				
		6 587 690	5 504 651	6 518 816
Inventories	18	3 176 590	3 033 085	3 212 500
Derivative financial instruments	19	28 024	50 995	57 612
Trade and other receivables	20	2 244 104	1 981 843	2 245 913
Current income tax		10 202	7 939	2 000
Cash and cash equivalents	21	1 128 770	430 789	1 000 791
Assets of disposal group classified as held for sale	53	–	20 019	–
Total assets		14 541 072	12 972 445	13 530 506
Equity and liabilities				
Capital and reserves attributable to owners of the parent				
		8 379 678	8 027 254	7 867 316
Share capital	22	23 319	23 340	23 249
Share premium		2 537 963	2 554 299	2 406 235
Treasury shares	22	(1 186 401)	(1 186 401)	(1 187 756)
Other reserves	24	188 884	213 104	253 275
Retained earnings		6 815 913	6 422 912	6 372 313
Non-controlling interest	28	35 346	25 011	–
Total equity		8 415 024	8 052 265	7 867 316
Non-current liabilities				
		2 396 148	1 645 388	2 344 814
Borrowings				
B-BBEE equity transaction third-party finance	25	–	433 141	449 612
Syndicated and other	25	1 405 080	265 583	883 675
Deferred income tax	26	766 105	674 388	582 382
Share-based payment liability	29	112 768	159 845	317 984
Provisions for other liabilities and charges	27	112 195	112 431	111 161
Current liabilities		3 729 900	3 274 792	3 318 376
Trade and other payables	30	3 018 509	2 388 864	2 037 618
Current income tax		15 157	24 733	30 353
Borrowings				
B-BBEE equity transaction third-party finance	25	451 494	33 679	35 733
Syndicated and other	25	165 517	777 520	617 731
Loan from joint venture	15	21 040	14 540	26 040
Derivative financial instruments	19	32 864	2 562	16 060
Dividends payable		1 551	598	615
Share-based payment liability	29	23 768	32 296	60 961
Accrual for forward purchase contracts on own equity	30	–	–	493 265
Total liabilities		6 126 048	4 920 180	5 663 190
Total equity and liabilities		14 541 072	12 972 445	13 530 506

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	SHARE CAPITAL ORDINARY SHARES R'000	SHARE PREMIUM R'000	TREASURY SHARES R'000
Balance as at 1 October 2016	23 249	2 406 235	(1 187 756)
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Employee share scheme – repurchase of class A ordinary shares from leavers	-	(53)	-
Disposal of shares of management share incentive scheme	-	-	-
Dividends paid – final and interim net of treasury shares	-	-	-
Employee share scheme – transfer tax on share transactions	-	-	-
Non-controlling interest acquired	-	-	-
Recognition of share-based payments – share appreciation rights	-	-	-
Deferred income tax on share-based payments	-	-	-
Ordinary shares issued – share appreciation rights	91	148 117	-
Movement of ordinary shares on share incentive trusts	-	-	1 355
Balance as at 30 September 2017	23 340	2 554 299	(1 186 401)

OTHER RESERVES TOTAL R'000	RETAINED EARNINGS R'000	NON- CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
213 104	6 422 912	25 011	8 052 265
-	1 072 600	4 514	1 077 114
16 083	2 174	5 821	24 078
-	-	-	(30)
-	(681 376)	-	(681 376)
-	(397)	-	(397)
26 635	-	-	26 635
(15 419)	-	-	(15 419)
(51 519)	-	-	-
-	-	-	(67 846)
188 884	6 815 913	35 346	8 415 024

OTHER RESERVES TOTAL R'000	RETAINED EARNINGS R'000	NON- CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
253 275	6 372 313	-	7 867 316
-	726 003	148	726 151
142 124	1 566	1 241	144 931
-	-	-	(53)
-	1 838	-	1 838
-	(678 464)	-	(678 464)
-	(344)	-	(344)
-	-	23 622	23 622
23 474	-	-	23 474
(57 561)	-	-	(57 561)
(148 208)	-	-	-
-	-	-	1 355
213 104	6 422 912	25 011	8 052 265

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	SHARE CAPITAL ORDINARY SHARES R'000	SHARE PREMIUM R'000	TREASURY SHARES R'000
Balance as at 1 October 2015	23 275	2 430 540	(1 204 141)
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
Employee share scheme – repurchase of class A ordinary shares from leavers	–	(53)	–
Disposal of shares of management share incentive scheme	–	–	–
Dividends paid – final and interim net of treasury shares	–	–	–
Employee share scheme – transfer tax on share transactions	–	–	–
Recognition of share-based payments – share appreciation rights	–	–	–
Deferred income tax on share-based payments	–	–	–
Ordinary shares issued – share appreciation rights	35	57 762	–
Shares bought back from management share incentive trust and cancelled	(61)	(82 014)	–
Movement of ordinary shares on share incentive trusts	–	–	16 385
Disposal of subsidiary	–	–	–
Balance as at 30 September 2016	23 249	2 406 235	(1 187 756)

OTHER RESERVES TOTAL R'000	RETAINED EARNINGS R'000	NON- CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
460 472	5 248 473	12 417	6 971 036
-	1 690 173	-	1 690 173
(203 375)	935	-	(202 440)
-	-	-	(53)
-	67 321	-	67 321
-	(634 045)	-	(634 045)
-	(544)	-	(544)
49 464	-	-	49 464
4 511	-	-	4 511
(57 797)	-	-	-
-	-	-	(82 075)
-	-	-	16 385
-	-	(12 417)	(12 417)
253 275	6 372 313	-	7 867 316

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R'000	2017 R'000	2016 R'000
Net cash flow from operating activities				
Net cash profit from operating activities	37	2 072 528	1 661 373	2 667 872
Working capital changes	38	281 099	751 692	(774 510)
Cash effect from hedging activities		2 067	165 826	(174 561)
Net cash generated from operations		2 355 694	2 578 891	1 718 801
Settlement of share-based payment liability		(26 317)	(69 235)	(69 244)
Cash effect of forward purchase contracts related to share-based payments		25 547	41 761	25 268
Settlement of accrual for forward purchase contracts on own equity		–	(493 265)	–
Income tax paid	40	(364 351)	(288 058)	(451 103)
		1 990 573	1 770 094	1 223 722
Net cash flow from investment activities				
Additions to property, plant and equipment	12	(252 672)	(573 410)	(441 463)
Replacements of property, plant and equipment	12	(328 368)	(347 523)	(339 945)
Additions to intangible assets	13	(45 183)	(38 953)	(27 756)
Proceeds on disposal of property, plant, equipment and intangible assets	41	106 633	71 448	69 324
Proceeds on disposal of available-for-sale financial assets	42	86 468	17 114	15 267
Proceeds on disposal of joint venture		–	5 768	–
Proceeds on disposal of subsidiary	44	–	–	62 360
Business combinations	44	(511 355)	(8 664)	(146 881)
Loans repaid by/(granted to) joint ventures and associates		35 382	19 734	(33 759)
Investment in associate	16	–	(191 514)	–
Investment in available-for-sale financial assets		(7 544)	(18 708)	(18 063)
Investments in joint ventures	15	(15 000)	–	(200 515)
Loans (granted to)/repaid by other parties		(35 243)	548	7 535
Interest received		16 127	18 741	42 679
Dividends received		11 447	3 246	4 086
Dividends received from joint ventures	15	52 061	84 710	24 186
Dividends received from associate	16	20 644	–	–
		(395 916)	(932 740)	(1 204 904)
Net cash flow from financing activities				
Proceeds from borrowings – new syndicated and other borrowings		1 206 972	–	–
(Repayments of)/proceeds from other borrowings		(61 722)	(52 704)	2 056
Repayment of syndicated bullet loans		(600 000)	–	(400 000)
Ordinary shares bought back		(67 846)	–	–
Treasury shares – share incentive trusts		–	3 193	1 631
Transaction cost on shares bought back		(397)	(344)	(544)
Interest paid		(189 199)	(200 645)	(170 099)
Dividends paid to Group ordinary shareholders	39	(680 423)	(678 481)	(633 900)
Dividends paid to class A ordinary shareholders	29	(3 301)	(3 759)	(4 048)
Effect of exchange rate changes on cash and cash equivalents		3 009	923	(7 034)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		731 063	(119 186)	(971 161)
Net cash, cash equivalents and bank overdrafts at beginning of year		302 449	421 635	1 392 796
Net cash, cash equivalents and bank overdrafts at end of year	21	1 033 512	302 449	421 635



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016

1. Accounting policies

The principal accounting policies incorporated in the preparation of these financial statements are set out in the section on accounting policies.

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

Derivative financial instruments – forward purchase contracts on own equity

During 2016, the Group entered into forward purchase contracts on its own equity to hedge against the upside price risk of the Pioneer Food Group Ltd share price that the Group is exposed to in respect of the cash-settled broad-based employee share scheme. Refer to notes 19 and 23.2.

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
3. Other income and other gains/(losses) – net			
3.1. OTHER INCOME			
Administration fees received	2 381	2 288	2 224
Government grant amortisation	4 191	4 554	4 636
Rental income	96 315	103 774	105 155
Sundry income and commissions	37 448	32 538	26 952
Insurance claims received	77 912	10 441	–
	218 247	153 595	138 967
3.2. OTHER GAINS/(LOSSES) – NET			
<i>Net gains</i>			
Foreign exchange differences	61 744	13 600	10 632
Financial assets at fair value through profit or loss			
Fair value adjustments on foreign exchange contracts	3 995	13 603	18 740
Fair value adjustments on embedded derivatives	–	581	783
Cash flow hedging ineffective gains			
Fair value adjustments on foreign exchange contracts	2 263	11 689	525
Fair value adjustments on futures	3 009	3 458	37 678
Agricultural produce fair value adjustment	–	1 423	7 457
Total net gains	71 011	44 354	75 815
<i>Net losses</i>			
Foreign exchange differences	(12 838)	(20 241)	(4 619)
Financial assets at fair value through profit or loss			
Fair value adjustments on foreign exchange contracts	(51 784)	(22 539)	(33 775)
Fair value adjustments on embedded derivatives	(1 991)	(783)	–
Cash flow hedging ineffective losses			
Fair value adjustments on foreign exchange contracts	(25 257)	(3 307)	(6 636)
Fair value adjustments on futures	–	(8 785)	–
Total net losses	(91 870)	(55 655)	(45 030)
Other gains/(losses) – net	(20 859)	(11 301)	30 785

	2018 R'000	2017 R'000	2016 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.			
Employee costs	2 689 856	2 547 223	2 283 167
Wages and salaries	2 315 668	2 115 890	2 013 872
Termination benefits	14 593	27 143	11 177
Other personnel costs	132 958	124 349	109 006
Pension costs	169 910	153 421	144 434
Share-based payments	56 727	126 420	4 678
Technical services from non-employees	54 602	56 030	47 824
Auditors' remuneration	13 109	12 867	10 845
Audit – current year	11 997	11 176	9 827
Audit – under/(over) provision previous year	101	(45)	(62)
Tax-related services	871	538	756
Other consultation services	140	1 198	324
Machine rental	65 863	56 149	47 453
Rental of vehicles	10 579	10 847	7 125
Rental of premises	106 999	89 283	66 786
Depreciation and amortisation (refer to notes 12 and 13)	437 726	386 723	341 603
Own assets	399 198	354 749	317 832
Leased assets	2 649	2 332	1 519
Intangible assets	35 879	29 642	22 252
Inventory written off	183 657	192 448	150 956
Change in provision for impairment of trade receivables – (gain)/loss	(8 968)	1 155	(8 280)
Change in allowance for outstanding credit notes – (gain)/loss	(692)	(6 153)	394
Research and development costs	44 369	38 097	32 072
Administration fees paid	1 020	943	1 305
Post-retirement medical benefits (refer to note 27)	92	115	118
Long-service awards (refer to note 27)	7 311	6 942	5 672
Actuarial loss/(gain)	180	336	(744)
Service costs	7 131	6 606	6 416
Share-based payments	56 727	126 420	4 678
Broad-based share incentive scheme	(26 017)	(113 863)	(22 874)
Fair value adjustment on forward purchase contracts on own equity	56 109	216 809	(21 912)
Management share appreciation rights	26 635	23 474	49 464
Transaction costs – business combinations	7 095	148	4 869

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
5. Items of a capital nature			
Net profit on disposal of property, plant, equipment and intangible assets	28 567	6 378	10 252
Gross	35 214	5 798	12 166
Tax effect	(6 647)	580	(1 914)
Net profit on disposal of available-for-sale financial assets	19 209	3 907	6 837
Gross	24 576	4 800	8 332
Tax effect	(5 367)	(893)	(1 495)
Net profit on disposal of subsidiary	-	-	19 674
Gross	-	-	24 183
Tax effect	-	-	(4 509)
Fair value adjustment of step-up from joint venture to subsidiary	13 438	(18 705)	-
Gross	13 438	(18 705)	-
Tax effect	-	-	-
Impairment of intangible assets (refer to note 13)	-	(15 087)	-
Gross	-	(20 954)	-
Tax effect	-	5 867	-
Impairment of goodwill (refer to note 13)	-	(10 150)	-
Gross	-	(10 150)	-
Tax effect	-	-	-
Impairment of available-for-sale financial assets	-	-	(23 338)
Gross	-	-	(23 338)
Tax effect	-	-	-
Nett loss on disposal of equity-accounted investments	-	(19 038)	-
Gross	-	(17 746)	-
Tax effect	-	(1 292)	-
Items of a capital nature before those of joint ventures	61 214	(52 695)	13 425
Gross	73 228	(56 957)	21 343
Tax effect	(12 014)	4 262	(7 918)
Items of a capital nature of joint ventures	(6 049)	15 950	1 072
Gross	(7 309)	15 790	1 232
Tax effect	1 260	160	(160)
Total	55 165	(36 745)	14 497
Gross	65 919	(41 167)	22 575
Tax effect	(10 754)	4 422	(8 078)

	2018	2017	2016
	R'000	R'000	R'000
6. Investment income			
Interest income on financial assets: loans and receivables	16 540	18 968	42 679
Joint ventures and associates	1 693	3 082	4 187
Accretions of discount	413	227	605
Call accounts and other	14 434	15 659	37 887
Dividend income on available-for-sale financial assets	11 447	3 246	4 086
Listed shares	11 433	3 246	4 086
Unlisted shares	14	–	–
	27 987	22 214	46 765
7. Finance costs			
Interest cost on financial liabilities measured at amortised cost			
Joint ventures and associates	2 013	1 880	1 344
Borrowings	76 051	79 030	106 800
Accretions of discount	5 338	719	–
Provisions: unwinding of discount	9 237	9 698	9 269
Call loans and bank overdrafts	68 349	75 468	16 167
Redeemable preference shares B-BBEE equity transaction	42 786	44 267	45 788
Borrowing costs capitalised	(6 307)	(14 257)	(12 112)
	197 467	196 805	167 256

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
8. Income tax expense			
Current income tax	358 749	230 054	508 421
Current year	359 722	230 347	508 362
(Over)/under provision previous years	(973)	(293)	59
Deferred income tax			
Current year	40 249	28 733	120 320
Withholding tax on dividends			
Current year	–	15	246
	398 998	258 802	628 987

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% (remained unchanged over financial years) as follows:

	2018 %	2017 %	2016 %
Standard rate for companies	28.0	28.0	28.0
Increase/(decrease) in rate:			
Exempt income (dividend income and government grants)	(0.3)	(0.2)	(0.1)
Over provision previous years	(0.1)	–	–
Non-deductible expenditure			
– Impairment of available-for-sale financial assets	–	–	0.3
– Finance cost on redeemable preference shares B-BBEE equity transaction	0.8	1.3	0.6
– Impairment of goodwill	–	0.3	–
– Once-off merger and acquisition costs	–	0.5	–
– Fair value adjustment of step-up from joint venture to subsidiary	–	0.5	–
– Disposal of equity-accounted investments	–	0.7	–
– Other	0.9	1.0	0.3
Impact of share-based payment gain on broad-based share incentive scheme	(0.5)	(3.2)	(0.3)
Other non-taxable income			
– Fair value adjustment of step-up from joint venture to subsidiary	(0.3)	–	–
– Other	–	(0.3)	–
Effect of capital gains tax	(0.2)	(0.5)	(0.2)
Investment allowance on industrial policy projects	(1.3)	–	–
Other differences	–	(0.1)	(0.3)
Share of profit from associates and joint ventures	–	(1.7)	(1.2)
Effective rate	27.0	26.3	27.1

	2018 R'000	2017 R'000	2016 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	305 365	17 747	19 982
Less: Utilised in reduction of deferred income tax	(305 365)	(17 747)	(19 982)
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.



	2018 R'000	2017 R'000	2016 R'000
9. Earnings per ordinary share			
Basic			
The calculation of basic earnings per ordinary share is based on earnings attributable to owners of the parent:	1 072 600	726 003	1 690 173
Divided by the weighted average ordinary shares in issue during the year of 186,668,153 (2017: 186,009,206; 2016: 185,304,032).			
Diluted			
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. Share options and appreciation rights issued in terms of share incentive schemes have a dilutive effect on earnings per ordinary share. A calculation is made to determine the number of shares that could have been acquired at fair value (determined at the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options as well as share appreciation rights.			
The calculation of diluted earnings per ordinary share is based on earnings attributable to owners of the parent:	1 072 600	726 003	1 690 173
Divided by the diluted weighted average ordinary shares in issue during the 2018 financial year of 196,274,705 (2017: 198,379,143; 2016: 199,582,540).			
Headline earnings ("HE") is calculated based on Circular 4/2018 issued by the South African Institute of Chartered Accountants.			
	2018 Number	2017 Number	2016 Number
Reconciliation of weighted average ordinary shares in issue during the year			
Weighted average ordinary shares	186 668 153	186 009 206	185 304 032
Adjusted for share options and appreciation rights	–	847 692	2 328 792
Adjusted for B-BBEE equity transaction deemed options	9 606 552	11 522 245	11 949 716
Weighted average ordinary shares for diluted earnings	196 274 705	198 379 143	199 582 540

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
9. Earnings per ordinary share continued			
<i>Reconciliation between earnings and headline earnings</i>			
Earnings attributable to owners of the parent	1 072 600	726 003	1 690 173
Remeasurements (refer to note 5)			
Gross	(65 919)	41 167	(22 575)
Tax effect	10 754	(4 422)	8 078
Net of tax effect	(55 165)	36 745	(14 497)
Headline earnings	1 017 435	762 748	1 675 676
Headline earnings per ordinary share (cents)	545.0	410.1	904.3
Diluted earnings per ordinary share (cents)	546.5	366.0	846.9
Diluted headline earnings per ordinary share (cents)	518.4	384.5	839.6
10. Dividend per ordinary share			
Interim			
21.0 cents (2017: 21.0 cents; 2016: 21.0 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	2 257	2 257	2 257
105.0 cents (2017: 105.0 cents; 2016: 105.0 cents) per ordinary share of other shareholders	234 130	233 641	232 727
Final			
52.0 cents (2017: 52.0 cents; 2016: 52.0 cents) per ordinary share of the Pioneer Foods Broad-Based BEE Trust	5 588	5 588	5 588
260.0 cents (2017: 260.0 cents; 2016: 260.0 cents) per ordinary share of other shareholders	578 322	578 916	576 559
	820 297	820 402	817 131

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

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

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

	2018 R'000	2017 R'000	2016 R'000
11. Directors' remuneration			
Non-executive directors			
Fees	5 921	4 979	3 434
Executive directors	13 432	16 564	9 585
Salaries	9 644	7 574	8 526
Retirement benefits	1 275	813	1 059
Bonuses and incentives	2 513	–	–
Restraint of trade payment	–	8 177	–
Prescribed officer	–	1 615	–
Salaries	–	1 457	–
Retirement benefits	–	158	–
Former executive director			
Restraint of trade payment	6 933	–	–
Annual remuneration	26 286	23 158	13 019
Paid by subsidiaries	(20 365)	(18 179)	(9 585)
Paid by the Company	5 921	4 979	3 434

	2018 Number '000	2017 Number '000	2016 Number '000
Executive directors' and prescribed officer's share incentive scheme			
At beginning of year	1 029	1 409	1 388
Change in directorship and in prescribed officer	(156)	220	–
Forfeited	(98)	(500)	–
Redeemed	(96)	(238)	(50)
New offer at R130.21 per share	–	–	68
New offer at R130.21 per share	–	–	3
New offer at R166.20 per share	–	138	–
New offer at R134.96 per share	327	–	–
Share appreciation rights at end of year	1 006	1 029	1 409
At R55.42 per share, exercisable up to 5 February 2023	–	4	–
At R64.52 per share, exercisable up to 9 February 2023	–	50	100
At R81.55 per share, exercisable up to 31 August 2019	174	500	613
At R81.55 per share, exercisable up to 28 February 2024	–	–	29
At R154.19 per share, exercisable up to 13 August 2020	57	81	95
At R154.19 per share, exercisable up to 13 February 2025	–	–	1
At R198.71 per share, exercisable up to 21 March 2021	300	150	500
At R130.21 per share, exercisable up to 15 February 2019	–	–	68
At R130.21 per share, exercisable up to 15 August 2021	35	66	3
At R166.20 per share, exercisable up to 22 August 2022	113	178	–
At R134.96 per share, exercisable up to 14 August 2023	327	–	–
Share appreciation rights at end of year	1 006	1 029	1 409

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
12. Property, plant and equipment			
12.1 PROPERTY, PLANT AND EQUIPMENT – SUMMARY			
Land and buildings	1 747 541	1 695 889	1 552 851
Plant, machinery and equipment	3 401 643	3 195 127	2 757 056
Vehicles	504 725	465 949	453 473
Net carrying value	5 653 909	5 356 965	4 763 380
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	93 207	129 881	133 325
Additions	7 341	1 428	2 566
Transfers	(25 946)	(36 811)	(5 459)
Disposals	(786)	(1 291)	(551)
	73 816	93 207	129 881
Accumulated depreciation			
As at beginning of year	55 229	83 066	81 073
Charge for the year	2 637	3 720	4 139
Additions and transfers	(13 201)	(30 510)	(1 853)
Disposals	(388)	(1 047)	(293)
	44 277	55 229	83 066
Net carrying value	29 539	37 978	46 815

Refer to note 12.2 for further detail.

Property, plant and equipment in the course of construction amounts to R253,093,721 (2017: R351,660,954; 2016: R275,539,849).

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 R56,980,950 (2017: R59,630,083; 2016: R41,432,730) 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 financial year borrowing costs of R6,307,575 (2017: R14,256,659; 2016: R12,111,934) were capitalised against qualifying items of property, plant and equipment. The capitalisation rate used varied between 7.3% and 8.3% (2017: 8.3% and 8.5%; 2016: 8.0% and 8.7%).

Plant, machinery and equipment with a cost price of Rnil (2017: R20,529,656; 2016: R19,279,603) have been capitalised where the Group is a lessee under a finance lease. The lease terms range between 12 to 25 years.

Change in estimates

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

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

Based on the latest available and reliable information there was a change in the estimated useful lives and residual values of certain items of property, plant and equipment. The effect of these changes on the depreciation expense in the current year is an increase of R173,852 (2017: increase of R1,087,226; 2016 increase of R305,461).

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	OWN ASSETS			LEASED ASSETS
	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Plant, machinery and equipment R'000
12. Property, plant and equipment continued				
12.2 PROPERTY, PLANT AND EQUIPMENT –				
DETAIL continued				
30 September 2017				
Cost				
At 1 October 2016	1 961 515	4 905 907	658 717	44 880
Additions	152 595	690 249	78 089	20 529
Transfers	25 421	(26 189)	425	–
Business combination	17 860	20 226	2 420	–
Borrowing costs capitalised	2 756	11 501	–	–
Foreign exchange adjustment	2 880	5 523	278	–
Disposals	(12 824)	(97 328)	(50 735)	–
Transferred to disposal group classified as held for sale	–	(7 100)	(145)	–
At 30 September 2017	2 150 203	5 502 789	689 049	65 409
Accumulated depreciation				
At 1 October 2016	408 664	2 190 284	205 244	3 447
Charge for the year	45 058	265 028	44 663	2 332
Transfers	1 987	(3 467)	374	–
Foreign exchange adjustment	1 682	2 933	87	–
Depreciation on disposals	(3 077)	(82 603)	(27 159)	–
Transferred to disposal group classified as held for sale	–	(4 883)	(109)	–
At 30 September 2017	454 314	2 367 292	223 100	5 779
Net carrying value at 30 September 2017	1 695 889	3 135 497	465 949	59 630
Total – 2017	5 297 335			59 630
Total property, plant and equipment – 2017	5 356 965			

	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 2016				
Cost				
At 1 October 2015	1 858 438	4 382 701	657 446	25 600
Additions	97 450	616 427	67 531	19 280
Transfers	38 640	(43 388)	–	–
Business combination	24 850	74 135	269	–
Disposal of subsidiary	(19 006)	(51 383)	(1 987)	–
Borrowing costs capitalised	1 834	10 278	–	–
Foreign exchange adjustment	(15 497)	(37 549)	(57)	–
Disposals	(25 194)	(45 314)	(64 485)	–
At 30 September 2016	1 961 515	4 905 907	658 717	44 880
Accumulated depreciation				
At 1 October 2015	356 465	1 990 041	204 107	1 928
Charge for the year	41 180	233 590	43 062	1 519
Transfers	1 010	(1 529)	–	–
Business combination	18 322	53 124	269	–
Disposal of subsidiary	(3 873)	(25 223)	(556)	–
Foreign exchange adjustment	(3 556)	(19 791)	(57)	–
Depreciation on disposals	(884)	(39 928)	(41 581)	–
At 30 September 2016	408 664	2 190 284	205 244	3 447
Net carrying value at 30 September 2016	1 552 851	2 715 623	453 473	41 433
Total – 2016	4 721 947			41 433
Total property, plant and equipment – 2016	4 763 380			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
13. Intangible assets			
13.1 INTANGIBLE ASSETS – SUMMARY			
Trademarks	602 807	349 292	355 043
Goodwill	433 962	331 283	302 846
Intellectual property	32 534	17 271	18 239
Computer software	130 698	117 095	106 256
Net carrying value	1 200 001	814 941	782 384
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	121 654
Fruit Concentrate Mixtures			
Wild Island	17 144	17 144	17 144
W Daly and W Daly & Sons – 11 years (2017: 12 years; 2016: 13 years)	4 584	4 983	5 381
Spreads			
Marmite	33 288	33 288	33 288
Bovril	33 886	33 886	33 886
Pecks	7 202	7 202	19 245
Redro	5 328	5 328	14 239
Baking Aids			
Moir's	55 741	55 741	55 741
Smash	21 506	21 506	21 506
Tower	2 116	2 116	2 116
Maizena			
Maizena	18 820	18 820	18 820
ProNutro			
ProNutro	3 450	3 450	3 450
Nature's Source			
Nature's Source	2 650	2 650	2 650
Food Concepts Pioneer			
Butterfields – 19 years (2017: 20 years)	18 955	19 966	–
Yum Yum – 19 years (2017: 20 years)	8 492	8 945	–
The Good Carb Food Company			
Lizi's	191 604	–	–
Ambient Foods			
Wellington's	30 118	–	–
Frozen Foods			
Today's	10 571	–	–
Mamas	6 346	–	–
Big Jack	2 871	–	–
Man's meal	2 118	–	–
Other – nil to 8 years (2017: nil to 9 years; 2016: nil to 10 years)	4 363	5 143	5 923
Less: Classified as assets held for sale			
Pecks	–	(7 202)	–
Redro	–	(5 328)	–
	602 807	349 292	355 043

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

	2018	2017	2016
	R'000	R'000	R'000
13. Intangible assets continued			
13.1 INTANGIBLE ASSETS – SUMMARY continued			
<i>Impairment test for goodwill and intangible assets</i>			
Goodwill arising from a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from the business combination.			
The CGUs, to which a significant amount of goodwill have been allocated, are indicated separately below under each operating segment (in bold):			
Essential Foods	3 280	3 280	3 280
Groceries	178 353	178 353	188 503
SAD	69 293	69 293	69 293
Spreads	40 755	40 755	50 905
Maizena	6 033	6 033	6 033
Other	5 877	5 877	5 877
Fruit Concentrate Mixtures	31 540	31 540	31 540
Ceres Fruit Juices	24 855	24 855	24 855
International	252 329	149 650	111 063
Pioneer Foods (UK)	28 676	28 163	28 019
Streamfoods (UK)	84 990	83 475	83 044
Food Concepts Pioneer (Nigeria)	38 012	38 012	–
The Good Carb Food Company (UK)	100 651	–	–
	433 962	331 283	302 846

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

The CGUs have been allocated to the operating segments as set out in note 45.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

13. Intangible assets continued

13.1 INTANGIBLE ASSETS – SUMMARY continued

Testing of CGUs for impairment

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:

CGUs of Pioneer Foods (UK) legal entities

Growth rate of 2.7% (2017: 2.0%; 2016: 1.5%)

Discount rates of 10.1% to 14.0% (2017: 9.5% to 14.9%; 2016: 11.0%)

Food Concepts Pioneer (Nigeria)

Growth rate of 5.3% (2017: 11.0%; 2016: Nil%)

Discount rate of 23.5% (2017: 36.4%; 2016: Nil%)

Other CGUs

Growth rate of 5.3% (2017: 5.0%; 2016: 5.0%)

Discount rates from 19.6% to 40.5% (2017: 24.0% to 31.1%; 2016: 24.7% to 31.8%)

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.

Impairment losses following the reclassification of the fish paste spreads business as assets held for sale in 2017

Goodwill amounting to R10,150,000 and the Redro and Pecks trademarks, amounting to R8,910,512 and R12,043,040 respectively, of the fish paste spreads business were impaired in 2017. The assets of this business were presented as "assets of a disposal group classified as held for sale" at 30 September 2017 in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*, following the Board's decision to dispose of this business. The fair values of the assets of this business were remeasured at fair value less costs to sell and consequently impairment losses were recognised.

The fair value less costs to sell was determined based on the income 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 cash generating unit ("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 CGUs' 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 key assumptions used in performing the impairment tests were as follows:

Pre-tax discount rate of 18.0%

Perpetual growth rate of 5.0%

Income tax rate of 28.0%

During the 2018 financial year the Board revoked its decision to dispose of the assets related to the fish paste spreads business and its intention is to recover the carrying amounts of the related assets through continuing use. The Group believes that value remains to be unlocked and is committed to implementing operating efficiencies.

	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 2018				
Cost				
At 1 October 2017	427 675	399 492	33 359	349 721
Additions	–	–	–	45 183
Transfers	–	–	–	(1 519)
Business combinations	241 477	99 522	17 462	–
Foreign exchange adjustment	2 162	3 157	198	72
Disposals	–	–	–	(1 258)
Transferred from disposal group classified as held for sale	35 000	–	–	–
At 30 September 2018	706 314	502 171	51 019	392 199
Accumulated amortisation				
At 1 October 2017	78 383	68 209	16 088	232 626
Charge for the year	2 643	–	2 317	30 919
Transfers	–	–	–	(865)
Foreign exchange adjustment	11	–	80	79
Amortisation on disposals	–	–	–	(1 258)
Transferred from disposal group classified as held for sale	22 470	–	–	–
At 30 September 2018	103 507	68 209	18 485	261 501
Net carrying value at 30 September 2018	602 807	433 962	32 534	130 698
Total intangible assets – 2018	1 200 001			
30 September 2017				
Cost				
At 1 October 2016	433 394	360 905	33 359	310 508
Additions	–	–	–	38 953
Transfers	–	–	–	343
Business combination	29 278	38 012	–	–
Foreign exchange adjustment	3	575	–	235
Disposals	–	–	–	(318)
Transferred to disposal group classified as held for sale	(35 000)	–	–	–
At 30 September 2017	427 675	399 492	33 359	349 721
Accumulated amortisation				
At 1 October 2016	78 351	58 059	15 120	204 252
Charge for the year	1 544	–	968	27 130
Impairments	20 954	10 150	–	–
Transfers	–	–	–	1 106
Foreign exchange adjustment	4	–	–	165
Amortisation on disposals	–	–	–	(27)
Transferred to disposal group classified as held for sale	(22 470)	–	–	–
At 30 September 2017	78 383	68 209	16 088	232 626
Net carrying value at 30 September 2017	349 292	331 283	17 271	117 095
Total intangible assets – 2017	814 941			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	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 2016				
Cost				
At 1 October 2015	434 439	283 046	33 359	293 448
Additions	–	–	–	27 756
Transfers	–	–	–	4 748
Business combination	–	85 755	–	–
Disposal of subsidiary	(946)	(564)	–	–
Foreign exchange adjustment	(99)	(7 332)	–	(905)
Disposals	–	–	–	(14 539)
At 30 September 2016	433 394	360 905	33 359	310 508
Accumulated amortisation				
At 1 October 2015	78 192	58 059	13 694	194 275
Charge for the year	1 185	–	1 426	19 641
Transfers	–	–	–	519
Disposal of subsidiary	(946)	–	–	–
Foreign exchange adjustment	(80)	–	–	(202)
Amortisation on disposals	–	–	–	(9 981)
At 30 September 2016	78 351	58 059	15 120	204 252
Net carrying value at 30 September 2016	355 043	302 846	18 239	106 256
Total intangible assets – 2016	782 384			

	2018 R'000	2017 R'000	2016 R'000
14. Biological assets			
Vineyards	–	–	16 017
For the purposes of the statement of financial position, biological assets are presented as follows:			
Non-current assets	–	–	16 017

The Group was engaged in dried fruit. This farm was disposed of during the 2017 financial year.

	2018 R'000	2017 R'000	2016 R'000
15. Investments in and loans to/(from) joint ventures			
15.1 INVESTMENTS IN JOINT VENTURES – EQUITY ACCOUNTING			
At beginning of year	665 006	769 810	524 135
Investment in joint ventures	15 000	–	200 515
Disposal of investments	(36 362)	(76 525)	–
Share of (loss)/profit after income tax	(13 770)	53 901	98 032
Share of other comprehensive income	2 773	2 530	(28 686)
Dividends received	(52 061)	(84 710)	(24 186)
At end of year	580 586	665 006	769 810

	BOKOMO BOTSWANA (PTY) LTD			BOKOMO NAMIBIA (PTY) LTD		
	2018 R'000	2017 R'000	2016 R'000	2018 R'000	2017 R'000	2016 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	160 109	93 652	184 399	89 111	100 078	79 081
Current assets	257 670	287 583	265 402	148 939	153 236	157 800
Non-current liabilities	(12 148)	(10 861)	(18 168)	(37 030)	(43 433)	(44 633)
Current liabilities	(55 175)	(48 145)	(85 337)	(42 763)	(44 606)	(42 645)
Net assets	350 456	322 229	346 296	158 257	165 275	149 603
Reconciliation of carrying amount						
Opening carrying amount at 1 October	322 229	346 296	303 798	165 275	149 603	129 118
Investment in joint venture	–	–	–	–	–	–
Share of other comprehensive income	5 547	17 663	(27 775)	–	–	–
Dividend received	(9 122)	(104 420)	(18 373)	–	–	–
Profit/(loss) after income tax for the year	31 802	62 690	88 646	(7 018)	15 672	20 485
Subtotal	350 456	322 229	346 296	158 257	165 275	149 603
Disposal of investments	–	–	–	–	–	–
Closing net assets at 30 September	350 456	322 229	346 296	158 257	165 275	149 603
Group's share (%)	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Group's share at 30 September	175 216	161 115	173 148	79 129	82 638	74 802
Property, plant and equipment	(1)	(2)	(2)	–	–	–
Goodwill	–	–	–	–	–	–
Trademarks	–	–	–	–	–	–
Customer relationships	–	–	–	–	–	–
Unrealised profit in closing stock	(7 405)	(3 598)	(4 818)	(4 093)	(3 543)	(3 118)
Deferred income tax on unrealised profit in closing stock	2 073	1 007	1 349	1 146	992	873
Deferred income tax on intangible assets	–	–	–	–	–	–
Deferred income tax on customer relationships	–	–	–	–	–	–
Cost to issue shares recognised against share premium	–	–	–	44	44	44
Disposal of investments	–	–	–	–	–	–
Carrying amount at 30 September	169 883	158 522	169 677	76 226	80 131	72 601

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	BOKOMO BOTSWANA (PTY) LTD			BOKOMO NAMIBIA (PTY) LTD		
	2018 R'000	2017 R'000	2016 R'000	2018 R'000	2017 R'000	2016 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	929 007	1 091 612	1 249 810	543 446	557 752	565 026
EBITDA	47 638	81 132	120 158	3 046	33 735	38 151
Depreciation, amortisation and impairment	(6 333)	(9 149)	(11 736)	(9 329)	(8 712)	(7 623)
Interest income	1 050	922	853	262	641	64
Finance costs	(975)	(1 692)	(1 183)	(3 272)	(3 734)	(4 479)
Income tax expense	(9 578)	(8 523)	(19 446)	2 275	(6 258)	(5 628)
Profit/(loss) after income tax	31 802	62 690	88 646	(7 018)	15 672	20 485
Group's share (%)	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Share of net profit/(loss)	15 901	31 345	44 323	(3 509)	7 836	10 243
Eliminate intergroup unrealised profit on property, plant and equipment after income tax	–	–	–	–	–	–
Unrealised profit in closing stock after income tax	(2 741)	879	(32)	(396)	(306)	(965)
Depreciation on trademarks after income tax	–	–	–	–	–	–
Depreciation on intellectual property after income tax	–	–	–	–	–	–
Share of profit/(loss) after income tax	13 160	32 224	44 291	(3 905)	7 530	9 278
Share of other comprehensive income	2 773	8 831	(13 888)	–	–	–
Cash and cash equivalents	12 677	79 807	10 215	18 386	(7 609)	9 067

	PIONEER FOODS WELLINGTONS (PTY) LTD			FOOD CONCEPTS PIONEER LTD		
	2018 R'000	2017 R'000	2016 R'000	2018 R'000	2017 R'000	2016 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	–	258 489	245 434	–	–	62 627
Current assets	–	371 426	416 146	–	–	15 000
Non-current liabilities	–	(132 966)	(170 103)	–	–	(5 556)
Current liabilities	–	(215 677)	(155 279)	–	–	(17 741)
Net assets	–	281 272	336 198	–	–	54 330
Reconciliation of carrying amount						
Opening carrying amount at 1 October	281 272	336 198	325 647	–	54 330	80 304
Investment in joint venture	–	–	–	–	–	–
Share of other comprehensive income	–	–	–	–	(12 134)	(29 598)
Dividend received	–	–	–	–	–	–
Profit/(loss) after income tax for the year	(139 349)	(54 926)	10 551	–	6 917	3 624
Subtotal	141 923	281 272	336 198	–	49 113	54 330
Disposal of investments	(141 923)	–	–	–	(49 113)	–
Closing net assets at 30 September	–	281 272	336 198	–	–	54 330
Group's share (%)	49.9%	49.9%	49.9%	–	50.1%	50.1%
Group's share at 30 September	70 816	140 354	167 762	–	24 605	27 219
Property, plant and equipment	(1 451)	(1 451)	(1 451)	–	–	–
Goodwill	(26 455)	(26 455)	(26 455)	–	32 201	32 201
Trademarks	(9 579)	(9 993)	(10 615)	–	19 911	20 756
Customer relationships	–	–	–	–	–	–
Unrealised profit in closing stock	18	–	(4)	–	–	–
Deferred income tax on unrealised profit in closing stock	(3)	2	1	–	–	–
Deferred income tax on intangible assets	3 016	3 016	3 016	–	(5 973)	(6 227)
Deferred income tax on customer relationships	–	–	–	–	–	–
Cost to issue shares recognised against share premium	–	–	–	–	–	–
Disposal of investments	(36 362)	–	–	–	(70 744)	–
Carrying amount at 30 September	–	105 473	132 254	–	–	73 949

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	PIONEER FOODS WELLINGTONS (PTY) LTD			FOOD CONCEPTS PIONEER LTD		
	2018 R'000	2017 R'000	2016 R'000	2018 R'000	2017 R'000	2016 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	360 440	751 391	760 824	–	139 762	111 762
EBITDA	(178 330)	(53 174)	35 445	–	8 871	(983)
Depreciation, amortisation and impairment	(12 994)	(22 013)	(18 188)	–	(3 071)	(6 413)
Interest income	319	840	–	–	82	228
Finance costs	(1 615)	(1 975)	(3 151)	–	(741)	(2 507)
Income tax expense	53 271	21 396	(3 555)	–	1 776	13 299
Profit/(loss) after income tax	(139 349)	(54 926)	10 551	–	6 917	3 624
Group's share (%)	49.9%	49.9%	49.9%	–	50.1%	50.1%
Share of net profit/(loss)	(69 535)	(27 408)	5 264	–	3 465	1 814
Eliminate intergroup unrealised profit on property, plant and equipment after income tax	414	621	621	–	–	–
Unrealised profit in closing stock after income tax	13	5	(3)	–	–	–
Depreciation on trademarks after income tax	–	–	–	–	(591)	(789)
Depreciation on intellectual property after income tax	–	–	–	–	–	–
Share of profit/(loss) after income tax	(69 108)	(26 782)	5 882	–	2 874	1 025
Share of other comprehensive income	–	–	–	–	(6 079)	(14 829)
Cash and cash equivalents	–	(38 609)	(586)	–	–	(98)
	Note 1			Note 2		

Notes:

1. Became a subsidiary on 1 June 2018 after control was obtained. Formerly known as Heinz Foods SA (Pty) Ltd.
2. Became a subsidiary on 1 July 2017 after an increase in shareholding.

	FUTURE LIFE HEALTH PRODUCTS (PTY) LTD			OTHER		
	2018 R'000	2017 R'000	2016 R'000	2018 R'000	2017 R'000	2016 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	38 461	28 334	27 195	229 467	220 831	232 733
Current assets	125 933	142 506	98 562	117 629	106 944	125 199
Non-current liabilities	–	–	–	(64 927)	(59 981)	(89 833)
Current liabilities	(43 171)	(43 618)	(33 815)	(71 412)	(91 538)	(56 716)
Net assets	121 223	127 222	91 942	210 757	176 256	211 383
Reconciliation of carrying amount						
Opening carrying amount at 1 October	127 222	91 942	–	176 256	211 383	188 865
Investment in joint venture	–	–	67 990	30 000	–	39
Share of other comprehensive income	–	–	–	–	(454)	62
Dividend received	(40 000)	–	–	(55 000)	(65 000)	(29 999)
Profit/(loss) after income tax for the year	34 001	35 280	23 952	59 501	42 126	52 416
Subtotal	121 223	127 222	91 942	210 757	188 055	211 383
Disposal of investments	–	–	–	–	(11 799)	–
Closing net assets at 30 September	121 223	127 222	91 942	210 757	176 256	211 383
Group's share (%)	50.0%	50.0%	50.0%	50.0%	49.0% – 50.0%	49.0% – 50.0%
Group's share at 30 September	60 612	63 611	45 971	105 380	93 897	105 565
Property, plant and equipment	–	–	–	–	–	–
Goodwill	74 521	74 521	74 996	–	–	–
Trademarks	118 450	118 450	117 975	3 834	3 834	3 834
Customer relationships	6 511	7 420	8 328	–	–	–
Unrealised profit in closing stock	–	–	–	(20)	(1)	(20)
Deferred income tax on unrealised profit in closing stock	–	–	–	6	–	6
Deferred income tax on intangible assets	(33 033)	(33 033)	(33 033)	–	–	–
Deferred income tax on customer relationships	(1 823)	(2 077)	(2 332)	–	–	–
Cost to issue shares recognised against share premium	–	–	–	39	39	39
Disposal of investments	–	–	–	–	(5 781)	–
Carrying amount at 30 September	225 238	228 892	211 905	109 239	91 988	109 424

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	FUTURE LIFE HEALTH PRODUCTS (PTY) LTD			OTHER		
	2018 R'000	2017 R'000	2016 R'000	2018 R'000	2017 R'000	2016 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	284 344	296 866	231 895	386 454	358 523	320 778
EBITDA	45 544	51 031	34 377	98 287	75 259	76 656
Depreciation, amortisation and impairment	(3 184)	(4 519)	(1 803)	(13 220)	(11 469)	(5 766)
Interest income	5 147	2 604	1 604	3 779	2 096	4 792
Finance costs	(1)	(5)	(917)	(4 973)	(7 490)	(2 933)
Income tax expense	(13 505)	(13 831)	(9 309)	(24 372)	(16 270)	(20 333)
Profit/(loss) after income tax	34 001	35 280	23 952	59 501	42 126	52 416
Group's share (%)	50.0%	50.0%	50.0%	50.0%	49.0% – 50.0%	49.0% – 50.0%
Share of net profit/(loss)	17 000	17 640	11 976	29 751	21 055	26 176
Eliminate intergroup unrealised profit on property, plant and equipment after income tax	–	–	–	–	–	–
Unrealised profit in closing stock after income tax	–	–	–	(14)	14	(51)
Depreciation on trademarks after income tax	–	–	–	–	–	–
Depreciation on intellectual property after income tax	(654)	(654)	(545)	–	–	–
Share of profit/(loss) after income tax	16 346	16 986	11 431	29 737	21 069	26 125
Share of other comprehensive income	–	–	–	–	(222)	31
Cash and cash equivalents	43 826	57 130	18 723	5 247	(8 967)	34 048

Note

Note:

Amigear Ventures (Pty) Ltd was disposed of on 1 April 2017.

		TOTAL		
		2018	2017	2016
		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	517 148	701 384	831 469
	Current assets	650 171	1 061 695	1 078 109
	Non-current liabilities	(114 105)	(247 241)	(328 293)
	Current liabilities	(212 521)	(443 584)	(391 533)
	Net assets	840 693	1 072 254	1 189 752
	Reconciliation of carrying amount			
	Opening carrying amount at 1 October	1 072 254	1 189 752	1 027 732
	Investment in joint venture	30 000	–	68 029
	Share of other comprehensive income	5 547	5 075	(57 311)
	Dividend received	(104 122)	(169 420)	(48 372)
	Profit/(loss) after income tax for the year	(21 063)	107 759	199 674
	Subtotal	982 616	1 133 166	1 189 752
	Disposal of investments	(141 923)	(60 912)	–
	Closing net assets at 30 September	840 693	1 072 254	1 189 752
	Group's share (%)	49.9% – 50.0%	49.0% – 50.1%	49.0% – 50.1%
	Group's share at 30 September	491 153	566 220	594 467
	Property, plant and equipment	(1 452)	(1 453)	(1 453)
	Goodwill	48 066	80 267	80 742
	Trademarks	112 705	132 202	131 950
	Customer relationships	6 511	7 420	8 328
	Unrealised profit in closing stock	(11 500)	(7 142)	(7 960)
	Deferred income tax on unrealised profit in closing stock	3 222	2 001	2 229
	Deferred income tax on intangible assets	(30 017)	(35 990)	(36 244)
	Deferred income tax on customer relationships	(1 823)	(2 077)	(2 332)
	Cost to issue shares recognised against share premium	83	83	83
	Disposal of investments	(36 362)	(76 525)	–
	Carrying amount at 30 September	580 586	665 006	769 810

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	TOTAL		
	2018 R'000	2017 R'000	2016 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	2 503 691	3 195 906	3 240 095
EBITDA	16 185	196 854	303 804
Depreciation, amortisation and impairment	(45 060)	(58 933)	(51 529)
Interest income	10 557	7 185	7 541
Finance costs	(10 836)	(15 637)	(15 170)
Income tax expense	8 091	(21 710)	(44 972)
Profit/(loss) after income tax	(21 063)	107 759	199 674
Group's share (%)	49.9% – 50.0%	49.0% – 50.1%	49.0% – 50.1%
Share of net profit/(loss)	(10 392)	53 933	99 796
Eliminate intergroup unrealised profit on property, plant and equipment after income tax	414	621	621
Unrealised profit in closing stock after income tax	(3 138)	592	(1 051)
Depreciation on trademarks after income tax	–	(591)	(789)
Depreciation on intellectual property after income tax	(654)	(654)	(545)
Share of profit/(loss) after income tax	(13 770)	53 901	98 032
Share of other comprehensive income	2 773	2 530	(28 686)
Cash and cash equivalents	80 136	81 752	71 369

	2018 R'000	2017 R'000	2016 R'000
15. Investments in and loans to/(from) joint ventures continued			
15.2 LOANS TO/(FROM) JOINT VENTURES			
Non-current			
<i>Interest-bearing loans</i>			
Alpen Foods Company SA (Pty) Ltd	14 448	13 063	11 772
Heinz Foods SA (Pty) Ltd	–	–	38 118
Bokomo Namibia (Pty) Ltd	–	–	2 000
<i>Interest-free loans</i>			
Heinz Foods SA (Pty) Ltd	–	22 674	22 674
	14 448	35 737	74 564
Current			
<i>Interest-bearing loans</i>			
Bowman Ingredients (SA) (Pty) Ltd	(21 040)	(14 540)	(26 040)
	(21 040)	(14 540)	(26 040)
	(6 592)	21 197	48 524

Loans are secured and interest-bearing, except where indicated otherwise, with no fixed terms of repayment. The interest rate at year-end applicable to interest-bearing loans was 10.0% (2017: 4.3% to 10.3%; 2016: 9.5% to 10.5%).

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
16. Investment in and loans to associates			
16.1 INVESTMENTS IN ASSOCIATES			
At beginning of year	198 410	16 877	14 529
Investment in associate	–	191 514	–
Disposal of investment	–	(17 959)	–
Share of profit after income tax	13 811	6 407	2 348
Share of other comprehensive income	4 664	1 571	–
Dividend received	(20 644)	–	–
At end of year	196 241	198 410	16 877

Investments in associates from continuing operations consist of:

	COTTESLOE CONSULTANTS (PTY) LTD		
	2018 R'000	2017 R'000	2016 R'000
Summarised statement of financial position			
<i>As at 30 September</i>			
Non-current assets	–	–	55 751
Current assets	–	–	33 375
Non-current liabilities	–	–	(17 083)
Current liabilities	–	–	(17 560)
Net assets	–	–	54 483
Reconciliation of carrying amount			
At beginning of year	–	54 483	45 092
Investment in associate	–	–	–
Share of other comprehensive income	–	–	–
Dividend received	–	–	–
Profit for the year	–	4 327	9 391
Subtotal	–	58 810	54 483
Disposal of investment	–	(58 810)	–
Closing net assets at 30 September	–	–	54 483
Group's share (%)	–	25%	25%
Group's share at 30 September	–	14 703	13 621
Goodwill	–	3 256	3 256
Trademarks	–	–	–
Unrealised profit in closing stock	–	–	–
Deferred income tax on unrealised profit in closing stock	–	–	–
Customer relationships	–	–	–
Deferred income tax on intangible assets	–	–	–
Deferred income tax on customer relationships	–	–	–
Disposal of investment	–	(17 959)	–
Carrying amount at 30 September	–	–	16 877

		COTTESLOE CONSULTANTS (PTY) LTD		
		2018	2017	2016
		R'000	R'000	R'000
16.	Investment in and loans to associates continued			
16.1	INVESTMENTS IN ASSOCIATES continued			
	Summarised statement of comprehensive income			
	<i>For the year ended 30 September</i>			
	Revenue	–	35 157	70 081
	Net profit after income tax	–	4 327	9 391
	Group's share (%)	–	25%	25%
	Share of associate net profit after income tax	–	1 082	2 348
	Depreciation on customer relationships after income tax	–	–	–
	Unrealised profit in closing stock after income tax	–	–	–
	Share of profit after income tax	–	1 082	2 348
	Share of other comprehensive income			
	Translation reserve	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

		WEETABIX EAST AFRICA LTD		
		2018	2017	2016
		R'000	R'000	R'000
16.	Investment in and loans to associates continued			
16.1	INVESTMENTS IN ASSOCIATES continued			
	Summarised statement of financial position			
	<i>As at 30 September</i>			
	Non-current assets	40 371	43 667	–
	Current assets	100 471	106 621	–
	Non-current liabilities	(4 163)	(18 588)	–
	Current liabilities	(33 849)	(25 764)	–
	Net assets	102 830	105 936	–
	Reconciliation of carrying amount			
	At beginning of year	105 936	–	–
	Investment in associate	–	91 634	–
	Share of other comprehensive income	9 348	3 150	–
	Dividend received	(41 378)	–	–
	Profit for the year	28 924	11 152	–
	Subtotal	102 830	105 936	–
	Disposal of investment	–	–	–
	Closing net assets at 30 September	102 830	105 936	–
	Group's share (%)	49.89%	49.89%	–
	Group's share at 30 September	51 302	52 852	–
	Goodwill	109 166	109 166	–
	Trademarks	46 489	46 489	–
	Unrealised profit in closing stock	(292)	–	–
	Deferred income tax on unrealised profit in closing stock	82	–	–
	Customer relationships	4 916	5 500	–
	Deferred income tax on intangible assets	(13 947)	(13 947)	–
	Deferred income tax on customer relationships	(1 475)	(1 650)	–
	Disposal of investment	–	–	–
	Carrying amount at 30 September	196 241	198 410	–
	Summarised statement of comprehensive income			
	<i>For the year ended 30 September</i>			
	Revenue	180 319	83 811	–
	Net profit after income tax	28 924	11 152	–
	Group's share (%)	49.89%	49.89%	–
	Share of associate net profit after income tax	14 430	5 564	–
	Depreciation on customer relationships after income tax	(409)	(239)	–
	Unrealised profit in closing stock after income tax	(210)	–	–
	Share of profit after income tax	13 811	5 325	–
	Share of other comprehensive income			
	Translation reserve	4 664	1 571	–
	Loans to associates			
	Non-current			
	Interest-bearing loans			
	Weetabix East Africa Ltd	–	7 593	–

	TOTAL		
	2018 R'000	2017 R'000	2016 R'000
16. Investment in and loans to associates continued			
16.1 INVESTMENTS IN ASSOCIATES continued			
Summarised statement of financial position			
<i>As at 30 September</i>			
Non-current assets	40 371	43 667	55 751
Current assets	100 471	106 621	33 375
Non-current liabilities	(4 163)	(18 588)	(17 083)
Current liabilities	(33 849)	(25 764)	(17 560)
Net assets	102 830	105 936	54 483
Reconciliation of carrying amount			
At beginning of year	105 936	54 483	45 092
Investment in associate	–	91 634	–
Share of other comprehensive income	9 348	3 150	–
Dividend received	(41 378)	–	–
Profit for the year	28 924	15 479	9 391
Subtotal	102 830	164 746	54 483
Disposal of investment	–	(58 810)	–
Closing net assets at 30 September	102 830	105 936	54 483
Group's share (%)	49.89%	25% – 49.89%	25%
Group's share at 30 September	51 302	67 555	13 621
Goodwill	109 166	112 422	3 256
Trademarks	46 489	46 489	–
Unrealised profit in closing stock	(292)	–	–
Deferred income tax on unrealised profit in closing stock	82	–	–
Customer relationships	4 916	5 500	–
Deferred income tax on intangible assets	(13 947)	(13 947)	–
Deferred income tax on customer relationships	(1 475)	(1 650)	–
Disposal of investment	–	(17 959)	–
Carrying amount at 30 September	196 241	198 410	16 877
Summarised statement of comprehensive income			
<i>For the year ended 30 September</i>			
Revenue	180 319	118 968	70 081
Net profit after income tax	28 924	15 479	9 391
Group's share (%)	49.89%	25% – 49.89%	25%
Share of associate net profit after income tax	14 430	6 646	2 348
Depreciation on customer relationships after income tax	(409)	(239)	–
Unrealised profit in closing stock after income tax	(210)	–	–
Share of profit after income tax	13 811	6 407	2 348
Share of other comprehensive income			
Translation reserve	4 664	1 571	–
Loans to associates			
Non-current			
Interest-bearing loans			
Weetabix East Africa Ltd	–	7 593	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
17. Available-for-sale financial assets			
Shares in other companies			
<i>Listed</i>			
At cost	47 218	101 208	94 707
Beginning of year	101 208	94 707	108 303
Disposals	(61 534)	(12 207)	–
Impairment of Quantum Foods shares held by BEE SPVs	–	–	(23 338)
Other movements	7 544	18 708	9 742
Fair value balance at end of year	29 672	35 504	32 101
Fair value balance at beginning of year	35 504	32 101	33 292
Reversal of fair value adjustment against fair value reserve of prior year	–	–	5 428
Fair value adjustment for year	18 744	8 203	1 633
Fair value adjustment reclassified to profit or loss	(24 576)	(4 800)	(8 252)
	76 890	136 712	126 808
<i>Unlisted</i>			
At cost	1 022	1 380	1 487
Beginning of year	1 380	1 487	101
Disposals	(358)	(107)	–
Other movements	–	–	1 386
Fair value balance at end of year	–	–	–
Fair value balance at beginning of year	–	–	80
Fair value adjustment reclassified to profit or loss	–	–	(80)
	1 022	1 380	1 487
Available-for-sale financial assets at fair value	77 912	138 092	128 295

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.

	2018 R'000	2017 R'000	2016 R'000
18. Inventories			
Raw materials	1 331 294	1 347 379	1 539 196
Manufactured products	1 412 476	1 318 648	1 346 181
Packaging and consumables	432 820	367 058	327 123
	3 176 590	3 033 085	3 212 500

Inventory carried at net realisable value amounts to R2,413,491 (2017: R11,031,183; 2016: R2,230,583).

Inventories, with carrying values of R2,911,109,614 (2017: R2,956,426,550; 2016: R3,123,864,577) 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.

	2018 R'000	2017 R'000	2016 R'000
19. Derivative financial instruments			
19.1 DERIVATIVE FINANCIAL INSTRUMENTS – SUMMARY			
Embedded derivatives	(1 410)	581	783
Foreign exchange contracts – not earmarked for hedging	(18 677)	12 777	(2 638)
Foreign exchange contracts – cash flow hedges	(5 748)	6 795	(6 832)
Forward purchase contracts on own equity – not earmarked for hedging	149 682	231 339	489 909
	123 847	251 492	481 222
For the purposes of the statement of financial position derivative financial instruments are presented as follows:			
Non-current assets	128 687	203 059	439 670
Current assets	28 024	50 995	57 612
Current liabilities	(32 864)	(2 562)	(16 060)
	123 847	251 492	481 222

During the year ended 30 September 2016, the Group entered into forward purchase contracts on its own equity to hedge against the upside price risk of the Pioneer Food Group Ltd share price that the Group is exposed to in respect of the cash-settled broad-based employee share scheme (for further detail refer to note 23.2).

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

An amount of R493,265,496 was accrued for on the trade date (8 July 2016) and was paid to Investec Bank Ltd (the counterparty) on 3 October 2016. Interest amounting to R9,513,943 was accrued as at 30 September 2016 and was included in trade and other payables at this date.

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

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

Refer to note 19.2 for further detail.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	FOREIGN AMOUNT 2018 '000	RAND AMOUNT 2018 R'000	FAIR VALUE 2018 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)			7 684
19.2.1.2 Currency forward contracts			
<i>Purchases of foreign exchange contracts</i>			7 022
US dollar	61 505	871 661	7 194
British pound	–	–	–
Euro	172	2 865	(172)
<i>Sales of foreign exchange contracts</i>			
US dollar	10 753	154 870	(12 770)
Base cost adjustment to stock on unrealised FEC gains			(10 834)
Hedging reserve (before income tax)			(8 898)
19.2.2 Other derivative instruments			
19.2.2.1 Currency forward contracts			
<i>Purchases of foreign exchange contracts</i>			3 976
US dollar	8 592	122 620	5 901
British pound	41	768	(33)
Swiss franc	32	474	14
Euro	6 570	110 780	(1 906)
<i>Sales of foreign exchange contracts</i>			(4 003)
US dollar	12 797	182 533	(4 232)
British pound	–	–	–
Singapore dollar	213	2 222	102
Euro	630	10 455	127
Less: Ineffective part of FECs			(18 650)
19.2.2.2 Embedded derivative financial instruments			
Options – supplier purchase contracts			(1 410)
19.2.3 Forward purchase contracts on own equity			149 682

Note 1: Disclosed within cash and cash equivalents.

	FOREIGN AMOUNT 2017 '000	RAND AMOUNT 2017 R'000	FAIR VALUE 2017 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)			5 617
19.2.1.2 Currency forward contracts			
<i>Purchases of foreign exchange contracts</i>			7 960
US dollar	34 480	467 611	7 670
British pound	158	2 897	177
Euro	984	16 191	113
<i>Sales of foreign exchange contracts</i>			
US dollar	10 184	140 167	(1 165)
Base cost adjustment to stock on unrealised FEC gains			(4 397)
Hedging reserve (before income tax)			8 015
19.2.2 Other derivative instruments			
19.2.2.1 Currency forward contracts			
<i>Purchases of foreign exchange contracts</i>			1 960
US dollar	3 635	49 485	989
British pound	851	15 513	187
Swiss franc	272	3 819	(3)
Euro	2 514	40 851	787
<i>Sales of foreign exchange contracts</i>			1 543
US dollar	5 404	73 382	1 803
British pound	546	9 887	(260)
Singapore dollar	–	–	–
Euro	–	–	–
Less: Ineffective part of FECs			9 274
19.2.2.2 Embedded derivative financial instruments			
Options – supplier purchase contracts			581
19.2.3 Forward purchase contracts on own equity			231 339

Note 1: Disclosed within cash and cash equivalents.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	FOREIGN AMOUNT 2016 '000	RAND AMOUNT 2016 R'000	FAIR VALUE 2016 R'000
19. Derivative financial instruments continued			
19.2 DERIVATIVE FINANCIAL INSTRUMENTS – DETAIL continued			
19.2.1 Derivative instruments earmarked for hedging (cash flow hedges)			
19.2.1.1 Commodity instruments			
Futures (refer to note 1 below)			(160 209)
19.2.1.2 Currency forward contracts			
<i>Purchases of foreign exchange contracts</i>			(8 533)
US dollar	5 871	80 781	(731)
British pound	748	13 391	(1 949)
Euro	4 733	74 962	(5 436)
Australian dollar	1 026	10 865	(417)
<i>Sales of foreign exchange contracts</i>			
US dollar	1 636	23 230	1 701
FEC gains realised to be recycled in future periods			13 700
Base cost adjustment to stock on unrealised FEC losses			598
Hedging reserve (before income tax)			(152 743)
19.2.2 Other derivative instruments			
19.2.2.1 Currency forward contracts			
<i>Purchases of foreign exchange contracts</i>			(3 170)
US dollar	3 536	49 222	(902)
British pound	38	688	(2 136)
Swiss franc	100	1 416	8
Euro	402	6 294	(140)
<i>Sales of foreign exchange contracts</i>			4 370
US dollar	2 232	31 356	4 370
Less: Ineffective part of FECs			(3 838)
19.2.2.2 Embedded derivative financial instruments			
Options – supplier purchase contracts			783
19.2.3 Forward purchase contracts on own equity			489 909
Note 1: Disclosed within cash and cash equivalents.			

20. Trade and other receivables

	2018 R'000	2017 R'000	2016 R'000
Trade receivables	2 090 749	1 852 778	2 111 788
Allowance for outstanding credit notes	(35 277)	(33 719)	(39 872)
Provision for impairment	(14 591)	(10 640)	(6 802)
Net trade receivables	2 040 881	1 808 419	2 065 114
Employees	274	275	355
Prepayments	61 782	39 269	34 902
Receivables from related parties (refer to note 36)	59 559	48 858	68 189
Value-added tax	65 156	66 021	59 413
Loans	37 167	15 433	16 783
Other	25 036	19 001	17 940
	2 289 855	1 997 276	2 262 696
For the purposes of the statement of financial position trade and other receivables are presented as follows:			
Non-current assets	45 751	15 433	16 783
Current assets	2 244 104	1 981 843	2 245 913
	2 289 855	1 997 276	2 262 696
The carrying value of trade and other receivables approximates the fair value thereof 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 R1,702,075,331 (2017: R1,613,803,377; 2016: R2,065,114,124) 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	796 669	735 783	850 355
Other customers	1 115 578	1 038 951	1 205 066
	1 912 247	1 774 734	2 055 421

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 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	20 005	3 472	3 781
31 to 60 days	34 239	9 096	2 661
61 to 90 days	5 249	1 501	427
91 to 120 days	2 459	131	575
More than 120 days	2 862	288	2 550
	64 814	14 488	9 994
Other customers			
Up to 30 days	128 265	59 720	69 422
31 to 60 days	41 515	21 584	20 805
61 to 90 days	11 136	4 636	3 405
91 to 120 days	3 165	2 230	4 575
More than 120 days	1 775	14 594	4 759
	185 856	102 764	102 966
Total	250 670	117 252	112 960
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	14 591	10 640	6 802
	14 591	10 640	6 802

	2018 R'000	2017 R'000	2016 R'000
20. Trade and other receivables continued			
Interest charged on impaired trade receivables amounts to Rnil (2017: Rnil; 2016: Rnil).			
Movements on the Group's provision for impairment of trade receivables are as follows:			
At 1 October	10 640	6 802	12 340
Provision for impairment of receivables raised	12 094	10 220	3 750
Provision for impairment utilised during the year	(1 029)	(5 336)	(10 660)
Business combination	–	2 489	2 831
Unused amounts reversed	(7 122)	(3 729)	(1 370)
Foreign exchange translation adjustment	8	194	(89)
At 30 September	14 591	10 640	6 802
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	–	–	–
Other customers	671 189	627 183	818 275
	671 189	627 183	818 275
The carrying amount of the Group's trade receivables is denominated in the following currencies:			
Covered by means of foreign exchange contracts	193 372	73 171	31 103
Euro	10 369	–	–
US dollar	180 831	73 171	31 103
Other currencies	2 172	–	–
Uncovered	1 897 377	1 779 607	2 080 685
Euro	9 574	17 248	19 150
British pound	263 051	208 324	189 979
US dollar	40 009	96 939	165 478
SA rand	1 573 057	1 442 516	1 701 646
Other currencies	11 686	14 580	4 432
Total	2 090 749	1 852 778	2 111 788
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:			
British pound	263 051	208 324	189 972

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 YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
21. Cash and cash equivalents			
Cash at bank and on hand	589 123	157 019	377 334
Short-term bank deposits	539 647	273 770	623 457
	1 128 770	430 789	1 000 791
The effective interest rate at reporting date on short-term bank deposits was between 6.0% and 7.5% (2017: 6.8% and 7.7%; 2016: 7.0% and 7.9%).			
For the purposes of the statement of cash flows, the year-end cash, cash equivalents and bank overdrafts comprise the following:			
Cash and short-term deposits	1 128 770	430 789	1 000 791
Short-term borrowings	(95 258)	(128 340)	(579 156)
Bank overdrafts	(95 258)	(128 340)	(449)
Call loans	–	–	(578 707)
	1 033 512	302 449	421 635
The Group's cash equivalents and short-term deposits are placed with creditable financial institutions with appropriate credit ratings.			
The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:			
Euro	1 385	6 036	8 339
British pound	35 636	34 544	16 288
US dollar	1 323	578	625
SA rand	1 034 273	373 992	970 635
Other currencies	56 153	15 639	4 904
Total	1 128 770	430 789	1 000 791
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:			
British pound	35 636	34 544	16 288

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

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

At year-end bank accounts with a carrying value of R868,171,875 (2017: R241,070,860; 2016: R833,344,885) were ceded as security for general and revolving banking facilities of some of the Group's subsidiaries.

Restricted balances:

Cash and cash equivalents include restricted balances of R45.6 million (2017: R28.2 million; 2016: R83.0 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the subsidiary company when the related derivative positions are closed. The subsidiary company has the discretion to close these derivative positions at any time.

	2018 R'000	2017 R'000	2016 R'000
22. Share capital			
Authorised – ordinary shares of 10 cents each			
400,000,000 (2017: 400,000,000; 2016: 400,000,000) ordinary shares	40 000	40 000	40 000
Authorised – class A ordinary shares of 10 cents each			
18,130,000 (2017: 18,130,000; 2016: 18,130,000) class A ordinary shares	1 813	1 813	1 813
Total issued and fully paid – ordinary shares of 10 cents each			
At beginning of year: 233,379,445 (2017: 232,472,909; 2016: 232,739,331) ordinary shares	23 340	23 249	23 275
Issued to management in terms of share appreciation rights scheme: 423,880 (2017: 906,536; 2016: 345,578) ordinary shares	42	91	35
Shares bought back and cancelled 626,258 (2017: Nil; 2016: Nil) ordinary shares	(63)	–	–
Shares bought back from management share incentive trust and cancelled: (2018: Nil; 2017: Nil; 2016: 612,000) ordinary shares	–	–	(61)
At end of year: 233,177,067 (2017: 233,379,445; 2016: 232,472,909) ordinary shares	23 319	23 340	23 249
Shares issued in terms of share appreciation rights scheme			
During the year, the Company issued 423,880 (2017: 906,536; 2016: 345 578) ordinary shares of 10 cents each at an average of R121.54 (2017: R163.49; 2016: R167.24) per share in terms of the share appreciation rights scheme.			
Shares issued in terms of the B-BBEE equity transaction			
During 2012, the Company issued 28,691,649 shares to the value of R1,000,347,998 to special purpose vehicles (“SPVs”) that were formed in terms of a B-BBEE equity transaction. In terms of the transaction 17,488,631 ordinary shares were issued to strategic BEE partners at a subscription price of R55.14 per share and 603,030 ordinary shares to current and former black directors of the Company at a subscription price of R58.04 per share. A further 10,599,988 shares were issued to the Pioneer Foods Broad-Based BEE Trust (“BEE Trust”) at a subscription price of R0.10 per share. The BEE Trust also acquired a further 145,362 listed ordinary shares in 2015.			
These SPVs 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 from time to time.			
Shares bought back and cancelled			
During the year, the Company bought back and cancelled 626,258 (2017: Nil; 2016: Nil) listed ordinary shares at R108.34 (2017: Rnil; 2016: Rnil) per share.			
Treasury shares of 10 cents each – nominal value			
Treasury shares held by management share incentive trust			
At beginning of year: Nil (2017: 47,620; 2016: 729,612) ordinary shares	–	5	73
Net treasury shares sold to participants: Nil (2017: 47,620; 2016: 69,992) ordinary shares	–	(5)	(7)
Net treasury shares sold to the Company: Nil (2017: Nil; 2016 :612,000)	–	–	(61)
At end of year: Nil (2017: Nil; 2016: 47,620) ordinary shares	–	–	5
Treasury shares held by B-BBEE equity transaction participants			
At beginning and at end of year: 18,091,661 (2017: 18,091,661; 2016: 18,091,661) ordinary shares	1 809	1 809	1 809

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
22. Share capital continued			
<i>Treasury shares held by Pioneer Foods Broad-Based BEE Trust</i>			
At beginning and end of year: 10,745,350 (2017: 10,745,350; 2016: 10,745,350) ordinary shares	1 075	1 075	1 075
<i>Treasury shares held by subsidiary</i>			
At beginning and at end of year: 17,982,056 (2017: 17,982,056; 2016: 17,982,056) ordinary shares	1 798	1 798	1 798
<i>Total treasury shares – nominal value</i>			
At beginning of year	4 682	4 687	4 755
Ordinary shares sold by management share incentive trust (at strike price)	–	(5)	(7)
Ordinary shares bought back from management share incentive trust and cancelled	–	–	(61)
At end of year	4 682	4 682	4 687
<i>Net listed ordinary share capital – nominal value</i>			
Total issued and fully paid ordinary shares	23 319	23 340	23 249
Treasury shares held by management share incentive trust	–	–	(5)
Treasury shares held by B-BBEE equity transaction participants	(1 809)	(1 809)	(1 809)
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	(1 075)	(1 075)	(1 075)
Treasury shares held by subsidiary	(1 798)	(1 798)	(1 798)
	18 637	18 658	18 562
The unissued ordinary shares in the Company, limited to 5% of the ordinary shares in issue at the last year-end date, are placed under the control of the directors until the next annual general meeting and they are authorised to issue any such shares as they may deem fit, subject to some restraints relating to the issue price.			
<i>Treasury shares – carrying amount</i>			
Consist of:			
Treasury shares held by management share incentive trust	–	–	1 355
Treasury shares held by B-BBEE equity transaction participants	999 288	999 288	999 288
Treasury shares held by Pioneer Foods Broad-Based BEE Trust	24 000	24 000	24 000
Treasury shares held by subsidiary	163 113	163 113	163 113
	1 186 401	1 186 401	1 187 756
<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: 3,174,920 (2017: 3,707,830; 2016: 4,234,300) class A ordinary shares	318	371	424
Bought back and cancelled: 296,240 (2017: 532,910; 2016: 526,470) class A ordinary shares	(30)	(53)	(53)
At end of year: 2,878,680 (2017: 3,174,920; 2016: 3,707,830) class A ordinary shares	288	318	371

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

	2018 Number '000	2017 Number '000	2016 Number '000
23. Share-based payments			
23.1 MANAGEMENT SHARE INCENTIVE SCHEME (EQUITY-SETTLED)			
<i>Number of shares made available</i>			
Shares under option in terms of option scheme:			
Number at end of year	–	–	48
Number at beginning of year	–	48	117
Redeemed	–	(48)	(69)
Number of options	–	–	48
At R31.42 per share, exercisable up to 11 February 2017	–	–	48
The weighted average share price at the exercise date, for shares options exercised during 2017, was R164.34 (2016: R149.23).			
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:			
<ul style="list-style-type: none"> • Death • Permanent disability • Retirement • Retrenchment • Sale of business • Termination for a reason that in the discretion of the Board has the effect of qualifying the employee as a 'good leaver' • Any other reason after the lapse of a period of five years 			
An employee is considered to be an 'other leaver' in the event that termination takes place within a period of five years for any reason other than that constituting a 'good leaver', or an employee fails to adhere to the provisions of the scheme. The period of five years ended at 31 January 2011, therefore subsequent to this date every leaver is regarded as a 'good leaver'.			
The class A ordinary shares of 'good leavers' will be purchased by the Company at a price equal to the market value of an ordinary share, less the notional threshold debt. The purchase price will, at the option of the Company, either be settled in cash, or be utilised on behalf of the 'good leaver' to subscribe for ordinary shares at the market value of ordinary shares.			
The class A ordinary shares of 'other leavers', purchased up to 31 January 2011, were purchased by the Company at R0.01.			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 Number	2017 Number	2016 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	3 174 920	3 707 830	4 234 300
Good leavers – purchased by the Company	(296 240)	(532 910)	(526 470)
Balance at end of year	2 878 680	3 174 920	3 707 830
<p>The estimated fair value of a class A ordinary share on 30 September 2018 was R59.90 (2017: R79.47; 2016: R140.78). The fair value per class A ordinary share was used to calculate the total cost of the scheme in terms of <i>IFRS 2 – Share-based Payment</i>. The gain accounted for during the current year amounted to R26,017,392 (2017: a gain of R113,862,639; 2016: a gain of R22,873,972).</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)	9 200	11 275	17 387
Notional loan amount at 30 September (cents per share)	3 281	3 293	3 296
Prime rate at 30 September	10.0%	10.3%	10.5%
Expected volatility	23.9% – 28.0%	23.2% – 28.1%	22.0% – 28.2%
Expected duration to repay notional debt (years)	Note 1	Note 1	Note 1
Expected dividend yield	2.5%	2.5%	2.5%
Risk-free rate	7.7% – 9.0%	7.1% – 8.6%	7.6% – 9.0%
<p>Expected volatility for the current year was determined by calculating the volatility of the share price of Pioneer Food Group Ltd.</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	Note 1

Note 1:

All employees to have left the scheme by 2026 with an equal number leaving each year.

	2018 Number '000	2017 Number '000	2016 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	6 946	8 719	8 459
Expired/forfeited	(799)	(872)	(250)
Redeemed	(1 079)	(1 700)	(541)
New allocation at R166.20 per share	–	799	–
New allocation at R134.96 per share	1 824	–	–
New allocation at R154.19 per share	–	–	24
New allocation at R130.21 per share	–	–	976
New allocation at R182.05 per share	–	–	51
Number at end of year	6 892	6 946	8 719
<i>Number of share appreciation rights</i>			
At R25.48 per share, exercisable up to 8 June 2018	–	48	51
At R24.20 per share, exercisable up to 26 February 2019	20	46	49
At R33.89 per share, exercisable up to 8 February 2020	263	291	336
At R48.74 per share, exercisable up to 7 February 2021	71	81	99
At R60.34 per share, exercisable up to 9 February 2022	177	193	302
At R60.34 per share, exercisable up to 16 February 2022 (BEE special grant)	65	87	239
At R55.42 per share, exercisable up to 5 February 2023	158	200	277
At R55.42 per share, exercisable up to 5 February 2023 (BEE special grant)	16	35	35
At R64.52 per share, exercisable up to 9 February 2023	–	50	100
At R72.67 per share, exercisable up to 31 May 2018	–	127	127
At R79.20 per share, exercisable up to 17 June 2023	–	22	22
At R80.41 per share, exercisable up to 30 September 2023	19	19	76
At R81.55 per share, exercisable up to 31 August 2019	1 212	2 478	3 824
At R81.55 per share, exercisable up to 28 February 2024 (BEE special grant)	231	236	277
At R111.66 per share, exercisable up to 1 February 2020	37	73	73
At R154.19 per share, exercisable up to 13 August 2020	514	620	660
At R154.19 per share, exercisable up to 13 February 2025 (BEE special grant)	82	83	99
At R185.56 per share, exercisable up to 1 December 2021	43	52	52
At R198.71 per share, exercisable up to 21 March 2021	500	500	1 000
At R182.05 per share, exercisable up to 3 June 2021	51	51	51
At R130.21 per share, exercisable up to 15 August 2021	735	737	834
At R130.21 per share, exercisable up to 15 February 2026 (BEE special grant)	119	119	136
At R166.20 per share, exercisable up to 22 August 2022	772	798	–
At R134.96 per share, exercisable up to 14 August 2023	1 807	–	–
	6 892	6 946	8 719

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018	2017	2016
23. Share-based payments continued			
23.3 MANAGEMENT SHARE APPRECIATION RIGHTS SCHEME (EQUITY-SETTLED) continued			
Share appreciation rights were granted on 14 February 2018 at a strike price of R134.96. Vesting takes place over a five-year period with the first 33.3% vesting on 14 February 2021 subject to certain time and performance based criteria.			
Share appreciation rights were granted on 22 February 2017 at a strike price of R166.20. Vesting takes place over a five-year period with the first 33.3% vesting on 22 February 2020 subject to certain time and performance based criteria.			
Share appreciation rights were granted on 15 February 2016 at a strike price of R130.21. Vesting takes place over a five-year period with the first 33.3% vesting on 15 February 2019 subject to certain time and performance based criteria.			
Share appreciation rights were granted on 15 February 2016 at a strike price of R130.21. Vesting takes place after five years with 100% vesting on 15 February 2021.			
The net estimated weighted average fair value per share appreciation right at 30 September 2018 is R22.08 (2017: R20.28; 2016: R20.36). The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of <i>IFRS 2 – Share-based Payment</i> . The cost accounted for in the current year amounts to R26,635,100 (2017: R23,473,899; 2016: R49,464,400).			
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)	8 554	8 035	8 125
Expected volatility	18.5% – 30.9%	18.5% – 30.9%	18.5% – 30.9%
Expected dividend yield	2.0% – 4.1%	2.0% – 4.1%	2.0% – 4.1%
Risk-free rate	5.4% – 8.9%	5.4% – 8.9%	5.4% – 8.9%
Expected life (years)	1 – 6	1 – 6	1 – 6

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

The Board initially approved a maximum number of 14,500,000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2018, 9,919,990 (2017: 10,343,870; 2016: 11,250,406) ordinary shares were still available for issue.

	2018 R'000	2017 R'000	2016 R'000
24. Other reserves			
Fair value reserve	29 667	29 099	25 062
Foreign currency translation reserve	105 792	77 751	67 679
Hedging reserve	(6 782)	5 744	(122 271)
Equity compensation reserve	60 207	100 510	282 805
	188 884	213 104	253 275

24. Other reserves continued

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', joint ventures' and the associate's statements of comprehensive income at average exchange rates for the year and their statements of financial position at the ruling exchange rates at the reporting date if the functional currency differs.

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

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

	2018 R'000	2017 R'000	2016 R'000
25. Borrowings			
25.1 BORROWINGS – SUMMARY			
<i>Non-current</i>			
Secured financing			
Lease agreements	61 498	61 494	41 165
Syndicated	1 184 868	–	600 000
B-BBEE equity transaction: redeemable preference shares	–	433 141	449 612
Instalment sale agreements	137 347	204 089	242 510
Other	21 367	–	–
Total non-current	1 405 080	698 724	1 333 287
<i>Current</i>			
Secured financing			
Lease agreements	1 388	1 298	1 213
Syndicated	686	602 775	2 735
B-BBEE equity transaction: redeemable preference shares	451 494	33 679	35 733
Instalment sale agreements	67 447	39 913	34 627
Other	738	5 194	–
Call loans	–	–	578 707
Bank overdrafts	95 258	128 340	449
Total current	617 011	811 199	653 464
Total borrowings	2 022 091	1 509 923	1 986 751
The carrying values of borrowings approximate their fair values at the reporting date and are denominated in the following currencies:			
Euro	–	–	3 716
US dollar	1	–	–
British pound	280 124	118 184	117 292
SA rand	1 719 861	1 386 545	1 865 743
Other currencies	22 105	5 194	–
Total	2 022 091	1 509 923	1 986 751
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:			
British pound	280 124	118 183	117 292

Refer to note 25.2 for further detail.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

25. Borrowings continued

25.1 BORROWINGS – SUMMARY continued

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

Security provided for syndicated and other loans

In September 2018 the Group concluded syndicated financing in the form of bullet loans and revolving, seasonal and general banking facilities of up to R4.2 billion (2017: R3.1 billion) and a GBP10 million (2017: GBP nil) term loan with FirstRand Bank Ltd, The Standard Bank of South Africa Ltd, ABSA Bank Ltd, Nedbank Ltd and Old Mutual Specialised Finance (Pty) Ltd. The new facilities include a seasonal annual spike of R600 million (2017: Rnil) from 1 March to 30 June in short term facilities.

Syndicated financing of R3.1 billion in the form of bullet, revolving and overnight loans and general banking facilities was entered into in September 2013.

The September 2013 and September 2018 loans and facilities are secured by mortgages over certain immovable properties with carrying values of R1,117,880,133 (2017: R997,075,660; 2016: R956,639,150) at year-end, special notarial bonds over certain items of plant and equipment with carrying values of R1,889,055,913 (2017: R304,392,530; 2016: R330,545,052) at year-end and general notarial bonds over all movable assets of Pioneer Foods (Pty) Ltd, Pioneer Foods Groceries (Pty) Ltd and Ceres Fruit Juices (Pty) Ltd.

Security provided includes cessions of certain Group companies' inventories and trade receivables, as well as all insurance policies and bank accounts. At year-end inventories, trade receivables and bank accounts ceded as security for this purpose amounted to R2,911,109,614 (2017: R2,956,426,550; 2016: R3,123,864,577), R1,702,075,331 (2017: R1,613,803,377; 2016: R2,065,114,124) and R868,171,875 (2017: R241,070,860; 2016: R833,344,885) 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 debt structure. It also guarantees the repayment of all the loan obligations of the obligors and ceded its subordinated claims against the obligors to the security SPV and undertakes to remain an investment company with its only assets being investments in Pioneer Foods Holdings Ltd and its overall inter-company claims.

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

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

At 30 September 2018 the Group complied with the financial covenants of the syndicated borrowing facilities as indicated in note 31.

B-BBEE equity transaction

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

In order to give effect to the financial assistance provided, the BEE Investors' SPVs issued variable rate cumulative A preference shares to RMB at a dividend rate of 82.5% of the prime interest rate and B preference shares to Pioneer Foods at a dividend rate of 99% of the prime interest rate. During the 2013 financial year certain issuers of the A preference shares elected to fix, from 1 April 2013, the A preference share dividend rate at 9.5% per annum for the remainder of the financing period. The total outstanding value of the issued A preference shares is R451,494,165 (2017: R466,819,945; 2016: R449,611,886) of which R421,196,055 (2017: R435,335,923; 2016: 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 related dividends as interest in terms of IFRS accounting principles.



25. Borrowings continued

25.1 BORROWINGS – SUMMARY continued

Security provided for B-BBEE equity transaction

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

Security provided for other borrowings

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

The borrowings outstanding at year-end in respect of these agreements amounted to R204,794,491 (2017: R244,002,445; 2016: R277,137,671).

The borrowings are secured by the vehicles purchased in terms of the instalment sale agreements. The carrying value of these assets as at 30 September 2018 amounted to R244,602,254 (2017: R238,410,946; 2016: R262,610,560).

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	YEAR OF REDEMPTION	INTEREST RATE AT YEAR-END (%)	2018 R'000	2017 R'000	2016 R'000
25. Borrowings continued					
25.2 BORROWINGS – DETAIL					
25.2.1 Secured financing					
<i>Lease agreements</i>			62 886	62 792	42 378
Monthly payments					
Instalment of R94,951 (2017 & 2016: R94,951)	2028	6.5	8 411	8 984	9 520
Monthly payments					
Instalment of R132,128 (2017 & 2016: R132,128)	2029	7.0	11 892	12 618	13 294
Monthly payments					
Instalment of R37,119 (2017: R37,119; 2016: R36,011)	2041	9.3	7 850	7 621	7 373
Monthly payments					
Instalment of R42,311 (2017: R42,311)	2042	10.8	8 541	8 240	–
Monthly payments					
Instalment of R69,930 (2017: R64,027; 2016: R58,620)	2041	9.2	12 954	12 589	12 191
Monthly payments					
Instalment of R21,040 (2017: R19,264)	2041	10.1	3 519	3 401	–
Monthly payments					
Instalment of R19,577 (2017: R19,577)	2041	9.6	4 018	3 890	–
Monthly payments					
Instalment of R40,943 (2017: R37,485)	2042	12.9	5 701	5 449	–
<i>Syndicated loans</i>			1 185 554	602 775	602 735
Quarterly payments (bullet loan)					
Instalment (interest only) of R7,436,301 (2017 & 2016: Rnil)	2021	8.3	350 237	–	–
Quarterly payments (bullet loan)					
Instalment (interest only) of R642,690 (2017 & 2016: Rnil)	2021	2.8	92 434	–	–
Quarterly payments (bullet loan)					
Instalment (interest only) of R642,690 (2017 & 2016: Rnil)	2021	2.8	92 434	–	–
Quarterly payments (bullet loan)					
Instalment (interest only) of R3,186,986 (2017 & 2016: Rnil)	2021	8.3	150 102	–	–
Quarterly payments (bullet loan)					
Instalment (interest only) of Rnil (2017: R12,628,307; 2016: R13,101,008)	–	–	–	602 775	602 735
Quarterly payments (bullet loan)					
Instalment (interest only) of R10,880,822 (2017 & 2016: Rnil).	2023	8.5	500 347	–	–
Secured by mortgages over immovable property, special notarial bonds over specific items of property, plant and equipment and general notarial bonds over all movable assets of specific Group subsidiaries, as well as cessions of certain Group bank accounts and insurance policies. Refer to note 25.1 for further detail.					
Subtotal			1 248 440	665 567	645 113

	YEAR OF REDEMPTION	INTEREST RATE AT YEAR-END (%)	2018 R'000	2017 R'000	2016 R'000
25. Borrowings continued					
25.2 BORROWINGS – DETAIL continued					
25.2.1 Secured financing continued					
Subtotal			1 248 440	665 567	645 113
Redeemable preference shares:					
Accumulated dividends and capital are repaid as dividend income from investments are received. Secured by a guarantee of R100 million by a Group subsidiary.	2019	8.7 – 9.5	451 494	466 820	485 345
Other loans:					
Monthly payments					
Instalment of R368,417 (2017: R519,432; 2016: Rnil). Secured by a charge over specific assets of the subsidiary company.	2023	10.0	22 105	5 194	–
Quarterly payments					
Instalment of R13,189,936 (2017: R13,353,060; 2016: R13,497,405). Carrying value of vehicles encumbered in terms of instalment sale agreements.	2019 – 2021	8.0	204 794	240 422	272 751
Quarterly payments					
Instalment of Rnil (2017: R2,184,096; 2016: R286,995)					
Carrying value of vehicles encumbered in terms of instalment sale agreements.	–	–	–	3 580	4 386
Total amount owing – secured financing			1 926 833	1 381 583	1 407 595
Portion of liabilities payable within one year included in current liabilities			(521 753)	(682 859)	(74 308)
Secured financing					
Lease agreements			(1 388)	(1 298)	(1 213)
Syndicated and other			(68 871)	(647 882)	(37 362)
Redeemable preference shares			(451 494)	(33 679)	(35 733)
			1 405 080	698 724	1 333 287

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 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 one year	1 388	1 298	1 213
Later than one year, but not later than five years	6 595	6 164	5 761
Later than five years	54 903	55 330	35 404
	62 886	62 792	42 378
Interest cost			
Not later than one year	4 352	4 191	2 693
Later than one year, but not later than five years	19 587	18 537	11 058
Later than five years	74 045	80 840	39 682
	97 984	103 568	53 433
Instalment			
Not later than one year	5 740	5 489	3 906
Later than one year, but not later than five years	26 182	24 701	16 819
Later than five years	128 948	136 170	75 086
	160 870	166 360	95 811

	2018 R'000	2017 R'000	2016 R'000
26. Deferred income tax			
Balance at beginning of year	661 849	578 472	471 569
Charge in profit or loss	40 249	28 733	120 320
Foreign exchange translation adjustment	842	(767)	(1 768)
Deferred income tax on foreign exchange contracts charged to equity	(5 315)	(1 418)	2 845
Deferred income tax on share-based payment of share appreciation rights	15 419	57 561	(4 511)
Deferred income tax on fair value adjustments of available-for-sale financial assets charged to equity	(6 400)	(634)	(110)
Deferred income tax on remeasurement of post-retirement medical benefits	846	609	363
Business combinations	2 768	(707)	(5 472)
Disposal of subsidiary	–	–	(4 764)
	710 258	661 849	578 472
Due to the following temporary differences:			
Capital allowances, including trademarks	1 045 645	880 548	809 468
Inventories	(8 347)	(1 334)	13 894
Provision for post-retirement medical benefits and long-service awards	(31 415)	(31 481)	(31 125)
Leave accrual	(37 707)	(32 970)	(30 985)
Bonus accrual	(28 748)	(26 109)	(22 715)
Audit fees accrual	(2 137)	(1 889)	(1 663)
Prepaid expenses	9 856	4 449	4 072
Provision for impairment of trade receivables	(1 880)	(949)	413
Rebates, growth incentives and settlement discount accruals	(36 865)	(27 340)	(30 619)
Assessed losses	(84 172)	(3 608)	(3 796)
Hire-purchases and leased assets	(1 653)	(885)	(264)
Reinsurance commission received in advance	–	(533)	(492)
Fair value adjustments on available-for-sale financial assets	–	6 400	7 035
Allowance for credit notes	(9 877)	(9 441)	(11 164)
Deferred income	(4 209)	(2 093)	(1 380)
Derivative financial instruments	(66 107)	(51 038)	6 817
Share-based payments	(15 905)	(38 292)	(130 779)
Accruals – personnel costs	(6 640)	(6 525)	(3 059)
Other	(9 581)	4 939	4 814
	710 258	661 849	578 472
For the purposes of the statement of financial position deferred income tax is presented as follows:			
Non-current assets	55 847	12 539	3 910
Non-current liabilities	(766 105)	(674 388)	(582 382)
	(710 258)	(661 849)	(578 472)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
27. Provisions for other liabilities and charges			
27.1 POST-RETIREMENT MEDICAL BENEFITS			
Balance at beginning of year	57 700	59 727	61 061
Interest cost	4 883	5 263	5 076
Remeasurements	(3 020)	(2 175)	(1 298)
Actuarial (gain)/loss from change in demographic assumptions	(936)	923	(998)
Actuarial gain from change in financial assumptions	(2 084)	(3 098)	(300)
Service cost	92	115	118
Payments	(5 230)	(5 230)	(5 230)
	54 425	57 700	59 727
The amount recognised in the statement of financial position was determined as follows:			
Present value of unfunded obligations	54 425	57 700	59 727
The historical present values for the three years prior to the comparative period of the unfunded obligation were as follows:			
2016 – R59,727,000			
2015 – R61,061,000			
2014 – R59,811,000			
2013 – R60,528,000			
2012 – R57,048,000			
Expected maturity analysis of undiscounted post-employment medical benefits:			
Not later than a year	5 387	5 300	5 220
Later than one year, but not later than two years	5 465	5 456	5 166
Later than two years, but not later than five years	15 308	15 216	15 851
Later than five years	114 868	130 169	156 421
Total	141 028	156 141	182 658

The weighted average duration of the defined obligation is 8.6 years (2017: 8.5 years; 2016: 9.5 years)

Existing provisions are based on the following important assumptions:

Medical inflation rate 7.4% (2017: 7.8%; 2016: 8.8%) p.a.

Discount rate 9.0% (2017: 8.9%; 2016: 9.2%) p.a.

Normal retirement age 60 (2017: 60; 2016: 60) years

The date of the most recent actuarial valuation is at 30 September 2018.

	2018 R'000	2017 R'000	2016 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	4 288	4 786	5 241
Increase in the aggregate of current service and interest cost	393	441	504
<i>The effect of a 1% decrease in the assumed health cost trend is as follows:</i>			
Decrease in the defined benefit obligation	3 791	4 207	4 584
Decrease in the aggregate of current service and interest cost	348	387	440
<i>The effect of a 1% increase in the assumed discount rate trend is as follows:</i>			
Decrease in the defined benefit obligation	3 822	4 254	4 655
<i>The effect of a 1% decrease in the assumed discount rate trend is as follows:</i>			
Increase in the defined benefit obligation	4 399	4 925	5 423
<i>The effect of a one-year increase in the assumed expected retirement age trend is as follows:</i>			
Decrease in the defined benefit obligation	195	246	260
<i>The effect of a one-year decrease in the assumed expected retirement age trend is as follows:</i>			
Increase in the defined benefit obligation	127	193	290

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

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

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

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities.

Inflation risk

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

Life expectancy

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018	2017	2016
	R'000	R'000	R'000
27. Provisions for other liabilities and charges continued			
27.2 LONG-SERVICE AWARDS			
Balance at beginning of year	54 731	51 434	49 387
Interest cost	4 354	4 435	4 193
Actuarial loss/(gain)	180	336	(744)
Service cost	7 131	6 606	6 416
Payments	(8 626)	(8 080)	(7 818)
	57 770	54 731	51 434
The amount recognised in the statement of financial position was determined as follows:			
Present value of unfunded obligations	57 770	54 731	51 434
Existing provisions are based on the following important assumptions:			
Discount rate: 8.5% (2017: 8.0%; 2016: 8.7%) p.a.			
Salary increases: 6.7% (2017: 6.5%; 2016: 7.0%) p.a.			
Normal retirement age: 60 (2017: 60; 2016: 60) years			
The date of the most recent actuarial valuation is 30 September 2018.			
27.3 TOTAL PROVISION FOR OTHER LIABILITIES AND CHARGES			
Consists of:			
Post-retirement medical benefits	54 425	57 700	59 727
Long-service awards	57 770	54 731	51 434
	112 195	112 431	111 161
For the purposes of the statement of financial position the total provision for other liabilities and charges is presented as follows:			
Non-current liabilities	112 195	112 431	111 161

	2018 R'000	2017 R'000	2016 R'000
28. Non-controlling interest			
Balance at beginning of year	25 011	–	12 417
Profit for the year	4 514	148	–
Business combination	–	23 622	–
Share of other comprehensive income	5 821	1 241	–
Disposal of subsidiary	–	–	(12 417)
Balance at end of year	35 346	25 011	–

The carrying amount of the non-controlling interest in 2018 and 2017 relates to Food Concepts Pioneer Ltd. The Group obtained control of this entity (formerly a joint venture) after increasing its shareholding during 2017.

The carrying amount of the non-controlling interest in 2016 related to Maitland Vinegar Works (Pty) Ltd which was sold during that year.

29. Share-based payment liability – employee share scheme

Balance at beginning of year	192 141	378 945	475 058
Share-based payment	(26 017)	(113 863)	(22 874)
Repurchase of class A ordinary shares from leavers	(26 287)	(69 182)	(69 191)
Dividends paid on class A ordinary shares	(3 301)	(3 759)	(4 048)
	136 536	192 141	378 945

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	112 768	159 845	317 984
Current liabilities	23 768	32 296	60 961
	136 536	192 141	378 945

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
30. Trade and other payables			
Trade payables	2 470 941	1 912 574	1 581 291
Accrued expenses	130 189	105 498	98 580
Related parties (refer to note 36)	1 976	529	864
Deferred revenue	33 665	36 305	37 438
Government grants	56 879	61 070	65 624
Value-added tax	12 991	5 012	11 809
Accrual for leave	134 759	118 008	110 781
Accrual for 13th cheque	73 614	65 326	60 188
Accrual for forward purchase contracts on own equity (refer to note 19)	–	–	493 265
Accrual for performance bonus	30 762	2 858	3 115
Other	72 733	81 684	67 928
	3 018 509	2 388 864	2 530 883
For the purposes of the statement of financial position trade and other payables are presented as follows:			
Current liabilities			
Trade and other payables	3 018 509	2 388 864	2 037 618
Accrual for forward purchase contracts on own equity (refer to note 19)	–	–	493 265
	3 018 509	2 388 864	2 530 883
The carrying amounts of the Group's trade payables are denominated in the following currencies:			
<i>Covered by means of foreign exchange contracts</i>	728 308	414 964	53 722
Euro	9 738	21 585	2 634
British pound	–	5 063	3 709
US dollar	718 570	388 167	47 379
Other	–	149	–
<i>Uncovered</i>	1 742 633	1 497 610	1 527 569
Euro	9 882	7 823	8 772
British pound	178 753	168 783	117 934
Botswana pula	–	7	–
US dollar	7 857	10 558	626
SA rand	1 531 620	1 296 909	1 400 237
Other	14 521	13 530	–
Total	2 470 941	1 912 574	1 581 291
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:			
British pound	178 512	167 921	117 934

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

	2018 R'000	2017 R'000	2016 R'000
31. Financial risk management			
31.1 FINANCIAL RISK FACTORS			
The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.			
The Board approved an overall decision-making framework in terms of which financial risks are evaluated, managed and hedged by executive management.			
(a) Market risk			
(i) Interest rate risk			
The Group's interest rate risk arises from both financial assets and financial liabilities.			
Financial liabilities exposed to interest rate risk include interest-bearing short- and long-term borrowings, bank overdrafts and call loans. The Group borrows at both fixed and variable interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.			
The interest rate profile as at 30 September is summarised as follows:			
Variable rate	1 515 904	1 011 797	1 491 229
Fixed rate	506 187	498 126	495 522
Total loans	2 022 091	1 509 923	1 986 751
	2018	2017	2016
	%	%	%
Percentage of total loans:			
Variable rate	75	67	75
Fixed rate	25	33	25
Total loans	100	100	100

Refer to note 25 for detail regarding interest rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

31. Financial risk management continued

31.1 FINANCIAL RISK FACTORS continued

(a) Market risk continued

(i) Interest rate risk continued

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 30 September 2018, R539,647,230 (2017: R273,770,035; 2016: R623,457,424) was invested at rates that varied from to 6.0% to 7.5% (2017: 6.8% to 7.7%; 2016: 7.0% to 7.9%).

At 30 September 2018 loans to joint ventures were granted interest-free or at variable rates of 10.0% (2017: 4.3% to 10.3%; 2016: 9.5% to 10.5%).

(ii) Foreign exchange risk

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

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

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

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

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

(iii) Price risk

The Group is exposed to price risk of equity securities due to investments held by the Group that are classified on the consolidated statement of financial position as 'available-for-sale financial assets'. To manage its price risk arising from investments in equity securities, the portfolio was managed by three major professional fund managers and investments were spread over a variety of industries in the market. The Group's remaining 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 and manufacturing requirements. These raw materials include wheat, maize, rice, legumes, soya beans, sorghum and oats.

The Group uses exchange-for-physical contracts, options and futures to hedge itself against the price risk of these commodities. These contracts hedge the future purchase price of raw materials. Settlement of the physical contracts and local futures are effected by physical delivery. 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 formal procurement policies which include raw material procurement hedging policies, pricing options and exposure limits, approved by the Board of directors. The policies are regularly reviewed by the relevant procurement committee under chairmanship of the appropriate executive business manager. Policies are sufficiently flexible to allow management to rapidly adjust hedges following possible changes in raw material requirements.

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

31. Financial risk management continued

31.1 FINANCIAL RISK FACTORS continued

(a) Market risk continued

(iv) Sensitivity analysis

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

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

Change in foreign currency

Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 2018: 10.0% (2017: 10.0%; 2016: 10.0%), British pound of 2018: 10.0% (2017: 10.0%; 2016: 10.0%), Botswana pula of 2018: 5.0% (2017: 5.0%; 2016: 10.0%) and euro of 2018: 10.0% (2017: 10.0%; 2016: 10.0%), with all other variables held constant. The reasonably possible changes in the relevant risk variables are based on management's economic outlook for the next 12 months. Changes to these risk variables are due to a revised economic outlook.

	2018 R'000	2017 R'000	2016 R'000
<i>Rand depreciates against foreign currencies</i>			
<i>– Increase/(decrease) in profit after income tax</i>			
Trade receivables	17 377	13 552	15 507
Trade payables	(53 598)	(31 324)	(4 512)
Cash and cash equivalents	209	530	361
Derivative financial instruments not earmarked for hedging	54 064	1 626	5 086
<i>– Increase in equity after income tax</i>			
Derivative financial instruments earmarked for hedging	717	24 950	7 208
	18 769	9 334	23 650

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 2018: 0.25% (2017: 0.25%; 2016: 0.5%) with all other variables held constant.

Interest rate increases

– Increase/(decrease) in profit after income tax

Short-term bank deposits	960	472	2 205
Interest-bearing borrowings	(2 696)	(1 909)	(4 943)
	(1 736)	(1 437)	(2 738)

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

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 increase in the wheat price of 2018: 10.0% (2017: 10.0%; 2016: 5.0%) and an expected increase in the maize price of 2018: 10.0% (2017: 10.0%; 2016: 10.0%), with all other variables held constant.

Commodity price increases

– Increase in equity after income tax

Derivative financial instruments earmarked for hedging	57 476	25 870	55 518
--	--------	--------	--------

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
31. Financial risk management continued			
31.1 FINANCIAL RISK FACTORS continued			
<i>(a) Market risk</i> continued			
(iv) Sensitivity analysis continued			
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 2018: 5.0% (2017: 5.0%; 2016: 10.0%), with all other variables held constant.			
Security prices increase			
– Increase in equity after income tax			
Available-for-sale financial instruments	2 983	5 926	9 956
A decrease in these security prices will result in a decrease in reserves of the same amount.			
Change in forward purchase contracts on own equity			
The summary below reflects the results of an expected change in the security prices of 2018: 5.0% (2017: 10.0%; 2016: 10.0%), with all other variables held constant.			
Security prices increase			
– Increase in profit after income tax			
Derivative financial instruments on own equity	9 495	26 169	44 863

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

(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 a P-3 credit rating according to the published Moody's ratings. A short-term rating of P-3 indicates that the issuer has an acceptable 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 2018: R28,364,193 (2017: R25,385,998; 2016: R27,802,271).

31. Financial risk management continued

31.1 FINANCIAL RISK FACTORS continued

(c) Liquidity risk

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

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

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held short-term bank deposits of 2018: R539,647,230 (2017: R273,770,035; 2016: R623,457,424).

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, trade receivables, property, plant and equipment and cessions of insurance policies and bank accounts of certain Group legal entities, are provided as security for the debt. The Group also has the option to repay long-term debt as excess cash flow is available, without incurring any penalties.

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

	2018 R'000	2017 R'000	2016 R'000
The Group's unutilised borrowing facilities are as follows:			
Total borrowing facilities	4 684 693	3 943 408	4 099 325
Net interest-bearing liabilities	(893 321)	(1 079 134)	(985 960)
	3 791 372	2 864 274	3 113 365

The total borrowing facilities for 2018, as indicated above, exclude the additional general banking facilities (seasonal facilities) that will be available from 1 March to 30 June each year.

Refer to note 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

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

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

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

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

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

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

At 30 September 2018, the Group complied with these covenants with these ratios being 0.2:1 and 13.2:1 respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued**31. Financial risk management** continued**31.3 FAIR VALUES**

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

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

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

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and 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.

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

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

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

The 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.

In 2016, the fair value of vineyards was calculated as the future expected net cash flows from the assets discounted at a current market determined rate, over the remaining useful lives of the vineyards.

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.

At 30 September 2017 the assets related to the fish paste spreads business have been presented as "assets of a disposal group classified as held for sale" in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*. Refer to note 13 for further detail. During the 30 September 2018 reporting year the Board revoked its decision to dispose of the assets of this business and its intention is now to recover the carrying amounts of these assets through continuing use. The Group believes that value remains to be unlocked and is committed to implement measures to improve operating efficiencies.

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



	2018 R'000	2017 R'000	2016 R'000
32. Contingent liabilities			
Guarantees in terms of loans by third parties to contracted service providers	28 364	25 386	27 802
Other guarantees	2 431	2 820	2 844
Share of items of joint ventures	81	81	281
Third-party claims	–	498	1 809
	30 876	28 785	32 736
There are no matters of litigation that pose a material financial risk to the Group.			
33. Commitments			
33.1 OPERATING LEASE COMMITMENTS			
Not later than one year	139 169	101 482	98 590
Later than one year, but not later than five years	465 179	229 392	257 207
Later than five years	500 058	359 931	288 824
	1 104 406	690 805	644 621
The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 25 years and the majority of lease agreements are renewable at the end of the lease period at market rates.			
The Group also leases various items of plant and machinery under cancellable operating lease agreements. The Group is usually required to give a six-month notice for the termination of these agreements. The lease expenditure charged to profit or loss during the year is disclosed in note 4.			
33.2 OPERATING LEASE RECEIVABLES			
The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:			
Not later than one year	498	239	205
Later than one year, but not later than five years	819	21	–
	1 317	260	205
33.3 FUTURE CAPITAL COMMITMENTS			
Contractually committed			
– for next financial year	156 656	218 854	307 563
Approved by the Board, but not yet contractually committed	1 068 350	943 680	1 085 577
– for next financial year	614 440	626 615	989 732
– for year following next financial year	453 910	317 065	95 845
Share of items of joint ventures and associate	56 690	43 417	74 089
	1 281 696	1 205 951	1 467 229
Allocated as follows:			
Property, plant and equipment	1 281 696	1 205 951	1 467 229
	1 281 696	1 205 951	1 467 229

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
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.			
35. Government grants			
Cumulative amounts received	83 459	83 459	83 459
Cumulative amounts amortised	(26 580)	(22 389)	(17 835)
Receipts deferred	56 879	61 070	65 624

The Group benefits from government grants 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

The details of effective interests in subsidiaries are disclosed in note 47.

36.3 ASSOCIATES AND JOINT VENTURES

The details of the effective interests in and loans to associates are disclosed in notes 16 and 49. Details of effective interests in and loans to and from joint ventures are disclosed in notes 15 and 48.

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.

	2018	2017	2016
	R'000	R'000	R'000
36. Related-party transactions continued			
36.5 TRANSACTIONS AND BALANCES			
During the financial year the Company and its subsidiaries conducted the following transactions with joint ventures, associates, parties exercising significant influence and key management personnel.			
<i>Sale of goods</i>			
Joint ventures	520 286	435 670	452 484
Associates	13 916	465	–
<i>Rendering of services</i>			
Joint ventures	18 591	19 759	29 219
<i>Purchase of goods</i>			
Joint ventures	5 258	4 272	4 077
<i>Net interest (paid)/received</i>			
Joint ventures	(455)	1 008	2 843
Associates	135	193	–
<i>Key management personnel compensation</i>			
Salaries and other short-term employee benefits	111 542	109 317	108 785
Termination benefits	8 312	9 573	3 274
Post-employment benefits	12 923	12 915	12 223
Other long-term benefits	833	352	359
Share-based payments	15 887	12 635	27 316
	149 497	144 792	151 957

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 (2017 & 2016: Rnil).

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
36. Related-party transactions continued			
36.5 TRANSACTIONS AND BALANCES continued			
<i>Year-end balances arising from sales/purchases of goods/services</i>			
<i>Receivable from related parties</i>			
Joint ventures	55 012	48 715	68 189
Associates	4 547	143	–
	59 559	48 858	68 189
<i>Payable to related parties</i>			
Joint ventures	1 976	529	864
<i>Loans to/(from) related parties</i>			
<i>Loans to/(from) joint ventures</i>			
Beginning of year	21 197	48 524	14 765
Loans advanced during the year	218 013	193 879	171 774
Loan repayments received	(245 301)	(222 215)	(140 858)
Interest charged	1 512	2 889	4 187
Interest paid	(2 013)	(1 880)	(1 344)
End of year	(6 592)	21 197	48 524
No provision for impairment was made in 2018 against loans made to joint ventures (2017 and 2016: Rnil).			
<i>Loans to associate</i>			
Beginning of year	7 593	–	–
Loans advanced during the year	–	7 285	–
Loan repayments received	(7 527)	(50)	–
Interest charged	135	193	–
Foreign exchange translation	(201)	165	–
End of year	–	7 593	–

No provision for impairment was made in 2018 against loans made to associates (2017 and 2016: Rnil).

	2018 R'000	2017 R'000	2016 R'000
37. Net cash profit from operating activities			
Profit before income tax	1 476 112	984 953	2 319 160
Adjusted for:			
Depreciation and amortisation	437 726	386 723	341 603
Impairment of property, plant and equipment and intangible assets	–	31 104	–
Impairment of available-for-sale financial assets	–	–	23 338
Net profit on disposal of property, plant and equipment and intangible assets	(35 214)	(5 798)	(12 166)
Net profit on disposal of available-for-sale financial assets	(24 576)	(4 800)	(8 332)
Net profit on disposal of subsidiary	–	–	(24 183)
Unrealised losses/(profits) on foreign exchange contracts and on foreign exchange differences	6 599	(9 441)	6 542
Fair value of embedded derivative financial instruments	1 410	(581)	(783)
Fair value adjustment of step-up from joint venture to subsidiary	(13 438)	18 705	–
Net loss on disposal on equity-accounted investments	–	17 746	–
Change in provision for impairment of trade receivables	(8 968)	1 155	(8 280)
Change in allowance for outstanding credit notes	(692)	(6 153)	394
Share-based payments	56 727	126 420	4 678
Changes in provisions for post-retirement medical benefits and long-service awards	7 403	7 057	5 790
Dividends received	(11 447)	(3 246)	(4 086)
Interest received	(16 540)	(18 968)	(42 679)
Interest paid	197 467	196 805	167 256
Share of profit of associated companies	(13 811)	(6 407)	(2 348)
Share of loss/(profit) of joint ventures	13 770	(53 901)	(98 032)
	2 072 528	1 661 373	2 667 872
38. Working capital changes			
(Increase)/decrease in inventory	(38 285)	178 196	(490 275)
(Increase)/decrease in trade and other receivables	(19 858)	271 015	(48 939)
Increase/(decrease) in trade and other payables	334 100	339 677	(240 161)
Changes to derivative financial instruments (assets and liabilities)	18 998	(23 886)	17 913
Provisions paid	(13 856)	(13 310)	(13 048)
	281 099	751 692	(774 510)
39. Dividends paid to Group ordinary Shareholders			
Amounts unpaid at beginning of year	(598)	(615)	(470)
As disclosed in statement of changes in equity	(681 376)	(678 464)	(634 045)
Dividends declared to ordinary shareholders	(820 891)	(818 045)	(766 410)
Treasury dividends received by share incentive trusts	–	66	1 643
Treasury dividends received by subsidiary	65 635	65 635	61 499
Treasury dividends received by participants to B-BBEE equity transaction	66 035	66 035	61 873
Treasury dividends received by Pioneer Foods Broad-Based BEE Trust	7 845	7 845	7 350
Amounts unpaid at end of year	1 551	598	615
	(680 423)	(678 481)	(633 900)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
40. Income tax paid			
Amounts unpaid at beginning of year	(16 794)	(28 353)	(19 465)
Current income tax as disclosed in profit or loss	(358 749)	(230 069)	(508 667)
Business combination	6 816	–	–
Disposal of subsidiary	–	–	(201)
Hedging reserve – reversal of previous year income tax to profit or loss	1 573	(44 857)	4 020
Hedging reserve – income tax current year	(2 152)	(1 573)	44 857
Amounts unpaid at end of year	4 955	16 794	28 353
	(364 351)	(288 058)	(451 103)
41. Proceeds on disposal of property, plant and equipment and intangible assets			
Carrying value of property, plant and equipment and intangible assets	71 419	65 650	57 158
Net profit on disposal of property, plant and equipment and intangible assets	35 214	5 798	12 166
	106 633	71 448	69 324
42. Proceeds on disposal of available-for-sale financial assets			
Cost price of available-for-sale financial assets	61 892	12 314	6 935
Net profit on disposal of available-for-sale financial assets	24 576	4 800	8 332
	86 468	17 114	15 267
43. Net debt reconciliation		2018 R'000	2017 R'000
The following is an analysis of net debt and the movements in net debt for each of the periods presented.			
Net debt			
Cash at bank and on hand		589 123	157 019
Short-term bank deposits		539 647	273 770
Cash and cash equivalents		1 128 770	430 789
Borrowings – repayable within one year (including bank overdrafts)		(617 011)	(811 199)
Lease agreements		(1 388)	(1 298)
Syndicated		(686)	(602 775)
B-BBEE equity transaction: redeemable preference shares		(451 494)	(33 679)
Instalment sale agreements		(67 447)	(39 913)
Other		(738)	(5 194)
Bank overdrafts		(95 258)	(128 340)
Borrowings – repayable after one year		(1 405 080)	(698 724)
Lease agreements		(61 498)	(61 494)
Syndicated		(1 184 868)	–
B-BBEE equity transaction: redeemable preference shares		–	(433 141)
Instalment sale agreements		(137 347)	(204 089)
Other		(21 367)	–
		(893 321)	(1 079 134)
Cash		1 128 770	430 789
Gross debt – fixed interest rates		(506 187)	(498 126)
Gross debt – variable interest rates		(1 515 904)	(1 011 797)
		(893 321)	(1 079 134)

	CASH/BANK OVERDRAFTS R'000	LEASES DUE WITHIN 1 YEAR R'000	LEASES DUE AFTER 1 YEAR R'000	BORROWINGS DUE WITHIN 1 YEAR R'000	BORROWINGS DUE AFTER 1 YEAR R'000	TOTAL R'000
43. Net debt reconciliation						
continued						
Net debt as at 1 October 2016	421 635	(1 213)	(41 165)	(73 095)	(1 292 122)	(985 960)
Cash flows	(128 079)	(85)	200	(602 303)	654 892	(75 375)
New borrowings	–	–	(20 529)	–	–	(20 529)
Business combinations	7 970	–	–	(6 163)	–	1 807
Foreign exchange adjustments	923	–	–	–	–	923
Net debt as at 30 September 2017	302 449	(1 298)	(61 494)	(681 561)	(637 230)	(1 079 134)
Cash flows	724 405	(90)	(4)	161 933	499 883	1 386 127
New borrowings	–	–	–	(737)	(1 206 235)	(1 206 972)
Business combinations	3 649	–	–	–	–	3 649
Foreign exchange adjustments	3 009	–	–	–	–	3 009
Net debt as at 30 September 2018	1 033 512	(1 388)	(61 498)	(520 365)	(1 343 582)	(893 321)

	2018 R'000	2017 R'000	2016 R'000
44. Net disposal of subsidiary and business combinations			
44.1. NET DISPOSAL OF SUBSIDIARY			
Effect on movement of:			
Property, plant and equipment	–	–	42 724
Intangible assets	–	–	564
Inventory	–	–	12 458
Trade and other receivables	–	–	20 250
Current income tax	–	–	201
Cash and cash equivalents	–	–	11 875
Deferred income tax	–	–	(4 764)
Trade and other payables	–	–	(20 839)
Loans from holding company	–	–	(13 097)
Non-controlling interest	–	–	(12 417)
	–	–	36 955
Net profit on disposal of subsidiary	–	–	24 183
Proceeds	–	–	61 138
Loan from holding company repaid	–	–	13 097
Cash and cash equivalents disposed of	–	–	(11 875)
Total proceeds	–	–	62 360

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
44. Net disposal of subsidiary and business combinations			
continued			
44.2 BUSINESS COMBINATIONS			
44.2.1 Business combinations – Summary			
Effect on movement of:			
Property, plant and equipment	174 255	40 506	27 539
Intangible assets	258 939	29 278	–
Goodwill	99 522	38 012	85 755
Inventories	99 984	4 017	43 276
Trade and other receivables	232 743	1 753	40 527
Cash and cash equivalents	3 649	7 970	17 968
Borrowings	(148 876)	(6 163)	–
Deferred income tax	(2 768)	707	5 472
Loan joint venture	(32 801)	–	–
Current income tax	6 816	–	–
Non-controlling interest	–	(23 622)	–
Trade and other payables	(308 336)	(11 714)	(55 688)
	383 127	80 744	164 849
Fair value adjustment of step-up from joint venture to subsidiary	(13 438)	18 705	–
	369 689	99 449	164 849
De-recognition of investment in joint venture	(36 362)	(70 744)	–
Share of other comprehensive income recycled to profit or loss	–	(12 071)	–
Purchase consideration	333 327	16 634	164 849
Cash and cash equivalents acquired	(3 649)	(7 970)	(17 968)
Borrowings acquired	148 876	–	–
Loan joint venture acquired	32 801	–	–
	511 355	8 664	146 881



	2018 R'000	2017 R'000	2016 R'000
44. Net disposal of subsidiary and business combinations			
continued			
44.2 BUSINESS COMBINATIONS continued			
44.2.2 Detail of business combinations during 2018			
<i>The Good Carb Food Company Ltd (UK)</i>			
The assets and liabilities of this business were acquired on 11 December 2017 and can be summarised as follows:			
Fair value			
Plant, machinery and equipment	42	–	–
Trademarks	189 453	–	–
Goodwill	99 522	–	–
Intellectual property	17 462	–	–
Inventories	8 545	–	–
Trade and other receivables	11 869	–	–
Cash and cash equivalents	19 648	–	–
Trade and other payables	(23 900)	–	–
Deferred income tax	(39 314)	–	–
Purchase consideration – settled in cash	283 327	–	–
Cash and cash equivalents acquired	(19 648)	–	–
	263 679	–	–
Reason for business combination:			
The Group acquired 100% of the equity of this fast-growing breakfast cereal entity in the UK, which is in line with its international expansion strategy. This is a complimentary bolt-on acquisition enlarging the Group's footprint in the UK's breakfast cereal market, providing access to a strong branded proposition in this space.			
Reason for goodwill recognised on acquisition:			
The premium paid to acquire control resulted in the recognition of goodwill amounting to R99,522,461. This reflects the Group's belief in the future growth prospects of this business, as well as those of the health and wellness category in the UK.			
Contribution since acquisition:			
Revenue	116 856	–	–
Operating profit before finance cost and income tax	23 420	–	–
Pro forma contribution assuming the acquisition was at the beginning of the year:			
Revenue	147 607	–	–
Operating profit before finance cost and income tax	29 584	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
44. Net disposal of subsidiary and business combinations continued			
44.2 BUSINESS COMBINATIONS continued			
44.2.2 Detail of business combinations during 2018 continued			
<i>Heinz Foods SA (Pty) Ltd</i>			
Subsequently renamed as Pioneer Foods Wellingtons (Pty) Ltd.			
The assets and liabilities of this business were acquired on 1 June 2018 and can be summarised as follows:			
Fair value			
Land and buildings	28 304	–	–
Plant, machinery and equipment	145 534	–	–
Trademarks	52 024	–	–
Vehicles	375	–	–
Inventories	91 439	–	–
Trade and other receivables	220 874	–	–
Cash and cash equivalents	(15 999)	–	–
Trade and other payables	(284 436)	–	–
Deferred income tax	36 546	–	–
Current income tax	6 816	–	–
Borrowings (Note 1)	(148 876)	–	–
Loan joint venture (Note 1)	(32 801)	–	–
	99 800	–	–
De-recognition of investment in joint venture	(36 362)	–	–
Fair value adjustment of step-up from joint venture to subsidiary	(13 438)	–	–
Purchase consideration	50 000	–	–
Cash and cash equivalents acquired	15 999	–	–
Borrowings acquired	148 876	–	–
Loan joint venture acquired	32 801	–	–
	247 676	–	–
Reason for business combination:			
The Group acquired the remaining equity (50.1%) in an existing joint venture. This change is an excellent opportunity for the Group to leverage its existing scale and platform in South Africa to grow the business in line with its expansion strategy.			
Contribution since acquisition:			
Revenue	196 553	–	–
Operating loss before finance cost and income tax	(11 710)	–	–
Pro forma contribution assuming the acquisition was at the beginning of the year:			
Revenue	589 658	–	–
Operating loss before finance cost and income tax	(23 443)	–	–

Note 1: Subsequent to this acquisition, these represent intergroup loans that are eliminated upon consolidation.

	2018 R'000	2017 R'000	2016 R'000
44. Net disposal of subsidiary and business combinations			
continued			
44.2 BUSINESS COMBINATIONS continued			
44.2.3 Detail of business combination during 2017			
<i>Food Concepts Pioneer Ltd</i>			
The assets and liabilities of this business were acquired on 1 July 2017 and can be summarised as follows:			
Fair value			
Land and buildings	–	17 860	–
Plant and equipment	–	20 226	–
Trademarks	–	29 278	–
Goodwill	–	38 012	–
Vehicles	–	2 420	–
Inventories	–	4 017	–
Trade and other receivables	–	1 753	–
Cash and cash equivalents	–	7 970	–
Trade and other payables	–	(11 714)	–
Deferred income tax	–	707	–
Borrowings	–	(6 163)	–
Total identifiable assets and liabilities	–	104 366	–
Non-controlling interest	–	(23 622)	–
De-recognition of investment in joint venture	–	(70 744)	–
Fair value adjustment of step-up from joint venture to subsidiary	–	18 705	–
Share of other comprehensive income recycled to profit or loss	–	(12 071)	–
Purchase consideration – settled in cash	–	16 634	–
Reason for business combination:			
The Group acquired a further interest in an existing joint venture resulting in control of this fast growing baking entity in Nigeria in line with its international expansion strategy. This is another step in enlarging the Group's footprint in the substantial Nigerian market.			
Reason for goodwill paid:			
The premium paid to acquire control resulted in goodwill. The increased shareholding reflects the Group's belief in the future growth prospects of this business.			
Contribution since acquisition:			
Revenue	–	45 846	–
Operating profit before finance cost and income tax	–	2 335	–
Pro forma contribution assuming the acquisition was at the beginning of the year:			
Revenue	–	185 627	–
Operating profit before finance cost and income tax	–	7 729	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
44. Net disposal of subsidiary and business combinations continued			
44.2 BUSINESS COMBINATIONS continued			
44.2.4 Detail of business combination during 2016			
<i>Streamfoods Ltd</i>			
The assets and liabilities of this business were acquired on 29 July 2016 and can be summarised as follows:			
Fair value			
Land and buildings	–	–	6 528
Plant, machinery and equipment	–	–	21 011
Goodwill	–	–	85 755
Inventories	–	–	43 276
Trade and other receivables	–	–	40 527
Cash and cash equivalents	–	–	17 968
Trade and other payables	–	–	(55 688)
Deferred income tax	–	–	5 472
Purchase consideration – settled in cash	–	–	164 849
Reason for business combination:			
The acquisition of Streamfoods continues Pioneer Foods' international expansion strategy and provides a bolt-on business for Bokomo Foods (UK) Ltd. The acquisition provides growth prospects in the fruit snacking category and diversifies the risk of the company's private label dominated portfolio.			
Reason for goodwill paid:			
The price paid for Streamfoods is competitive in the context of other food brands sold within the UK FMCG environment, with much higher price earnings multiples paid for similar businesses. The business combination presents synergistic opportunities for Streamfoods, expected to increase its competitiveness and market penetration and provides further exposure to the growing health-snacking category.			
Carrying value			
The carrying values of the assets and liabilities acquired of this business agree to the fair values thereof as disclosed above, except for the goodwill recognised on the business combination.			
Contribution since acquisition:			
Revenue	–	–	57 494
Operating profit before finance cost and income tax	–	–	1 114
<i>Pro forma contribution assuming the acquisition was at the beginning of the year:</i>			
Revenue	–	–	296 740
Operating profit before finance cost and income tax	–	–	6 605



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
Groceries
International
Other

Essential Foods includes products such as wheaten flour, maize meal, rice, pasta, legumes and bread. Groceries includes breakfast cereals, other fast moving consumer goods, fruit juices, fruit concentrate mixtures, water, frozen and ambient foods. International includes dried fruit, all exports (other than to Botswana, Namibia, Lesotho and Swaziland), the cereals and fruit snacking businesses in the United Kingdom, the bread and sausage rolls business in Nigeria and Bokomo Zambia (dormant). 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 and the impact of the related hedge, the results of the ultimate holding company and the insurance captive, corporate legal costs, BEE socio-economic and enterprise development costs and costs of mergers and acquisitions.

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

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

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

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

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

	2018 R'000	2017 R'000	2016 R'000
Segment revenue	20 151 853	19 575 045	20 599 725
Essential Foods	11 859 292	12 469 831	12 854 806
Groceries	5 119 561	4 402 690	4 695 153
International	3 173 000	2 702 524	3 049 766
Segment results	1 602 415	1 259 139	2 273 142
Essential Foods	915 297	800 113	1 249 371
Groceries	419 239	357 023	541 639
International	285 039	121 475	484 207
Other	(17 160)	(19 472)	(2 075)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
45. Segment information continued			
A reconciliation of the segments' results to operating profit before income tax is provided below:			
Segment results	1 602 415	1 259 139	2 273 142
Share-based payment on broad-based share incentive scheme and related hedge	(30 092)	(102 946)	44 786
Operating profit before items of a capital nature	1 572 323	1 156 193	2 317 928
Adjusted for:			
Items of a capital nature	73 228	(56 957)	21 343
Interest income	16 540	18 968	42 679
Dividend income	11 447	3 246	4 086
Finance costs	(197 467)	(196 805)	(167 256)
Share of (loss)/profit of joint ventures	(13 770)	53 901	98 032
Share of profit of associated companies	13 811	6 407	2 348
Profit before income tax per statement of comprehensive income	1 476 112	984 953	2 319 160
Segment assets	12 431 315	11 460 907	11 517 476
Essential Foods	5 993 742	5 900 390	5 916 488
Groceries	4 096 795	3 535 760	3 424 132
International	2 192 324	1 778 391	1 675 193
Other	148 454	246 366	501 663
A reconciliation of the segments' assets to the Group's assets is provided below:			
Segment assets per segment report	12 431 315	11 460 907	11 517 476
Adjusted for:			
Investments in joint ventures	580 586	665 006	769 810
Loans to joint ventures	14 448	35 737	74 564
Investment in associates	196 241	198 410	16 877
Loan to associate	-	7 593	-
Available-for-sale financial assets	77 912	138 092	128 295
Trade and other receivables	45 751	15 433	16 783
Current and deferred income tax assets	66 049	20 478	5 910
Cash and cash equivalents	1 128 770	430 789	1 000 791
Total assets per statement of financial position	14 541 072	12 972 445	13 530 506

	2018 R'000	2017 R'000	2016 R'000
45. Segment information continued			
Total segment liabilities	3 300 104	2 695 998	3 037 049
Essential Foods	1 954 901	1 464 427	1 088 145
Groceries	845 654	676 533	748 932
International	360 258	369 934	381 683
Other	139 291	185 104	818 289
A reconciliation of the segments' liabilities to the Group's liabilities is provided below:			
Segment liabilities per segment report	3 300 104	2 695 998	3 037 049
Adjusted for:			
Non-current and current borrowings	2 022 091	1 509 923	1 986 751
Current and deferred income tax liabilities	781 262	699 121	612 735
Loan from joint venture	21 040	14 540	26 040
Dividends payable	1 551	598	615
Total liabilities per statement of financial position	6 126 048	4 920 180	5 663 190
Total segment capital expenditure (excluding business combinations)	626 223	980 415	828 444
Essential Foods	441 744	671 722	458 942
Groceries	85 641	202 979	210 260
International	57 298	73 129	131 271
Other	41 540	32 585	27 971
Total segment depreciation and amortisation	437 726	386 723	341 603
Essential Foods	260 571	236 174	203 857
Groceries	130 470	112 771	106 161
International	46 685	37 778	31 585

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
45. Segment information continued			
Items of a capital nature per segment			
Profit/(loss) on disposal of property, plant and equipment before income tax	35 214	5 798	12 166
Essential Foods	9 352	9 562	7 638
Groceries	22 637	653	(924)
International	3 225	(3 928)	115
Other	–	(489)	5 337
Profit on disposal of subsidiary	–	–	24 183
Groceries	–	–	(34 425)
Other	–	–	58 608
Fair value adjustment of step-up from joint venture to subsidiary			
Other	13 438	(18 705)	–
Net loss on disposal of equity-accounted investments			
Other	–	(17 746)	–
Impairment of intangible assets			
Groceries	–	(20 954)	–
Impairment of goodwill			
Groceries	–	(10 150)	–
Profit on available-for-sale financial assets before income tax			
Other	24 576	4 800	8 332
Impairment of available-for-sale financial assets			
Other	–	–	(23 338)
Items of a capital nature before income tax	73 228	(56 957)	21 343
Income tax effect	(12 014)	4 262	(7 918)
Items of a capital nature after income tax	61 214	(52 695)	13 425
Other material items of income or expenses per segment			
Inventory written off per segment	183 657	192 448	150 956
Essential Foods	56 515	52 995	54 984
Groceries	99 832	94 701	61 954
International	27 310	44 752	34 018

Geographical information

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

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



	2018 R'000	2017 R'000	2016 R'000
45. Segment information continued			
Segment revenue	20 151 853	19 575 045	20 599 725
South Africa	18 557 813	18 270 634	19 429 159
Foreign countries	1 594 040	1 304 411	1 170 566
Total segment non-current assets*	7 690 936	7 108 868	6 439 815
South Africa	7 012 473	6 675 067	6 018 448
Foreign countries	678 463	433 801	421 367
Note:			
* Excluding deferred income tax, derivative financial instruments and available-for-sale financial assets.			
Total segment capital expenditure (excluding business combinations)	626 223	980 415	828 444
South Africa	579 855	954 108	738 810
Foreign countries	46 368	26 307	89 634
Information regarding major customers			
During the period under review, revenue from one customer exceeded 10% of Group revenue:			
Customer A	2 989 701	2 881 081	2 920 387
Revenue from this customer is reported within all operating segments except other.			

46. Events after the reporting period

Dividend

A final dividend of 260 cents (2017: 260 cents; 2016: 260 cents) per ordinary share has been declared for 2018. This will only be reflected in the statement of changes in equity for the next reporting period.

The 10,745,350 Pioneer Foods shares held by the Pioneer Foods Broad-Based BEE Trust are entitled to 20% of the final gross dividend payable i.e. 52.0 cents (2017: 52.0 cents; 2016: 52.0 cents) per share.

For 2017:

Acquisition of Heinz Foods SA (Pty) Ltd

Pioneer Foods entered into an agreement to acquire the remaining 50.1% shareholding in Heinz Foods SA (Pty) Ltd. This agreement is subject to regulatory approvals

For 2016:

Acquisition of a 49.89% equity interest in Weetabix East Africa Ltd

Pioneer Foods entered into an agreement to acquire a 49.89% shareholding in Weetabix East Africa Ltd. The agreement is subject to Kenyan regulatory approval

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

NAME OF SUBSIDIARY – PTY (LTD) UNLESS INDICATED OTHERWISE	COUNTRY OF INCORPORATION	ISSUED SHARE CAPITAL OF SUBSIDIARY			PERCENTAGE INTEREST		
		2018	2017	2016	2018 %	2017 %	2016 %
Rand – unless indicated otherwise							
47. Interest in subsidiaries							
47.1 MANUFACTURING							
Pioneer Foods (UK) Ltd (Note 1)	United Kingdom	GBP3 000 120	GBP3 000 120	GBP3 000 120	100	100	100
Bokomo Zambia Ltd (Note 2)	Zambia						
– Ordinary shares		ZMK1 895 500	ZMK1 895 500	ZMK1 895 500	100	100	100
– Preference shares		ZMK200	ZMK200	ZMK200	100	100	100
Ceres Fruit Juices	South Africa	100 000	100 000	100 000	100	100	100
Continental Beverages (Note 3)	South Africa	–	1 000	1 000	–	100	100
Pioneer Foods	South Africa	252	252	252	100	100	100
Pioneer Foods Wellingtons (Note 4)	South Africa	74 752 906	–	–	100	–	–
Food Concepts Pioneer Ltd (Note 5)	Nigeria	NGN48 000 000	NGN1 002 004	–	64	64	–
The Good Carb Food Company Ltd (Note 6)	United Kingdom	GBP10 000	–	–	100	–	–
Pioneer Foods Groceries	South Africa	2 963 838 244	2 963 838 244	2 963 838 244	100	100	100
Streamfoods Ltd	United Kingdom	GBP188 000	GBP188 000	GBP188 000	100	100	100
47.2 PROPERTIES AND LETTING							
Sasned (Note 2)	South Africa	2	2	2	100	100	100
47.3 INVESTMENTS							
Pioneer Foods Holdings Ltd	South Africa	220	220	220	100	100	100
47.4 SERVICES							
Sasguard Insurance Company Ltd	South Africa	30 000	30 000	30 000	100	100	100

Notes:

1. Name changed from Bokomo Foods (UK) Ltd in 2017.
2. Dormant at 30 September 2018.
3. Deregistered during 2018.
4. Joint venture became a subsidiary after control was obtained on 1 June 2018. Formerly known as Heinz Foods SA (Pty) Ltd.
5. Joint venture became a subsidiary after control was obtained on 1 July 2017.
6. Acquired on 11 December 2017.



NAME OF JOINT VENTURE – (PTY) LTD UNLESS INDICATED OTHERWISE	Country of incorporation	PERCENTAGE INTEREST		
		2018 %	2017 %	2016 %
48. Interest in joint ventures				
48.1 MANUFACTURING				
Alpen Food Company South Africa (Note 1)	South Africa	50	50	50
Bokomo Botswana (Note 2)	Botswana	50	50	50
Bokomo Namibia (Note 2)	Namibia	50	50	50
Bowman Ingredients (SA) (Note 3)	South Africa	50	50	50
Pioneer Foods Wellingtons (formerly known as Heinz Foods SA) (Note 4)	South Africa	–	50	50
Food Concepts Pioneer Ltd (Note 5)	Nigeria	–	–	50
Future Life Health Products (Note 6)	South Africa	50	50	50
48.2 PROPERTIES AND LETTING				
Amigear Ventures (Note 7)	Botswana	–	–	49

Notes (nature of business):

1. Cereals.
2. Wheat and maize milling and distribution of Group products.
3. Food ingredients for industrial customers.
4. Condiments and convenience foods. Became a subsidiary after control was obtained on 1 June 2018.
5. Baking. Became a subsidiary after control was obtained on 1 July 2017.
6. Cereals.
7. Leased farming properties to Bokomo Botswana. Disposed of on 1 April 2017.

NAME OF ASSOCIATE	Country of incorporation	PERCENTAGE INTEREST		
		2018 %	2017 %	2016 %
49. Interest in associates				
49.1 FARMING				
Cottesloe Consultants (Pty) Ltd (Note 1)	Botswana	–	–	25
49.2 MANUFACTURING				
Weetabix East Africa Ltd (Note 2)	Kenya	50	50	–

Notes:

1. Poultry. Disposed of on 1 April 2017.
2. Cereals. Acquired on 3 March 2017.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	CAPITAL R'000	INTEREST R'000	TOTAL R'000
50. Maturity analysis of financial liabilities			
30 September 2018			
Not later than one year			
Borrowings excluding bank overdrafts and call loans	521 753	128 665	650 418
Trade and other payables	2 675 839	–	2 675 839
Other derivative financial instruments	32 864	–	32 864
Dividends payable	1 551	–	1 551
Loan from joint venture	21 040	–	21 040
Financial guarantees	28 364	–	28 364
	3 281 411	128 665	3 410 076
Between one and two years			
Borrowings excluding bank overdrafts and call loans	130 216	104 603	234 819
	130 216	104 603	234 819
More than two years			
Borrowings excluding bank overdrafts and call loans	1 274 864	254 401	1 529 265
	1 274 864	254 401	1 529 265
Total			
Borrowings excluding bank overdrafts and call loans	1 926 833	487 669	2 414 502
Trade and other payables	2 675 839	–	2 675 839
Other derivative financial instruments	32 864	–	32 864
Dividends payable	1 551	–	1 551
Loan from joint venture	21 040	–	21 040
Financial guarantees	28 364	–	28 364
	4 686 491	487 669	5 174 160
30 September 2017			
Not later than one year			
Borrowings excluding bank overdrafts and call loans	682 859	113 146	796 005
Trade and other payables	2 100 285	–	2 100 285
Other derivative financial instruments	2 562	–	2 562
Dividends payable	598	–	598
Loan from joint venture	14 540	–	14 540
Financial guarantees	25 386	–	25 386
	2 826 230	113 146	2 939 376
Between one and two years			
Borrowings excluding bank overdrafts and call loans	500 911	41 854	542 765
	500 911	41 854	542 765
More than two years			
Borrowings excluding bank overdrafts and call loans	197 813	103 458	301 271
	197 813	103 458	301 271
Total			
Borrowings excluding bank overdrafts and call loans	1 381 583	258 458	1 640 041
Trade and other payables	2 100 285	–	2 100 285
Other derivative financial instruments	2 562	–	2 562
Dividends payable	598	–	598
Loan from joint venture	14 540	–	14 540
Financial guarantees	25 386	–	25 386
	3 524 954	258 458	3 783 412

Note:

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



	CAPITAL R'000	INTEREST R'000	TOTAL R'000
50. Maturity analysis of financial liabilities continued			
30 September 2016			
Not later than one year			
Borrowings excluding bank overdrafts and call loans	74 308	121 364	195 672
Trade and other payables	1 751 778	–	1 751 778
Other derivative financial instruments	16 060	–	16 060
Dividends payable	615	–	615
Loan from joint venture	26 040	–	26 040
Financial guarantees	27 802	–	27 802
Accrual for forward purchase contracts on own equity	493 265	–	493 265
	2 389 868	121 364	2 511 232
Between one and two years			
Borrowings excluding bank overdrafts and call loans	639 534	117 798	757 332
	639 534	117 798	757 332
More than two years			
Borrowings excluding bank overdrafts and call loans	693 753	95 071	788 824
	693 753	95 071	788 824
Total			
Borrowings excluding bank overdrafts and call loans	1 407 595	334 233	1 741 828
Trade and other payables	1 751 778	–	1 751 778
Other derivative financial instruments	16 060	–	16 060
Dividends payable	615	–	615
Loan from joint venture	26 040	–	26 040
Financial guarantees	27 802	–	27 802
Accrual for forward purchase contracts on own equity	493 265	–	493 265
	3 723 155	334 233	4 057 388

Note:

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



	LOANS AND RECEIVABLES R'000	ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS R'000	DERIVATIVES USED FOR HEDGING R'000	AVAILABLE- FOR-SALE R'000	TOTAL R'000
51. Financial instruments by category continued					
30 September 2017					
Assets as per statement of financial position					
Loans to joint ventures	35 737	–	–	–	35 737
Loan to associate	7 593	–	–	–	7 593
Available-for-sale financial assets	–	–	–	138 092	138 092
Derivative financial instruments	–	15 920	238 134	–	254 054
Trade and other receivables (refer to note 1 below)	1 891 986	–	–	–	1 891 986
Cash and cash equivalents	430 789	–	–	–	430 789
Total	2 366 105	15 920	238 134	138 092	2 758 251
			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			–	1 509 923	1 509 923
Derivative financial instruments			2 562	–	2 562
Trade and other payables (refer to note 2 below)			–	2 100 285	2 100 285
Dividends payable			–	598	598
Loan from joint venture			–	14 540	14 540
Total			2 562	3 625 346	3 627 908

Notes:

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	LOANS AND RECEIVABLES R'000	ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS R'000	DERIVATIVES USED FOR HEDGING R'000	AVAILABLE- FOR-SALE R'000	TOTAL R'000
51. Financial instruments by category continued					
30 September 2016					
Assets as per statement of financial position					
Loans to joint ventures	74 564	–	–	–	74 564
Available-for-sale financial assets	–	–	–	128 295	128 295
Derivative financial instruments	–	495 581	1 701	–	497 282
Trade and other receivables (refer to note 1 below)	2 168 381	–	–	–	2 168 381
Cash and cash equivalents	1 000 791	–	–	–	1 000 791
Total	3 243 736	495 581	1 701	128 295	3 869 313
		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	–	–	–	1 986 751	1 986 751
Derivative financial instruments	–	7 527	8 533	–	16 060
Trade and other payables (refer to note 2 below)	–	–	–	1 751 778	1 751 778
Accrual for forward purchase contracts on own equity	–	–	–	493 265	493 265
Dividends payable	–	–	–	615	615
Loan from joint venture	–	–	–	26 040	26 040
Total		7 527	8 533	4 258 449	4 274 509

Notes:

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

	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 2018				
Assets measured at fair value				
Available-for-sale financial assets				
– Listed securities	76 890	–	–	76 890
– Unlisted securities	–	1 022	–	1 022
Derivative financial instruments				
– Foreign exchange contracts	–	7 029	–	7 029
– Forward purchase contracts on own equity	–	149 682	–	149 682
Total	76 890	157 733	–	234 623
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	31 454	–	31 454
– Embedded derivatives	–	1 410	–	1 410
Total	–	32 864	–	32 864
30 September 2017				
Assets measured at fair value				
Available-for-sale financial assets				
– Listed securities	136 712	–	–	136 712
– Unlisted securities	–	1 380	–	1 380
Derivative financial instruments				
– Foreign exchange contracts	–	22 134	–	22 134
– Embedded derivatives	–	581	–	581
– Forward purchase contracts on own equity	–	231 339	–	231 339
Non-current assets classified as held-for-sale	–	–	12 530	12 530
Total	136 712	255 434	12 530	404 676
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	2 562	–	2 562
Total	–	2 562	–	2 562
30 September 2016				
Assets measured at fair value				
Available-for-sale financial assets				
– Listed securities	126 808	–	–	126 808
– Unlisted securities	–	1 487	–	1 487
Derivative financial instruments				
– Foreign exchange contracts	–	6 590	–	6 590
– Embedded derivatives	–	783	–	783
– Forward purchase contracts on own equity	–	489 909	–	489 909
Biological assets				
– Vineyards	–	–	16 017	16 017
Total	126 808	498 769	16 017	641 594
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	16 060	–	16 060
Total	–	16 060	–	16 060

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2018, 2017 AND 2016 continued

	2018 R'000	2017 R'000	2016 R'000
53. Non-current assets of disposal group classified as held for sale			
Fish paste spreads			
The assets related to the fish paste spreads business were presented as "assets of a disposal group classified as held for sale" in terms of <i>IFRS 5 – Non-current Assets Held For Sale and Discontinued Operations</i> at 30 September 2017 following the Board's decision to dispose of this business.			
The fair values of the assets of this business were re-measured at fair value less costs to sell and impairment losses were consequently recognised in the line item "items of a capital nature" in the statement of comprehensive income for the year ended 30 September 2017 as detailed in note 13. The carrying values of the assets after impairment are as follows:			
Assets of the disposal group classified as held for sale:			
Property, plant and equipment	–	2 253	–
Intangible assets	–	12 530	–
Inventories	–	5 236	–
	–	20 019	–

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

54. Going concern statement

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

INTERIM FINANCIAL INFORMATION OF PIONEER FOODS FOR THE SIX-MONTH PERIOD ENDED 31 MARCH 2019

The consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes of Pioneer Foods for the six months ended 31 March 2019, have been extracted and compiled from the unaudited, condensed consolidated interim financial statements of Pioneer Foods, which are available on the Pioneer Foods website (www.pioneerfoods.co.za).

The preparation of this **Annexure 3** is the responsibility of the Pioneer Foods Directors.

GROUP STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019 R'm	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
Revenue	11 039.3	9 898.9	20 151.9
Cost of goods sold	(7 956.4)	(6 970.4)	(14 356.4)
Gross profit	3 082.9	2 928.5	5 795.5
Other income and gains/(losses) – net	67.3	80.7	197.4
Other expenses	(2 426.1)	(2 054.4)	(4 420.5)
Excluding the following:	(2 421.0)	(2 060.2)	(4 390.4)
Phase I B-BBEE transaction share-based payment and related hedge (charge)/income	(5.1)	5.8	(30.1)
Items of a capital nature	1.1	36.9	73.2
Operating profit	725.2	991.7	1 645.6
Investment income	24.9	15.3	28.0
Finance costs	(97.3)	(88.9)	(197.5)
Share of profit/(loss) of investments accounted for applying the equity method	38.7	(21.6)	–
Profit before income tax	691.5	896.5	1 476.1
Income tax expense	(179.4)	(274.3)	(399.0)
Profit for the period	512.1	622.2	1 077.1
Other comprehensive income/(loss) for the period			
Items that will not subsequently be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations	–	–	2.2
Items that may subsequently be reclassified to profit or loss:	12.4	(77.9)	21.9
Fair value adjustments to cash flow hedging reserve	1.7	(10.9)	(12.2)
For the period	(13.5)	3.5	3.6
Current income tax effect	6.0	(1.2)	(5.7)
Deferred income tax effect	(2.2)	0.2	4.6
Reclassified to profit or loss	15.8	(18.7)	(20.5)
Current income tax effect	0.2	4.6	5.1
Deferred income tax effect	(4.6)	0.7	0.7
Fair value adjustments on equity investments (2018: available-for-sale financial assets)	(17.2)	15.7	0.6
For the period	(17.2)	16.7	18.8
Deferred income tax effect	–	0.3	6.4
Reclassified to profit or loss	–	(1.3)	(24.6)
Share of other comprehensive income/(loss) of investments accounted for applying the equity method	5.0	(15.5)	7.4
Movement on foreign currency translation reserve	22.9	(67.2)	26.1
Total comprehensive income for the period	524.5	544.3	1 101.2
Profit for the period attributable to:			
Owners of the parent	509.1	620.3	1 072.6
Non-controlling interest	3.0	1.9	4.5
	512.1	622.2	1 077.1
Total comprehensive income/(loss) for the period attributable to:			
Owners of the parent	519.7	544.9	1 090.9
Non-controlling interest	4.8	(0.6)	10.3
	524.5	544.3	1 101.2

HEADLINE EARNINGS RECONCILIATION

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

Note 1:

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

GROUP STATEMENT OF FINANCIAL POSITION

	UNAUDITED 31 MARCH 2019 R'm	UNAUDITED 31 MARCH 2018 R'm	AUDITED 30 SEPTEMBER 2018 R'm
Assets			
Property, plant and equipment	5 696.5	5 312.3	5 653.9
Goodwill	440.8	411.7	434.0
Other intangible assets	772.2	667.0	766.0
Investments in and loans to associates and joint ventures	832.7	855.7	791.3
Derivative financial instruments	97.2	223.2	128.7
Equity investments at fair value	4.0	–	–
Available-for-sale financial assets	–	155.4	77.9
Trade and other receivables	39.1	36.6	45.8
Deferred income tax	62.3	7.1	55.8
Non-current assets	7 944.8	7 669.0	7 953.4
Current assets	6 624.1	6 262.6	6 587.7
Inventories	3 705.1	3 396.4	3 176.6
Derivative financial instruments	29.9	35.9	28.0
Trade and other receivables	2 452.2	2 245.7	2 244.1
Current income tax	21.2	17.2	10.2
Cash and cash equivalents	415.7	567.4	1 128.8
Assets of disposal group classified as held for sale	–	22.9	–
Total assets	14 568.9	13 954.5	14 541.1
Equity and liabilities			
Capital and reserves attributable to owners of the parent	8 696.4	8 104.9	8 379.7
Share capital	22.2	23.4	23.3
Share premium	1 636.5	2 581.3	2 538.0
Treasury shares	(187.1)	(1 186.4)	(1 186.4)
Other reserves	194.2	128.6	188.9
Retained earnings	7 030.6	6 558.0	6 815.9
Non-controlling interest	40.0	24.4	35.3
Total equity	8 736.4	8 129.3	8 415.0
Non-current liabilities	2 367.2	1 297.1	2 396.2
Borrowings	1 352.9	246.9	1 405.1
Provisions for other liabilities and charges	113.8	113.7	112.2
Share-based payment liability	85.2	171.3	112.8
Deferred income tax	815.3	765.2	766.1
Current liabilities	3 465.3	4 528.1	3 729.9
Trade and other payables	2 770.4	1 870.3	3 018.5
Current income tax	14.8	35.6	15.2
Derivative financial instruments	6.1	18.4	32.8
Borrowings			
B-BBEE equity transaction third-party finance	–	449.2	451.5
Other	636.0	2 108.6	165.5
Loan from joint venture	17.5	8.5	21.0
Dividends payable	1.3	0.6	1.6
Share-based payment liability	19.2	36.9	23.8
Total equity and liabilities	14 568.9	13 954.5	14 541.1

GROUP STATEMENT OF CHANGES IN EQUITY

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019 R'm	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018 R'M	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'M
Share capital, share premium and treasury shares	1 471.6	1 418.3	1 374.9
Opening balance	1 374.9	1 391.2	1 391.2
Movement in treasury shares – derecognition of previously consolidated Phase II BEE equity transaction participants	999.3	–	–
Ordinary shares issued – share appreciation rights	2.9	27.1	51.5
Ordinary shares bought back and cancelled	(1.3)	–	(67.8)
Shares bought back from Phase II BEE equity transaction participants and cancelled	(904.2)	–	–
Other reserves	194.2	128.6	188.9
Opening balance	188.9	213.1	213.1
Equity compensation reserve transactions	18.9	18.5	26.6
Ordinary shares issued – share appreciation rights	(2.9)	(27.1)	(51.5)
Deferred income tax on share-based payments	(8.9)	2.0	(15.4)
Share of other comprehensive income of investments accounted for applying the equity method	5.0	(15.5)	7.4
Treasury shares derecognised	(12.5)	–	–
Other comprehensive income/(loss) for the period	5.7	(62.4)	8.7
Retained earnings	7 030.6	6 558.0	6 815.9
Opening balance	6 815.9	6 422.9	6 422.9
Effect of changes in accounting policies	(2.3)	–	–
Restated opening balance	6 813.6	6 422.9	6 422.9
Profit for the period	509.1	620.3	1 072.6
Other comprehensive income for the period	–	–	2.2
Dividends paid	(484.6)	(485.1)	(681.4)
Profit on disposal of Group treasury shares by Phase II BEE equity transaction participants and derecognition of these previously consolidated entities	202.6	–	–
Transaction cost on shares bought back	(10.1)	(0.1)	(0.4)
Non-controlling interest	40.0	24.4	35.3
Opening balance	35.3	25.0	25.0
Profit for the period	3.0	1.9	4.5
Share of other comprehensive income/(loss)	1.7	(2.5)	5.8
Total equity	8 736.4	8 129.3	8 415.0

GROUP STATEMENT OF CASH FLOWS

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019 R'm	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018 R'm	AUDITED YEAR ENDED 30 SEPTEMBER 2018 R'm
Net cash profit from operating activities	970.5	1 195.0	2 072.5
Cash effect from hedging activities	(19.9)	(12.2)	2.1
Working capital changes	(996.1)	(1 151.6)	281.1
Net cash (utilised in)/generated from operations	(45.5)	31.2	2 355.7
Settlement of share-based payment liability	(6.7)	(15.1)	(26.3)
Cash effect of forward purchase contracts related to share-based payments	6.9	14.8	25.5
Income tax paid	(158.1)	(206.2)	(364.4)
Net cash flow from operating activities	(203.4)	(175.3)	1 990.5
Net cash flow from investment activities	(232.8)	(410.6)	(866.6)
Property, plant and equipment and intangible assets			
– additions	(201.4)	(127.2)	(297.9)
– replacements	(67.2)	(95.1)	(328.4)
– proceeds on disposal	9.5	74.5	106.6
Business combinations	–	(263.7)	(511.4)
Proceeds on disposal of and changes in loans and equity investments at fair value (2018: available-for-sale financial assets)	(1.4)	(21.4)	79.3
Investment in joint venture	–	(15.0)	(15.0)
Investment in associate	(12.0)	–	–
Interest received	12.0	8.1	16.1
Dividends received	12.7	7.1	11.4
Dividends received from joint ventures	15.0	22.1	52.1
Dividends received from associate	–	–	20.6
Net cash flow from financing activities	(708.7)	(617.5)	(395.8)
Proceeds from borrowings – new syndicated and other borrowings	–	–	1 207.0
Repayment of syndicated bullet loans	–	–	(600.0)
Repayment of Phase II BEE equity transaction third-party finance	(427.8)	–	–
Repayments of other borrowings	(35.3)	(41.8)	(61.7)
External funding to Phase II BEE equity transaction participant	429.3	–	–
Derecognition of cash and cash equivalents of previously consolidated Phase II BEE equity transaction participants	(77.3)	–	–
Ordinary shares bought back	(1.3)	–	(67.8)
Other share scheme transactions	(12.3)	(2.4)	(3.7)
Interest paid	(99.1)	(88.2)	(189.2)
Dividends paid	(484.9)	(485.1)	(680.4)
Effect of exchange rate changes on cash and cash equivalents	1.9	3.4	3.0
Net cash, cash equivalents and bank overdrafts at beginning of period	1 033.5	302.4	302.4
Net cash, cash equivalents and bank overdrafts at end of period	(109.5)	(897.6)	1 033.5
Disclosed as:			
Cash and cash equivalents	415.7	567.4	1 128.8
Bank overdrafts and call loans (included in current borrowings)	(525.2)	(1 465.0)	(95.3)
	(109.5)	(897.6)	1 033.5

GROUP SEGMENT REPORT

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



NOTES TO THE CONSOLIDATED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

1. Basis of preparation

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

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

2. Accounting policies

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

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

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

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

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

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

3. Changes in accounting policies

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

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

	30 SEPTEMBER 2018 PREVIOUSLY DISCLOSED R'm	IFRS 15 IMPACT R'm	IFRS 9 IMPACT R'm	1 OCTOBER 2018 RESTATED FOR IFRS 9 AND 15 R'm	Note
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current assets					
Available-for-sale financial assets	77.9	–	(77.9)	–	3.1.2 (i)
Equity investments at fair value	–	–	77.9	77.9	3.1.2 (i)
Current assets					
Trade and other receivables	2 244.1	9.9	(3.2)	2 250.8	3.1.2 (ii) & 3.2.2 (ii)
Inventories	3 176.6	33.1	–	3 209.7	3.2.2 (ii)
EQUITY AND LIABILITIES					
Capital and reserves					
Retained earnings	6 815.9	–	(2.3)	6 813.6	3.1.2 (ii)
Non-current liabilities					
Deferred income tax	766.1	–	(0.9)	765.2	3.1.2 (ii)
Current liabilities					
Trade and other payables	3 018.5	43.0	–	3 061.5	3.2.2 (ii)

Comparative information has not been restated. The impact of initial application was applied retrospectively as an adjustment to opening retained earnings. Refer to notes 3.1 and 3.2 for further detail.

3.1 IFRS 9 – FINANCIAL INSTRUMENTS

3.1.1 Nature of the change

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

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

Apart from introducing simplified rules for hedge accounting, IFRS 9 introduces a new impairment model in terms of which impairment losses are based on expected credit losses ("ECLs") as opposed to incurred credit losses under IAS 39.

3.1.2 Impact on initial application

The Group adopted IFRS 9 from 1 October 2018 which resulted in changes to accounting policies and adjustments to amounts recognised in the financial statements.

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

3. Changes in accounting policies continued

3.1 IFRS 9 – FINANCIAL INSTRUMENTS continued

3.1.2 Impact on initial application continued

(i) Classification and measurement

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

	30 SEPTEMBER 2018 IAS 39 R'm			TOTAL	1 OCTOBER 2018 IFRS 9 R'm			TOTAL
	LOANS AND RECEIVABLES (AT AMORTISED COST)	AT FAIR VALUE THROUGH PROFIT/ LOSS	AVAILABLE FOR-SALE		AT AMORTISED COST	AT FAIR VALUE THROUGH PROFIT/ LOSS	AT FAIR VALUE THROUGH OTHER COMPRE- HENSIVE INCOME	
Non-current assets								
Derivative financial assets	–	128.7	–	128.7	–	128.7	–	128.7
Available-for-sale financial assets	–	–	77.9	77.9	–	–	–	–
Equity investments at fair value	–	–	–	–	–	–	77.9	77.9
Trade and other receivables	45.8	–	–	45.8	45.8	–	–	45.8
Loans to joint ventures	14.4	–	–	14.4	14.4	–	–	14.4
Current assets								
Derivative financial assets	–	28.0	–	28.0	–	28.0	–	28.0
Trade and other receivables	2 117.1	–	–	2 117.1	2 117.1	–	–	2 117.1
Cash and cash equivalents	1 128.8	–	–	1 128.8	1 128.8	–	–	1 128.8
Total financial assets	3 306.1	156.7	77.9	3 540.7	3 306.1	156.7	77.9	3 540.7

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

3. Changes in accounting policies continued

3.1 IFRS 9 – FINANCIAL INSTRUMENTS continued

3.1.2 Impact on initial application continued

(i) Classification and measurement continued

	30 SEPTEMBER 2018 IAS 39 R'm			TOTAL	1 OCTOBER 2018 IFRS 9 R'm			TOTAL
	LOANS AND RECEIVABLES (AT AMORTISED COST)	AT FAIR VALUE THROUGH PROFIT/ LOSS	AVAILABLE FOR-SALE		AT AMORTISED COST	AT FAIR VALUE THROUGH PROFIT/ LOSS	AT FAIR VALUE THROUGH OTHER COMPRE- HENSIVE INCOME	
Non-current liabilities								
Borrowings	1 405.1	–	–	1 405.1	1 405.1	–	–	1 405.1
Current liabilities								
Trade and other payables	2 675.8	–	–	2 675.8	2 675.8	–	–	2 675.8
Borrowings	617.0	–	–	617.0	617.0	–	–	617.0
Loan from joint venture	21.0	–	–	21.0	21.0	–	–	21.0
Derivative financial liabilities	–	32.8	–	32.8	–	32.8	–	32.8
Dividends payable	1.6	–	–	1.6	1.6	–	–	1.6
Total financial liabilities	4 720.5	32.8	–	4 753.3	4 720.5	32.8	–	4 753.3

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

The Group has reclassified listed and unlisted investments with a carrying value of R77.9 million from available-for-sale financial assets to equity investments carried at fair value and elected to present changes in the fair value in other comprehensive income ("OCI"). These investments are held as long-term investments rather than for short-term trading. In terms of the new classification, the recycling of accumulated amounts from the fair value reserve to profit or loss on the disposal of these investments will no longer be allowed.

(ii) Impairment of trade receivables

The Group revised its impairment methodology under IFRS 9 for trade receivables and adopted the simplified approach for measuring impairment provisions. In terms of this approach, the impairment provisions are calculated with reference to lifetime ECLs. The Group determines impairment provisions on both an individual and collective basis.

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

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

3. Changes in accounting policies continued

3.1 IFRS 9 – FINANCIAL INSTRUMENTS continued

3.1.2 Impact on initial application continued

(ii) Impairment of trade receivables continued

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

	30 SEPTEMBER 2018 PREVIOUSLY DISCLOSED R'm	IFRS 9 IMPACT R'm	1 OCTOBER 2018 RESTATED FOR IFRS 9 R'm
Total provision for impairment	(14.6)	(3.2)	(17.8)
Gross carrying amount of trade receivables	2 090.7	–	2 090.7

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

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

(iii) Impairment of other financial assets

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

- Loans receivable
- Cash and cash equivalents
- Equity investments

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

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

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

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

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

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

(iv) Derivatives and hedging activities

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

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

3. Changes in accounting policies continued

3.2 IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

3.2.1 Nature of the change

The IASB issued a new standard for the recognition of revenue. The new standard replaced IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts.

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

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

3.2.2 Impact on initial application

The Group adopted IFRS 15 from 1 October 2018 which resulted in changes in accounting policies, adjustments to amounts recognised in the financial statements (refer to the table in note 3) and additional disclosure (refer to note 5).

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

The new accounting policies are set out below.

(i) Sale of goods

Timing of recognition

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

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

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

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

Measurement of revenue

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

The adoption of IFRS 15 did not impact the Group's measurement of revenue except for the accounting treatment of refunds due to customers. Refer to (ii) (Accounting for refunds) below for further detail.

(ii) Accounting for refunds

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

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

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

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

3. Changes in accounting policies continued

3.2 IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS continued

3.2.2 Impact on initial application continued

(iii) Variable consideration

Goods are often sold with retrospective growth incentives payable to customers and are typically based on aggregate sales over a 12 month period. These payments are not considered as payments for distinct goods or services received from the customer and as a result the amounts payable are recognised as an adjustment to revenue. A provision is recognised for expected growth incentives payable to customers in relation to sales made until the end of the reporting period with a corresponding adjustment to revenue. Historical experience is used to estimate and provide for the growth incentives, using the expected value method.

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

(iv) Accounting for loyalty programmes

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

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

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

IFRS 16 – Leases replaces IAS 17 – Leases and will be effective for the Group's financial year ending 30 September 2020. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise an asset representing the right to use the leased item and a related liability to pay rentals. The only exceptions are short-term and low-value leases.

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

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

5. Revenue

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

	SIX MONTHS ENDED 31 MARCH 2019 R'm		SIX MONTHS ENDED 31 MARCH 2018 R'm		YEAR ENDED 30 SEPTEMBER 2018 R'm	
	South Africa	International	South Africa	International	South Africa	International
Essential Foods	6 383.6	119.7	5 826.1	101.2	11 859.3	209.0
Milling and baking	5 252.7	117.4	4 792.1	99.1	9 678.2	205.3
Other grains	1 130.9	2.3	1 034.0	2.1	2 181.1	3.7
Groceries	3 076.3	1 459.7	2 647.4	1 324.2	5 119.6	2 964.0
Cereals	755.1	717.2	763.7	633.9	1 524.8	1 340.2
Beverages	1 442.1	378.9	1 308.9	368.6	2 346.0	769.2
Snacks and other groceries	879.1	363.6	574.8	321.7	1 248.8	854.6
Sub total	9 459.9	1 579.4	8 473.5	1 425.4	16 978.9	3 173.0
Total	11 039.3		9 898.9		20 151.9	

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

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

5. Revenue continued

Geographically revenue is disaggregated as follows:

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

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

6. Conclusion of Phase II B-BBEE equity transaction

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

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

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

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

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

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

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

6. Conclusion of Phase II B-BBEE equity transaction continued

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

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

7. Share capital

During the period under review, the following share transactions occurred:

Number of listed issued and fully paid ordinary shares

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018	AUDITED YEAR ENDED 30 SEPTEMBER 2018
At beginning of period	233 177 067	233 379 445	233 379 445
Shares issued in terms of employee share appreciation rights scheme	35 416	204 173	423 880
Shares bought back and cancelled	(11 580 020)	–	(626 258)
At end of period	221 632 463	233 583 618	233 177 067
35,416 (30 September 2018: 423,880 and 31 March 2018: 204 173) listed ordinary shares of 10 cents each were issued at an average of R81.58 (30 September 2018: R121.54 and 31 March 2018: R132.71) per share in terms of the share appreciation rights scheme.			
17,007 (30 September 2018: 626,258 and 31 March 2018: Nil) listed ordinary shares of 10 cents each were repurchased at an average of R77.97 (30 September 2018: R108.34 and 31 March 2018: Rnil) per share. This excludes shares repurchased as part of the conclusion of the Phase II B-BBEE equity transaction.			
Purchase consideration paid for these ordinary shares bought back (R'000)	1 326	–	67 846
In addition, 11,563,013 listed ordinary shares of 10 cents each were repurchased at an average of R78.19 per share from the B-BBEE transaction participants as part of the conclusion of the Phase II B-BBEE equity transaction.			
Purchase consideration paid for these ordinary shares bought back (R'000)	904 112	–	–
Number of treasury shares held by B-BBEE transaction participants			
At beginning of period	18 091 661	18 091 661	18 091 661
Shares bought back and cancelled by the Group	(11 563 013)	–	–
Derecognition of previously consolidated B-BBEE transaction participants	(6 528 648)	–	–
At end of period	–	18 091 661	18 091 661

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

	UNAUDITED SIX MONTHS ENDED 31 MARCH 2019	UNAUDITED SIX MONTHS ENDED 31 MARCH 2018	AUDITED YEAR ENDED 30 SEPTEMBER 2018
7. Share capital continued			
Number of treasury shares held by Pioneer Foods Broad-Based BEE Trust At beginning and end of period	10 745 350	10 745 350	10 745 350
Number of treasury shares held by a subsidiary At beginning and end of period	17 982 056	17 982 056	17 982 056
Number of unlisted class A ordinary shares At beginning of period	2 878 680	3 174 920	3 174 920
Shares bought back and cancelled	(119 140)	(162 610)	(296 240)
At end of period	2 759 540	3 012 310	2 878 680
Purchase consideration paid for unlisted class A ordinary shares bought back (R'000)	6 724	15 126	26 316

8. Borrowings

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

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

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

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

9. Events after the reporting date

9.1 DIVIDEND

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

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

Additional information disclosed:

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

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

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

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

9.2 OTHER MATERIAL EVENTS

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

10. Contingent liabilities – Guarantees

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

11. Future capital commitments

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

12. Non-current assets held for sale

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

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

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

13. Fair value measurement

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

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

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

13. Fair value measurement continued

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

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

14. Preparation of financial statements

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

15. Audit

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

16. Pro forma financial information

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

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

DIRECTORS

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

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

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

COMPANY SECRETARY

J Jacobs
E-mail: Jay-Ann.Jacobs@pioneerfoods.co.za

REGISTERED ADDRESS

Glacier Place, 1 Sportica Crescent, Tyger Valley, 7530, South Africa
Tel: 021 974 4000 Fax: 086 407 0044
E-mail: info@pioneerfoods.co.za

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa, PO Box 61051, Marshalltown, 2107, South Africa
Tel: 011 370 5000 Fax: 011 688 5209

SPONSOR

PSG Capital (Pty) Ltd, PO Box 7403, Stellenbosch, 7599, South Africa
Tel: 021 887 9602 Fax: 021 887 9624

PRO FORMA FINANCIAL INFORMATION OF PIONEER FOODS

The definitions and interpretations commencing on page 17 of this Circular apply mutatis mutandis to this **Annexure 4**.

The *pro forma* financial information of Pioneer Foods is set out below. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income of Pioneer Foods have been prepared for illustrative purposes only, to show the financial effects of the Pioneer Foods Class A Repurchase, the BEE Trust Repurchase (together the "**Proposed Repurchase**"), the BEE Payment and the deemed exercise of all Phantom Share Rights ("**Corporate Actions**"). Because of its nature, the *pro forma* consolidated statement of financial position and the *pro forma* statement of comprehensive income may not fairly present Pioneer Foods's financial position, changes in equity, results of operations or cash flows after the Corporate Actions have been implemented.

The *pro forma* financial information as at 31 March 2019 is presented in a manner that is consistent with the accounting policies of Pioneer Foods, IFRS and the basis on which the historical financial information has been prepared. The financial information has been prepared in accordance with the JSE Listings Requirements and in compliance with the revised SAICA Guide on *pro forma* Financial Information.

The *pro forma* financial information set out below should be read in conjunction with the report of the Independent Reporting Accountants which is included as **Annexure 5** to the Circular.

The directors of Pioneer Foods are responsible for the preparation of the *pro forma* financial information.

It has been assumed for the purposes of the *pro forma* financial information that the Corporate Actions took place with effect from 1 October 2018 for purposes of the statement of comprehensive income and on 31 March 2019 for purposes of the statement of financial position.

PRO FORMA STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2019

The *pro forma* consolidated statement of comprehensive income presented below was prepared on the assumption that the Corporate Actions were implemented on 1 October 2018.

	UNAUDITED FINANCIAL INFORMATION BEFORE THE CORPORATE ACTIONS Note 1 R'million	PRO FORMA ADJUSTMENTS – PIONEER FOODS CLASS A REPURCHASE Note 2 R'million	PRO FORMA ADJUSTMENTS – BEE TRUST REPURCHASE Note 3 R'million	PRO FORMA ADJUSTMENTS – BEE PAYMENT AND TRANSACTION COSTS Note 4 R'million	PRO FORMA ADJUSTMENTS – DEEMED EXERCISE OF ALL PHANTOM SHARE RIGHTS Note 5 R'million	PRO FORMA FINANCIAL INFORMATION AFTER THE CORPORATE ACTIONS Note 6 R'million
Revenue	11 039.3	–	–	–	–	11 039.3
Cost of goods sold	(7 956.4)	–	–	–	–	(7 956.4)
Gross profit	3 082.9	–	–	–	–	3 082.9
Other income and gains/(losses) – net	67.3	–	–	–	–	67.3
Other expenses	(2 426.1)	(44.3)	–	(154.4)	(131.6)	(2 756.4)
Excluding the following: Phase I B-BBEE transaction share-based payment and related hedge charge	(2 421.0)	(0.1)	–	(154.4)	(131.6)	(2 707.1)
Items of a capital nature	1.1	–	–	–	–	1.1
Operating profit	725.2	(44.3)	–	(154.4)	(131.6)	394.9
Investment income	24.9	–	–	–	–	24.9
Finance costs	(97.3)	(1.4)	–	(6.2)	–	(104.9)
Share of profit of investments accounted for applying the equity method	38.7	–	–	–	–	38.7
Profit before income tax	691.5	(45.7)	–	(160.6)	(131.6)	353.6
Income tax expense	(179.4)	(18.1)	–	1.7	36.9	(158.9)
Profit/(loss) for the period	512.1	(63.8)	–	(158.9)	(94.7)	194.7

PRO FORMA STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2019 continued

	UNAUDITED FINANCIAL INFORMATION BEFORE THE CORPORATE ACTIONS Note 1 R'million	PRO FORMA ADJUSTMENTS – PIONEER FOODS CLASS A REPURCHASE Note 2 R'million	PRO FORMA ADJUSTMENTS – BEE TRUST REPURCHASE Note 3 R'million	PRO FORMA ADJUSTMENTS – BEE PAYMENT AND TRANSACTION COSTS Note 4 R'million	PRO FORMA ADJUSTMENTS – DEEMED EXERCISE OF ALL PHANTOM SHARE RIGHTS Note 5 R'million	PRO FORMA FINANCIAL INFORMATION AFTER THE CORPORATE ACTIONS Note 6 R'million
Other comprehensive income for the period						
Items that will not subsequently be reclassified to profit or loss:						
Remeasurement of post-retirement benefit obligations	-	-	-	-	-	-
Items that may subsequently be reclassified to profit or loss:	12.4	-	-	-	-	12.4
Fair value adjustments to cash flow hedging reserve	1.7	-	-	-	-	1.7
For the period	(13.5)	-	-	-	-	(13.5)
Current income tax effect	6.0	-	-	-	-	6.0
Deferred income tax effect	(2.2)	-	-	-	-	(2.2)
Reclassified to profit or loss	15.8	-	-	-	-	15.8
Current income tax effect	0.2	-	-	-	-	0.2
Deferred income tax effect	(4.6)	-	-	-	-	(4.6)
Fair value adjustments on equity investments						
For the period	(17.2)	-	-	-	-	(17.2)
Share of comprehensive income of investments accounted for applying the equity method	5.0	-	-	-	-	5.0
Movement on foreign currency translation reserve	22.9	-	-	-	-	22.9
Total comprehensive income for the period	524.5	(63.8)	-	(158.9)	(94.7)	207.1
<i>Profit/(loss) for the period attributable to:</i>	512.1	(63.8)	-	(158.9)	(94.7)	194.7
Owners of the parent	509.1	(63.8)	-	(158.9)	(94.7)	191.7
Non-controlling interest	3.0	-	-	-	-	3.0
<i>Total comprehensive income/(loss) for the period attributable to:</i>	524.5	(63.8)	-	(158.9)	(94.7)	207.1
Owners of the parent	519.7	(63.8)	-	(158.9)	(94.7)	202.3
Non-controlling interest	4.8	-	-	-	-	4.8
Earnings	509.1	(63.8)	-	(158.9)	(94.7)	191.7
Remeasurements	0.1	-	-	-	-	0.1
Headline earnings	509.2	(63.8)	-	(158.9)	(94.7)	191.8
Earnings and diluted earnings per ordinary share (cents)	272.3	(34.1)	-	(85.0)	(50.3)	101.7
Headline and diluted headline earnings per ordinary share (cents)	272.4	(34.1)	-	(85.0)	(50.3)	101.8
Weighted average number of ordinary shares in issue (million)	186.9	186.9	186.9	186.9	188.5	188.5
Weighted average number of ordinary shares in issue – diluted (million)	186.9	186.9	186.9	186.9	188.5	188.5

**Notes to the *pro forma* statement of comprehensive income**

1. The unaudited financial information of Pioneer Foods, before the implementation of the Corporate Actions, was extracted without adjustment, from the unaudited condensed consolidated interim financial statements for the six months ended 31 March 2019, which was prepared in accordance with IFRS.
2. 2 759 540 Pioneer Foods Class A Shares were in issue as at 31 March 2019. Pioneer Foods Class A shares acquired by Pioneer Foods at an amount equal to the Per Class A Share Comparable Offer Consideration, being R77.78, and subsequently cancelled. The Share-based payment expense and related hedge charge of R44.2 million relates to the remeasurement of the share-based payment liability and the related hedge based on the Base Per Share Scheme Consideration of R110 per share. Once off transaction costs of R0.1 million were assumed and included as Other expenses as part of the Pioneer Foods Class A Repurchase. Finance costs of R1.4 million before income tax (R1.0 million after income tax) was incurred as a result of the cash outflow relating to the Pioneer Foods Class A Repurchase. The net cost associated with the gross up of the Phase I B-BBEE transaction share-based payment liability and the unwinding of the related hedge amounted to R62.7 million after income tax. This cost will not have a continuing effect on the Statement of comprehensive income.
3. 8 016 913 BEE Trust Repurchase Shares repurchased at par value by applying the BEE Trust Repurchase Formula and subsequently cancelled by Pioneer Foods. 2 728 437 BEE Trust Residual Repurchase Shares repurchased at an amount equal to the Per Share Scheme Consideration and subsequently cancelled by Pioneer Foods. Once off transaction costs of R2.8 million were assumed and charged to equity as part of the BEE Trust Repurchase. BEE Trust Pioneer Foods Shares were accounted for as treasury shares and therefore the BEE Trust Repurchase has no impact on the weighted average number of ordinary shares in issue. The BEE Trust will continue to be consolidated subsequent to the repurchase of the shares.
4. Once off BEE Payment of R7.50 per Pioneer Foods ordinary share held by the BEE Transaction Participants who elected to sell their shares to Pioneer Foods in March 2019. Total BEE payment amounting to R86.7 million after income tax paid to the BEE Transaction Participants who disposed of 11 563 013 Pioneer Foods ordinary shares during the March BEE Repurchase. Once off Transaction costs amounting to R67.7 million assumed. No income tax deduction assumed on the BEE Payment or Transaction costs.
5. In terms of IFRS 2 an accelerated vesting charge of R131.6 million before income tax (R94.7 million after income tax) was recognised on the deemed exercise of all Phantom Share Rights. The weighted average number of Pioneer Foods Ordinary Shares increased with the issue of 1 585 784 Pioneer Foods Ordinary Shares. This charge will not have a continuing effect on the Statement of comprehensive income.
6. *Pro forma* financial information after the implementation of the Corporate Actions.

PRO FORMA STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

The *pro forma* consolidated statement of financial position presented below was prepared on the assumption that the Corporate Actions were implemented on 31 March 2019.

	UNAUDITED FINANCIAL INFORMATION BEFORE THE CORPORATE ACTIONS Note 1 R'million	PRO FORMA ADJUSTMENTS – PIONEER FOODS CLASS A REPURCHASE Note 2 R'million	PRO FORMA ADJUSTMENTS – BEE TRUST REPURCHASE Note 3 R'million	PRO FORMA ADJUSTMENTS – BEE PAYMENT AND TRANSACTION COSTS Note 4 R'million	PRO FORMA ADJUSTMENTS – DEEMED EXERCISE OF ALL PHANTOM SHARE RIGHTS Note 5 R'million	PRO FORMA FINANCIAL INFORMATION AFTER THE CORPORATE ACTIONS Note 6 R'million
Assets						
Non-current assets	7 944.8	(97.2)	–	–	–	7 847.6
Property, plant and equipment	5 696.5	–	–	–	–	5 696.5
Goodwill	440.8	–	–	–	–	440.8
Other intangible assets	772.2	–	–	–	–	772.2
Investments in and loans to associates and joint ventures	832.7	–	–	–	–	832.7
Derivative financial instruments	97.2	(97.2)	–	–	–	–
Equity investments at fair value	4.0	–	–	–	–	4.0
Trade and other receivables	39.1	–	–	–	–	39.1
Deferred income tax	62.3	–	–	–	–	62.3
Current assets	6 624.1	(4.6)	294.3	(154.4)	48.9	6 808.3
Inventories	3 705.1	–	–	–	–	3 705.1
Derivative financial instruments	29.9	(17.2)	–	–	–	12.7
Trade and other receivables	2 452.2	–	–	–	–	2 452.2
Current income tax	21.2	47.5	–	–	48.9	117.6
Cash and cash equivalents	415.7	(34.9)	294.3	(154.4)	–	520.7
Total assets	14 568.9	(101.8)	294.3	(154.4)	48.9	14 655.9

	UNAUDITED FINANCIAL INFORMATION BEFORE THE CORPORATE ACTIONS Note 1 R'million	PRO FORMA ADJUSTMENTS – PIONEER FOODS CLASS A REPURCHASE Note 2 R'million	PRO FORMA ADJUSTMENTS – BEE TRUST REPURCHASE Note 3 R'million	PRO FORMA ADJUSTMENTS – BEE PAYMENT AND TRANSACTION COSTS Note 4 R'million	PRO FORMA ADJUSTMENTS – DEEMED EXERCISE OF ALL PHANTOM SHARE RIGHTS Note 5 R'million	PRO FORMA FINANCIAL INFORMATION AFTER THE CORPORATE ACTIONS Note 6 R'million
Equity and liabilities						
Capital and reserves attributable to owners of the parent	8 696.4	(63.3)	(5.8)	(154.4)	37.4	8 510.3
Share capital	22.2	–	(1.1)	–	0.2	21.3
Share premium	1 636.5	(0.3)	–	–	174.3	1 810.5
Treasury shares	(187.1)	–	24.0	–	–	(163.1)
Other reserves	194.2	–	–	–	(42.8)	151.4
Retained earnings	7 030.6	(63.0)	(28.7)	(154.4)	(94.3)	6 690.2
Non-controlling interest	40.0	–	–	–	–	40.0
Total equity	8 736.4	(63.3)	(5.8)	(154.4)	37.4	8 550.3
Non-current liabilities	2 367.2	(19.3)	–	–	11.5	2 359.4
Borrowings	1 352.9	–	–	–	–	1 352.9
Provisions for other liabilities and charges	113.8	–	–	–	–	113.8
Share-based payment liability	85.2	(85.2)	–	–	–	–
Deferred income tax	815.3	65.9	–	–	11.5	892.7
Current liabilities	3 465.3	(19.2)	300.1	–	–	3 746.2
Trade and other payables	2 770.4	–	–	–	–	2 770.4
Current income tax	14.8	–	–	–	–	14.8
Derivative financial instruments	6.1	–	–	–	–	6.1
Borrowings	636.0	–	300.1	–	–	936.1
Loan from joint venture	17.5	–	–	–	–	17.5
Dividends payable	1.3	–	–	–	–	1.3
Share-based payment liability	19.2	(19.2)	–	–	–	–
Total equity and liabilities	14 568.9	(101.8)	294.3	(154.4)	48.9	14 655.9
Net asset value per share	4 508.1	(32.8)	(3.0)	(80.1)	19.2	4 375.7
Tangible net asset value per share	3 879.3	(32.8)	(3.0)	(80.1)	19.2	3 752.0
Shares in issue (million) – net of treasury shares	192.9	192.9	192.9	192.9	194.5	194.5

PRO FORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019 continued

Notes to the *pro forma* statement of financial position

1. The unaudited financial information of Pioneer Foods, before the implementation of the Corporate Actions, was extracted without adjustment, from the unaudited condensed consolidated interim financial statements for the six months ended 31 March 2019, which was prepared in accordance with IFRS.
2. 2 759 540 Pioneer Foods Class A Shares were in issue as at 31 March 2019. Pioneer Foods Class A Shares acquired by Pioneer Foods at an amount equal to the Per Class A Share Comparable Offer Consideration, being R77.78, and subsequently cancelled. Share premium has been reduced by the par value of the Class A Shares of R0.3 million. Once off transaction costs of R0.1 million were assumed and expensed as part of the Pioneer Foods Class A Repurchase. The net cost associated with the gross up of the Phase I B-BBEE transaction share-based payment liability and the unwinding of the related hedge amounted to R62.7 million after income tax. Securities Transfer Tax of R0.5 million was accounted for in equity. The Share-based payment liability of R104.4 million has been settled and derecognised due to the buy-back of the Pioneer Foods Class A Shares in issue. The Derivative financial instrument asset of R114.4 million has been derecognised due to the unwinding of the hedge.
3. 8 016 913 BEE Trust Repurchase Shares repurchased at par value and subsequently cancelled by Pioneer Foods. 2 728 437 BEE Trust Residual Repurchase Shares repurchased at an amount equal to the Per Share Scheme Consideration and subsequently cancelled by Pioneer Foods. Share capital has been reduced by the par value of the shares of R1.1 million. Similarly, Treasury shares has been reduced by the cost price of the shares held by the BEE Trust of R24.0 million. The consideration of the BEE Trust Residual Repurchase Shares will be funded by an interest-free loan of R300.1 million from Pepsi Offeror. Once off transaction costs of R2.8 million were assumed and charged to equity as part of the BEE Trust Repurchase. Securities Transfer Tax of R3.0 million was accounted for. The BEE Trust will continue to be consolidated subsequent to the repurchase of the shares.
4. Once off BEE Payment of R7.50 per Pioneer Foods ordinary share held by the BEE Transaction Participants who elected to sell their shares to Pioneer Foods in March 2019 ("BEE Transaction Participants"). Total BEE payment amounting to R86.7 million after income tax paid to the BEE Transaction Participants who disposed of 11 563 013 Pioneer Foods ordinary shares during the March BEE Repurchase. Once off Transaction costs amounting to R67.7 million assumed. No income tax deduction assumed on the BEE Payment or Transaction costs.
5. In terms of IFRS 2 an accelerated vesting charge of R94.7 million after income tax was recognised on the deemed exercise of all Phantom Share Rights. Shares to the value of R174.5 million have been issued due to the exercise of all Phantom Share Rights. Share capital has been increased by the par value of the shares issued of R0.2 million. The difference of R174.3 million was accounted for against Share premium. The shares in issue increased with the issue of 1 585 784 ordinary shares.
6. *Pro forma* financial information after the implementation of the Corporate Actions.
7. The Tangible net asset value per share was calculated as the net assets excluding Goodwill and other intangible assets divided by the number of shares in issue.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF PIONEER FOODS

To the Directors of Pioneer Food Group Limited

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information included in a Circular

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Pioneer Food Group Limited ("Pioneer Foods" or the "Company") by the directors. The *pro forma* financial information, as set out in Annexure 4 of the circular to Pioneer Foods shareholders to be dated on or about Thursday, 29 August 2019 ("the Circular"), consist of the consolidated *pro forma* statement of financial position as at 31 March 2019, the consolidated *pro forma* statement of comprehensive income for the six months ended 31 March 2019, related notes and the *pro forma* financial effects ("the *Pro Forma* Financial Information"). The applicable criteria on the basis of which the directors have compiled the *Pro Forma* Financial Information are specified in the JSE Limited (JSE) Listings Requirements and described in Annexure 4 of the Circular.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the Pioneer Foods Class A Repurchase, the BEE Trust Repurchase, the BEE Payment and the deemed exercise of all Phantom Share Rights. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the six month period ended 31 March 2019, which is unaudited.

Directors' responsibility

The directors of the Company are responsible for compiling the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure 4 of the Circular.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure 4 of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

The purpose of *Pro Forma* Financial Information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the *Pro Forma* Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

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

Opinion

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Annexure 4 of the Circular.

PricewaterhouseCoopers Inc.
Director: D Adriaans
Registered Auditor
Stellenbosch
23 August 2019

FOREIGN PIONEER FOODS ORDINARY SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS

1. FOREIGN PIONEER FOODS ORDINARY SHAREHOLDERS

- 1.1 The Scheme and/or the Standby Offer may be affected by the Laws of the relevant jurisdiction of a Foreign Pioneer Foods Ordinary Shareholder. A Foreign Pioneer Foods Ordinary Shareholder should acquaint itself with and observe any applicable legal requirements of such jurisdiction in relation to all aspects of this Circular that may affect it. It is the responsibility of each Foreign Pioneer Foods Ordinary Shareholder to satisfy itself as to the full observance of the Laws and regulatory requirements of the relevant jurisdiction in connection with the Scheme and/or the Standby Offer, including the obtaining of any governmental, exchange control or other consents, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction.
- 1.2 The Scheme and, if applicable, the Standby Offer are governed by the Laws of South Africa and are subject to any applicable Laws and regulations, including the Exchange Control Regulations.
- 1.3 Any Pioneer Foods Ordinary Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

2. EXCHANGE CONTROL REGULATIONS

The following is a summary of the Exchange Control Regulations. It is intended as a guide only and is not a comprehensive statement of the Exchange Control Regulations which may apply to Scheme Participants or Standby Offer Participants (collectively referred to as "**Offer Participants**"), nor advice in relation thereto. Offer Participants who have any queries regarding the Exchange Control Regulations should contact their own independent professional advisors without delay.

2.1 Residents of the Common Monetary Area

In the case of:

- 2.1.1 Offer Participants who are Certificated Pioneer Foods Ordinary Shareholders and whose registered addresses in the Register are within the Common Monetary Area and whose Documents of Title are not restrictively endorsed in terms of the Exchange Control Regulations, the Per Share Scheme Consideration or, if applicable, the Standby Offer Consideration will be paid by way of electronic funds transfer or posted to such Offer Participant in accordance with paragraph 4.4 of the Circular, or paragraph 15 of Annexure 10 to the Circular, as applicable; or
- 2.1.2 Offer Participants who are Dematerialised Pioneer Foods Ordinary Shareholders and whose registered address in the Register are within the Common Monetary Area and have not been restrictively designated in terms of the Exchange Control Regulations, the Per Share Scheme Consideration or, if applicable, the Standby Offer Consideration will be credited directly to the accounts nominated for the relevant Dematerialised Pioneer Foods Ordinary Shareholders by their duly appointed CSDP or Broker in terms of the provisions of the custody agreement with their CSDP or Broker.

2.2 Emigrants from the Common Monetary Area

In the case of Offer Participants who are Emigrants from the Common Monetary Area and whose Pioneer Foods Ordinary Shares form part of their remaining assets, the Per Share Scheme Consideration or, if applicable, the Standby Offer Consideration will:

- 2.2.1 in the case of Offer Participants who are Certificated Pioneer Foods Ordinary Shareholders and whose Documents of Title are restrictively endorsed in terms of the Exchange Control Regulations, be forwarded to the authorised dealer in foreign exchange in South Africa controlling such Certificated Pioneer Foods Ordinary Shareholder's remaining assets in terms of the Exchange Control Regulations. The attached Form of Surrender, Transfer and Acceptance (*blue*) makes provision for details of the authorised dealer concerned to be given; or
- 2.2.2 in the case of Offer Participants who are Dematerialised Pioneer Foods Ordinary Shareholders and whose registered addresses are within the Common Monetary Area and have not been restrictively designated in terms of the Exchange Control Regulations, be paid to their CSDP or Broker, which shall arrange for same to be credited directly to the emigrant's capital account of the Dematerialised Pioneer Foods Ordinary Shareholder concerned with their authorised dealer in foreign exchange in South Africa.

2.3 All other non-residents of the Common Monetary Area

The Per Share Scheme Consideration or, if applicable, the Standby Offer Consideration accruing to non-resident Scheme Participants (and Emigrants who acquired Pioneer Foods Ordinary Shares with funds from outside the Common Monetary Area) Offer Participants whose registered address is outside the Common Monetary Area and who are not Emigrants from the Common Monetary Area whose Pioneer Foods Shares are part of their remaining assets will:

- 2.3.1 in the case of Offer Participants who are Certificated Pioneer Foods Ordinary Shareholders and whose Documents of Title have been restrictively endorsed in terms of the Exchange Control Regulations, be paid by way of electronic funds transfer or posted to their registered address in accordance with paragraph 4.4 of the Circular, or paragraph 15 of Annexure 10 to the Circular, as applicable. The attached Form of Surrender, Transfer and Acceptance (*blue*) makes provision for a substitute address or bank details; or
- 2.3.2 in the case of Offer Participants who are Dematerialised Pioneer Foods Ordinary Shareholders, be paid to their duly appointed CSDP or Broker and credited to such Dematerialised Pioneer Foods Ordinary Shareholders in terms of the provisions of the custody agreement with their CSDP or Broker.

2.4 Information not provided

If the information regarding the authorised dealer is not given, or the instruction are not given and no bank account or address details for the Offer Participant in question appears in the Register, the Per Share Scheme Consideration or, if applicable, the Standby Offer Consideration will be held in trust by Pioneer Foods (or its agent) in accordance with paragraph 4.4 of the Circular, or paragraph 15 of Annexure 10 to the Circular, as applicable.

WORDING OF SECTION 115, SECTION 164 AND SECTION 124 OF THE COMPANIES ACT

“Section 115 : Required approval for transactions contemplated in Part A

- (1) *Despite section 65, and any provision of a company’s Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless–*
- (a) *the disposal, amalgamation or merger, or scheme of arrangement–*
 - (i) *has been approved in terms of this section; or*
 - (ii) *is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and*
 - (b) *to the extent that Parts B and C of this Chapter and the Takeover Regulations, apply to a company that proposes to–*
 - (i) *dispose of all or the greater part of its assets or undertaking;*
 - (ii) *amalgamate or merge with another company; or*
 - (iii) *implement a scheme of arrangement,*

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).
- (2) *A proposed transaction contemplated in subsection (1) must be approved –*
- (a) *by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company’s Memorandum of Incorporation, as contemplated in section 64(2); and*
 - (b) *by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company’s holding company if any, if–*
 - (i) *the holding company is a company or an external company;*
 - (ii) *the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and*
 - (iii) *having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and*
 - (c) *by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).*
- (3) *Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if–*
- (a) *the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or*
 - (b) *the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).*
- (4) *For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights–*
- (a) *required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or*
 - (b) *required to be voted in support of a resolution, or actually voted in support of the resolution.*
- (4A) *In subsection (4), ‘act in concert’ has the meaning set out in section 117(1)(b).*

- (5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either–
- (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
 - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant–
- (a) is acting in good faith;
 - (b) appears prepared and able to sustain the proceedings; and
 - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if–
- (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
 - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person–
- (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
 - (b) was present at the meeting and voted against that special resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect–
- (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
 - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
 - (c) the transfer of shares from one person to another;
 - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
 - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
 - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

Section 164 : Dissenting shareholders appraisal rights

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to–
- (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
 - (b) enter into a transaction contemplated in section 112, 113, or 114,
- that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who–
- (a) gave the company a written notice of objection in terms of subsection (3); and
 - (b) has neither–
 - (i) withdrawn that notice; or
 - (ii) voted in support of the resolution.

- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if—
- (a) the shareholder—
 - (i) sent the company a notice of objection, subject to subsection (6); and
 - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - (b) the company has adopted the resolution contemplated in subsection (2); and
 - (c) the shareholder—
 - (i) voted against that resolution; and
 - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within—
- (a) 20 business days after receiving a notice under subsection (4); or
 - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state—
- (a) the shareholder's name and address;
 - (b) the number and class of shares in respect of which the shareholder seeks payment; and
 - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless—
- (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
 - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of—
- (a) the day on which the action approved by the resolution is effective;
 - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
 - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11)—
- (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.

- (13) *If a shareholder accepts an offer made under subsection (12)–*
- (a) *the shareholder must either in the case of–*
 - (i) *shares evidenced by certificates, tender the relevant share certificates to the company or the company’s transfer agent; or*
 - (ii) *uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company’s transfer agent; and*
 - (b) *the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and–*
 - (i) *tendered the share certificates; or*
 - (ii) *directed the transfer to the company of uncertificated shares.*
- (14) *A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has–*
- (a) *failed to make an offer under subsection (11); or*
 - (b) *made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.*
- (15) *On an application to the court under subsection (14)–*
- (a) *all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;*
 - (b) *the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and*
 - (c) *the court–*
 - (i) *may determine whether any other person is a dissenting shareholder who should be joined as a party;*
 - (ii) *must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);*
 - (iii) *in its discretion may–*
 - (aa) *appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or*
 - (bb) *allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;*
 - (iv) *may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and*
 - (v) *must make an order requiring–*
 - (aa) *the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and*
 - (bb) *the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.*
- (15A) *At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case–*
- (a) *that shareholder must comply with the requirements of subsection 13(a); and*
 - (b) *the company must comply with the requirements of subsection 13(b).*
- (16) *The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder’s rights under this section.*
- (17) *If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months–*
- (a) *the company may apply to a court for an order varying the company’s obligations in terms of the relevant subsection; and*
 - (b) *the court may make an order that–*
 - (i) *is just and equitable, having regard to the financial circumstances of the company; and*
 - (ii) *ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.*

- (18) *If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.*
- (19) *For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to–*
- (a) *the provisions of that section; or*
- (b) *the application by the company of the solvency and liquidity test set out in section 4.*
- (20) *Except to the extent–*
- (a) *expressly provided in this section; or*
- (b) *that the Panel rules otherwise in a particular case,*
- a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.*

Section 124 : Compulsory acquisitions and squeeze out

- (1) *If, within four months after the date of an offer for the acquisition of any class of securities of a regulated company, that offer has been accepted by the holders of at least 90% of that class of securities, other than any such securities held before the offer by the offeror, a related or inter-related person, or persons acting in concert, or a nominee or subsidiary of any such person or persons–*
- (a) *within two further months, the offeror may notify the holders of the remaining securities of the class, in the prescribed manner and form–*
- (i) *that the offer has been accepted to that extent; and*
- (ii) *that the offeror desires to acquire all remaining securities of that class; and*
- (b) *subject to subsection (2), after giving notice in terms of paragraph (a), the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.*
- (2) *Within 30 business days after receiving a notice in terms of subsection (1)(a), a person may apply to a court for an order–*
- (a) *that the offeror is not entitled to acquire the applicant's securities of that class; or*
- (b) *imposing conditions of acquisition different from those of the original offer.*
- (3) *If an offer to acquire the securities of a particular class has not been accepted to the extent contemplated in subsection (1)–*
- (a) *the offeror may apply to a court for an order authorising the offeror to give a notice contemplated in subsection (1)(a); and*
- (b) *the court may make the order applied for, if–*
- (i) *after making reasonable enquiries, the offeror has been unable to trace one or more of the persons holding securities to which the offer relates;*
- (ii) *by virtue of acceptances of the original offer, the securities that are the subject of the application, together with the securities held by the person or persons referred to in subparagraph (i), amount to not less than the minimum specified in subsection (1);*
- (iii) *the consideration offered is fair and reasonable; and*
- (iv) *the court is satisfied that it is just and equitable to make the order, having regard, in particular, to the number of holders of securities who have been traced but who have not accepted the offer.*
- (4) *If an offer for the acquisition of any class of securities of a regulated company has resulted in the acquisition by the offeror or a nominee or subsidiary of the offeror, or a related or inter-related person of any of them, individually or in aggregate, of sufficient securities of that class such that, together with any other securities of that class already held by that person, or those persons in aggregate, they then hold at least 90% of the securities of that class–*
- (a) *the offeror must notify the holders of the remaining securities of the class that the offer has been accepted to that extent;*
- (b) *within three months after receiving a notice in terms of paragraph (a), a person may demand that the offeror acquire all of the person's securities of the class concerned; and*
- (c) *after receiving a demand in terms of paragraph (b), the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.*

- (5) *If an offeror has given notice in terms of subsection (1), and no order has been made in terms of subsection (3), or if the offeror has received a demand in terms of subsection (4)(b)–*
- (a) *six weeks after the date on which the notice was given or, if an application to a court is then pending, after the application has been disposed of, or after the date on which the demand was received, as the case may be, the offeror must–*
- (i) *transmit a copy of the notice to the regulated company whose securities are the subject of the offer, together with an instrument of transfer, executed on behalf of the holder of the those securities by any person appointed by the offeror; and*
- (ii) *pay or transfer to that company the consideration representing the price payable by the offeror for the securities concerned,*
- (b) *subject to the payment of prescribed fees or duties, the company must thereupon register the offeror as the holder of those securities.*
- (6) *An instrument of transfer contemplated in subsection (5) is not required for any securities for which a securities warrant is for the time being outstanding.*
- (7) *A regulated company must deposit any consideration received under this section into a separate interest bearing bank account with a banking institution registered under the Banks Act and, subject to subsection (8), those deposits must be–*
- (a) *held in trust by the company for the person entitled to the securities in respect of which the consideration was received; and*
- (b) *paid on demand to the person contemplated in paragraph (a), with interest to the date of payment.*
- (8) *If a person contemplated in subsection (7)(a) fails for more than three years to demand payment of an amount held in terms of that paragraph, the amount, together with any accumulated interest, must be paid to the benefit of the Guardian’s Fund of the Master of the High Court, to be held and dealt with in accordance with the rules of that Fund.*
- (9) *In this section any reference to a “holder of securities who has not accepted the offer” includes any holder who has failed or refused to transfer their securities to the offeror in accordance with the offer.”*

IRREVOCABLE UNDERTAKINGS BY PIONEER FOODS SHAREHOLDERS

As announced in the Firm Intention Announcement, as at the date of the Firm Intention Announcement, the Pioneer Foods Shareholders set out below provided irrevocable undertakings to vote in favour of the Resolutions in respect of the Pioneer Foods Ordinary Shares held on the Scheme Voting Record Date, and to accept the Standby Offer within 5 South African Business Days of the Standby Offer Opening Date, in respect of the Pioneer Foods Ordinary Shares held on that date, as follows:

PIONEER FOODS ORDINARY SHAREHOLDER	NUMBER OF PIONEER FOODS ORDINARY SHARES HELD AS AT THE DATE OF THE FIRM INTENTION ANNOUNCEMENT	PIONEER FOODS ORDINARY SHARES HELD AS A % OF THE AGGREGATE ISSUED PIONEER FOODS ORDINARY SHARES AND PIONEER FOODS CLASS A SHARES AS AT THE DATE OF THE FIRM INTENTION ANNOUNCEMENT (EXCLUDING THE EXCLUDED SHARES)
Zeder Investments Limited	58 250 788	28.23%
Coronation Asset Management (Pty) Ltd	16 463 165	7.98%
BEE Trust	10 745 350	5.21%
Dipeo Capital (RF) Pty Ltd	6 477 948	3.14%
AAF Invest (Pty) Ltd	4 000 000	1.94%
Perpetua Investments Managers (Pty) Ltd	4 490 886	2.18%
Sanlam Investment Management	3 249 000	1.57%
Allan Gray Proprietary Limited (on behalf of clients)	2 274 464	1.10%
Bremer Investments (Pty) Ltd	1 327 133	0.64%
PSG Asset Management (Pty) Ltd	1 319 533	0.64%
Tertius Carstens	363 688	0.18%
Felix Lombard	83 947	0.04%
Total	109 045 902	52.85%

Note:

- To the best of the knowledge of Pioneer Foods, PepsiCo and the Pepsi Offeror, none of the Persons set out above hold securities in PepsiCo, save for Sanlam Investment Management who owns 99 731 PepsiCo shares across their various funds.
- Allan Gray Proprietary Limited is the appointed discretionary investment manager of clients who are beneficial and/or registered holders of Pioneer Foods Ordinary Shares. Allan Gray Proprietary Limited is not the beneficial owner of the Pioneer Foods Ordinary Shares.
- Pioneer Foods Shareholders should however note that certain of the above shareholdings have changed since the date of the Firm Intention Announcement (in this regard please see **Annexure 9**) and may change further prior to the Scheme Voting Record Date or the Standby Offer Opening Date.
- The irrevocable undertaking provided by Zeder, is subject to certain conditions including, *inter alia*, that the Zeder Shareholder Resolutions are approved by Zeder Shareholders in terms of the Companies Act and JSE Listings Requirements.

DEALINGS BY PROVIDERS OF IRREVOCABLE UNDERTAKINGS

To the best of the knowledge of Pioneer Foods, the providers of Irrevocable Undertakings had no dealings in Pioneer Foods securities during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date, other than as set out below:

AAF Invest (Pty) Ltd has dealt in Pioneer Foods Shares as indicated below:

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/02/18	Sell	(54 500)	81.30
2019/02/20	Sell	(1 157)	81.00
2019/02/21	Sell	(12 996)	81.00
2019/02/26	Sell	(431 347)	80.51
2019/03/07	Sell	(5 480)	81.08
2019/03/08	Sell	(33)	81.00
2019/03/11	Sell	(30 183)	81.04
2019/03/12	Sell	(154 312)	81.00
2019/03/13	Sell	(6 450)	81.00
2019/03/15	Sell	(3 542)	81.00
2019/03/18	Sell	(123 000)	85.00
2019/04/04	Sell	(1 381)	81.00
2019/04/05	Sell	(21 894)	81.00
2019/04/08	Sell	(10 066)	81.00
2019/04/09	Sell	(14 687)	81.00
2019/04/10	Sell	(113 639)	81.00
2019/04/11	Sell	(15 333)	81.00

PSG Asset Management (Pty) Ltd has dealt in Pioneer Foods Shares as indicated below:

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/01/17	Buy	50 000.00	82.02
2019/01/17	Buy	98 000.00	82.01
2019/01/21	Buy	6 000.00	80.52
2019/01/22	Buy	1 254.00	80.60
2019/07/24	Sell	(400 000)	102.70
2019/07/25	Sell	(919 533)	102.70

Allan Gray Proprietary Limited (on behalf of clients) has dealt in Pioneer Foods Shares as indicated below:

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/05/21	Buy	44 399	72.47
2019/05/22	Buy	52 375	72.90
2019/05/23	Buy	337 531	72.03
2019/05/24	Buy	29 940	71.32
2019/05/27	Buy	23 466	70.63
2019/05/28	Buy	193 003	71.23
2019/05/30	Buy	5 284	72.64
2019/05/31	Buy	59 768	71.62
2019/06/03	Buy	14 213	71.50
2019/06/04	Buy	353 890	71.70
2019/06/05	Buy	16 339	72.04
2019/06/06	Buy	18 941	71.70
2019/06/07	Buy	26 545	70.40
2019/06/10	Buy	10 192	71.64
2019/06/11	Buy	49 816	71.20
2019/06/12	Buy	25 808	71.21
2019/06/13	Buy	127 004	71.18
2019/06/19	Buy	204 597	70.36
2019/06/21	Buy	250 000	69.64
2019/06/24	Buy	63 404	69.53
2019/06/25	Buy	65 699	69.76
2019/06/26	Buy	30 191	68.85
2019/06/28	Buy	6 468	68.92
2019/07/01	Buy	4 915	68.92
2019/07/02	Buy	14 729	68.85
2019/07/03	Buy	175 665	68.02
2019/07/09	Buy	40 627	68.44
2019/07/10	Buy	5 655	68.28
2019/07/23	Sell	(188 695)	102.98
2019/07/24	Sell	(44 496)	102.72
2019/07/25	Sell	(156 000)	103.08
2019/07/26	Sell	(9 000)	103.53
2019/08/08	Sell	(111 818)	104.16
2019/08/12	Sell	(59 029)	104.34
2019/08/13	Sell	(317 960)	104.28
2019/08/14	Sell	(48 944)	104.51
2019/08/15	Sell	(215 795)	104.22
2019/08/16	Sell	(99 980)	104.58

Note: Allan Gray Proprietary Limited is the appointed discretionary investment manager of clients who are beneficial and/or registered holders of Pioneer Foods Ordinary Shares. Allan Gray Proprietary Limited is not the beneficial owner of the Pioneer Foods Ordinary Shares.

Dipeo Capital (RF) (Pty) Ltd has dealt in Pioneer Foods Shares as indicated below:

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/03/11	Sell	(2 797 992)	78.19
2019/03/19	Sell	(50 700)	83.64

Perpetua Investment Management (Pty) Ltd has dealt in Pioneer Foods Shares as indicated below:

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/01/23	Buy	395	82.70
2019/01/24	Sell	(4 242)	84.34
2019/02/08	Sell	(14 960)	79.68
2019/03/04	Sell	(8 145)	80.19
2019/03/11	Buy	4 380	80.60
2019/03/12	Buy	31 823	80.99
2019/04/01	Sell	(2 118)	79.99
2019/04/04	Buy	19 223	81.00
2019/04/10	Buy	2 489	81.00
2019/04/12	Buy	659	82.87
2019/04/16	Buy	27 933	85.34
2019/04/17	Buy	18 798	86.15
2019/04/24	Buy	14 888	87.25
2019/04/25	Buy	2 432	83.86
2019/05/06	Buy	24 057	86.88
2019/05/07	Buy	11 040	85.53
2019/05/09	Buy	40 452	85.10
2019/05/10	Buy	68 636	85.50
2019/05/13	Buy	46 074	86.74
2019/05/14	Buy	62 930	85.46
2019/05/15	Buy	273 670	84.27
2019/05/16	Buy	22 536	86.02
2019/05/17	Buy	8 922	86.13
2019/05/20	Buy	223 236	73.56
2019/05/24	Sell	(2 666)	71.85
2019/05/27	Sell	(23 978)	70.55
2019/05/30	Buy	16 459	72.94
2019/06/03	Buy	10 238	71.84
2019/06/11	Buy	74 307	71.21
2019/06/19	Buy	294	71.90
2019/06/21	Sell	(4 805)	70.53
2019/06/24	Sell	(61 169)	69.61
2019/06/25	Sell	(90 190)	69.90
2019/07/09	Sell	(2 635)	68.73
2019/07/12	Buy	6 230	71.44
2019/08/12	Sell	(2 274)	104.22

Bremer Investments (Pty) Ltd has dealt in Pioneer Foods Shares as indicated below:

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/01/08	Sell	(21 000)	80.59
2019/01/09	Sell	(4 000)	80.73
2019/01/30	Sell	(3 276)	78.67
2019/01/31	Sell	(62 859)	79.19
2019/02/01	Sell	(1 380)	79.98
2019/02/05	Sell	(5 300)	79.51
2019/02/06	Sell	(77 185)	80.42
2019/04/16	Sell	(23 600)	84.70
2019/07/15	Sell	(14 100)	71.00
2019/01/08	Sell	(21 000)	80.59
2019/01/09	Sell	(4 000)	80.73
2019/01/30	Sell	(3 276)	78.67

Sanlam Investment Management has dealt in Pioneer Foods Shares as indicated below:

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/01/02	Sell	(4 334)	80.93
2019/01/07	Sell	(7 383)	80.86
2019/01/08	Sell	(5 566)	80.44
2019/01/09	Sell	(6 565)	81.04
2019/01/10	Buy	2 009	81.68
2019/01/14	Sell	(360)	81.56
2019/01/15	Buy	1 159	82.05
2019/01/16	Buy	474	83.36
2019/01/17	Buy	326	82.19
2019/01/18	Buy	1 122	82.36
2019/01/21	Buy	1 402	81.74
2019/01/22	Buy	2 791	81.58
2019/01/23	Buy	1 368	81.68
2019/01/24	Buy	250	84.25
2019/01/25	Sell	(20)	82.00
2019/01/28	Sell	(331)	81.58
2019/01/29	Sell	(1 254)	80.50
2019/01/30	Buy	65 896	80.69
2019/01/31	Sell	(35 025)	79.35
2019/02/01	Sell	(33 666)	79.38
2019/02/04	Sell	(2 017)	79.21
2019/02/05	Buy	45	79.51
2019/02/06	Buy	318	79.41
2019/02/07	Sell	(58)	80.01
2019/02/08	Buy	336	78.98
2019/02/11	Buy	328	78.17
2019/02/12	Buy	1 126	78.86
2019/02/13	Buy	2 055	79.87
2019/02/14	Buy	595	80.07
2019/02/15	Sell	(311)	80.71
2019/02/18	Buy	266	80.75
2019/02/19	Sell	(2 592)	79.79
2019/02/20	Sell	(6)	80.40
2019/02/21	Sell	(289)	80.30
2019/02/22	Sell	(3)	80.21
2019/02/25	Buy	95	80.10
2019/02/26	Sell	(1 271)	80.51
2019/02/28	Sell	(316)	80.45
2019/03/01	Buy	3 058	80.58
2019/03/04	Sell	(861)	80.09
2019/03/05	Buy	475	80.90
2019/03/06	Buy	1 134	80.83
2019/03/07	Sell	(519)	81.52
2019/03/08	Buy	186	80.57
2019/03/13	Sell	(268)	79.76
2019/03/14	Sell	(6 688)	80.10
2019/03/15	Buy	749 879	86.49
2019/03/18	Sell	(3 657)	86.48
2019/03/19	Sell	(569)	83.32
2019/03/20	Sell	(509)	81.55
2019/03/25	Sell	(8 298)	77.00
2019/03/27	Buy	1 120	79.16

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/03/28	Sell	(1 052)	79.99
2019/03/29	Buy	270	79.98
2019/04/01	Buy	2 561	80.20
2019/04/02	Buy	100	80.50
2019/04/03	Buy	3 753	80.31
2019/04/04	Buy	1 106	80.73
2019/04/05	Buy	231	80.97
2019/04/08	Sell	(185)	80.43
2019/04/09	Sell	(527)	80.65
2019/04/10	Sell	(1 041)	81.03
2019/04/11	Sell	(24)	82.00
2019/04/15	Buy	2 132	84.12
2019/04/16	Sell	(668)	85.21
2019/04/17	Buy	2 127	85.60
2019/04/18	Buy	1 977	86.90
2019/04/23	Buy	4 056	87.96
2019/04/24	Sell	(935)	87.34
2019/04/25	Buy	1 515	84.93
2019/04/26	Buy	2 165	83.48
2019/04/29	Sell	(9 210)	84.43
2019/04/30	Sell	(9 991)	86.61
2019/05/02	Sell	(10 240)	85.82
2019/05/03	Buy	2 098	86.00
2019/05/06	Buy	531	86.38
2019/05/07	Buy	4 393	86.71
2019/05/09	Sell	(813)	85.50
2019/05/10	Sell	(8 619)	85.64
2019/05/13	Buy	775	85.75
2019/05/14	Buy	1 275	86.04
2019/05/15	Sell	(551)	85.06
2019/05/16	Buy	914	85.08
2019/05/17	Sell	(1 043)	83.06
2019/05/20	Buy	200	73.40
2019/05/21	Sell	(217)	72.08
2019/05/23	Buy	1 640	71.63
2019/05/24	Buy	770	71.35
2019/05/27	Buy	1 935	71.28
2019/05/28	Sell	(630)	71.46
2019/05/29	Sell	(670)	71.11
2019/05/31	Buy	1 211	72.52
2019/06/03	Buy	2 189	71.86
2019/06/04	Buy	1 245	71.54
2019/06/05	Buy	14 381	72.62
2019/06/06	Buy	1 077	72.49
2019/06/07	Buy	2 354	71.29
2019/06/10	Buy	1 766	70.85
2019/06/11	Buy	7 697	71.77
2019/06/13	Buy	1 039	71.28
2019/06/14	Buy	6 238	71.16
2019/06/19	Buy	13 000	70.45
2019/06/20	Buy	65	72.46
2019/06/21	Sell	(19 642)	70.65
2019/06/24	Buy	3 606	69.82

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/06/25	Buy	16 959	69.63
2019/06/26	Sell	(151)	68.82
2019/06/27	Sell	(1 419)	69.40
2019/06/28	Buy	2 189	69.27
2019/07/01	Buy	4 044	69.06
2019/07/02	Buy	7 424	69.00
2019/07/03	Buy	643	68.53
2019/07/04	Sell	(1 143)	68.02
2019/07/08	Buy	2 245	69.99
2019/07/09	Buy	638	68.09
2019/07/11	Buy	1 678	69.81
2019/07/12	Buy	4 125	69.38
2019/07/15	Buy	463	71.37
2019/07/16	Sell	(2 640)	71.73
2019/07/17	Buy	2 458	72.54
2019/07/18	Buy	204	75.62
2019/07/19	Buy	4 689	77.60
2019/07/22	Sell	(753)	102.95
2019/07/23	Sell	(10)	102.92
2019/07/24	Buy	18	102.72
2019/07/25	Buy	12 882	102.70
2019/07/26	Sell	(16 675)	103.72
2019/07/29	Buy	2 867	103.53
2019/07/30	Buy	525	103.04
2019/07/31	Sell	(34 687)	103.52
2019/08/01	Buy	2 237	103.13
2019/08/02	Buy	6 808	103.17
2019/08/05	Buy	727	103.56
2019/08/06	Buy	1 562	104.20
2019/08/07	Buy	315	104.14
2019/08/08	Buy	1 709	104.19
2019/08/12	Buy	407	104.26
2019/08/14	Buy	402	104.57

Coronation Asset Management (Pty) Ltd has dealt in Pioneer Foods Shares as indicated below:

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/01/18	Buy	6 291	82.20
2019/01/22	Sell	(9 516)	81.61
2019/01/23	Sell	(6 190)	81.81
2019/01/25	Buy	143 822	81.92
2019/01/28	Sell	(31 786)	80.49
2019/01/29	Sell	(2 336)	80.21
2019/01/30	Sell	(12 038)	78.07
2019/01/31	Sell	(217 623)	79.11
2019/02/01	Sell	(20 761)	79.30
2019/02/04	Sell	(5 745)	79.27
2019/02/05	Sell	(4 321)	79.25
2019/02/06	Sell	(17 166)	79.55
2019/02/07	Sell	(55 450)	79.83
2019/02/08	Sell	(110 298)	79.01

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/02/11	Sell	(4 340)	78.18
2019/02/12	Buy	405	79.33
2019/02/13	Buy	22 682	79.64
2019/02/19	Buy	26 990	79.72
2019/02/20	Buy	36 287	79.99
2019/02/21	Buy	12 564	80.06
2019/02/25	Buy	30 146	79.93
2019/02/26	Sell	(3 096)	80.36
2019/02/27	Buy	3 889	80.05
2019/02/28	Buy	9 296	80.04
2019/03/01	Sell	(167)	81.73
2019/03/04	Buy	22 360	80.11
2019/03/05	Sell	(34 867)	88.52
2019/03/06	Buy	109 373	80.04
2019/03/07	Sell	(145)	80.24
2019/03/11	Sell	(1 466)	80.04
2019/03/13	Sell	(15 126)	80.90
2019/03/14	Sell	(159 346)	80.25
2019/03/15	Sell	(330 471)	82.35
2019/03/18	Sell	(7 634)	84.88
2019/03/19	Sell	(5 170)	84.79
2019/03/20	Sell	(2 510)	81.24
2019/03/22	Sell	(19 266)	76.85
2019/03/25	Sell	(3 537)	76.72
2019/03/26	Sell	(5 410)	78.49
2019/03/28	Buy	24 721	79.63
2019/03/29	Sell	(98)	78.94
2019/04/02	Sell	(119)	79.40
2019/04/05	Sell	(448)	80.87
2019/04/09	Sell	(12 620)	80.30
2019/04/12	Sell	(23 296)	82.89
2019/04/15	Sell	(2 511)	84.30
2019/04/16	Sell	(6 186)	84.52
2019/04/18	Sell	(39 902)	87.55
2019/04/23	Sell	(4 314)	87.64
2019/04/24	Sell	(529 619)	88.08
2019/04/26	Sell	(602)	82.92
2019/04/29	Buy	558	86.22
2019/04/30	Sell	(657)	87.03
2019/05/02	Sell	(187 728)	86.23
2019/05/03	Sell	(102 336)	86.36
2019/05/06	Sell	(58 271)	86.48
2019/05/07	Sell	(3 537)	86.64
2019/05/09	Sell	(26)	85.16
2019/05/10	Sell	(18 278)	85.50
2019/05/13	Sell	(12 121)	86.17
2019/05/14	Sell	(22 224)	85.50
2019/05/15	Sell	(272 521)	84.26
2019/05/16	Sell	(3 940)	85.00
2019/05/17	Sell	(25 655)	85.67
2019/05/20	Buy	47 889	75.17
2019/05/21	Sell	(1 218)	72.34
2019/05/23	Sell	(11 510)	72.09

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PIONEER FOODS SHARES	PRICE (RAND)
2019/05/24	Sell	(12 159)	72.12
2019/05/27	Sell	(757)	70.82
2019/05/28	Sell	(23 894)	73.50
2019/05/30	Sell	(25 208)	73.00
2019/05/31	Sell	(13 450)	71.03
2019/06/03	Buy	597	72.10
2019/06/04	Sell	(92 770)	71.81
2019/06/06	Sell	(1 132)	71.96
2019/06/07	Sell	(5 090)	71.77
2019/06/13	Sell	(12 443)	71.28
2019/06/14	Sell	(6 536)	70.72
2019/06/18	Sell	(321)	70.22
2019/06/19	Sell	(9 519)	71.00
2019/06/20	Sell	(33 988)	71.73
2019/06/21	Sell	(69 778)	70.25
2019/06/24	Sell	(14 022)	69.45
2019/06/26	Sell	(39 710)	68.98
2019/06/27	Sell	(1 013)	69.14
2019/06/28	Sell	(4 595)	69.35
2019/07/01	Sell	(509)	69.03
2019/07/02	Sell	(132)	69.18
2019/07/03	Sell	(74 091)	68.00
2019/07/09	Buy	213 697	69.88
2019/07/15	Buy	4 471	71.20
2019/07/17	Sell	(9 589)	72.51
2019/07/19	Sell	(5 145 133)	100.91
2019/07/22	Sell	(5 580 168)	102.97
2019/07/23	Sell	(3 938 273)	103.00
2019/07/25	Sell	(4 652 728)	103.00
2019/07/29	Sell	(393)	103.77
2019/07/30	Sell	(1 001)	103.75
2019/07/31	Sell	(37 106)	103.76
2019/08/02	Sell	(8 420)	104.00
2019/08/05	Sell	(27 980)	104.00

To the best of the knowledge of Pioneer Foods, the providers of Irrevocable Undertakings had no dealings in PepsiCo securities during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date, other than as set out below:

Sanlam Investment Management has dealt in PepsiCo Shares as indicated below:

TRADE DATE	NATURE OF TRANSACTION	NUMBER OF PEPSICO SHARES	PRICE (US DOLLAR)
2019/02/21	Buy	3 306	115.72
2019/03/01	Sell	(2 250)	115.86
2019/03/08	Sell	(2 800)	115.83
2019/03/18	Sell	(2 000)	116.69
2019/03/19	Sell	(1 000)	117.36
2019/03/25	Sell	(2 900)	120.26
2019/04/17	Sell	(2 900)	125.83
2019/05/10	Sell	(1 200)	126.06
2019/05/28	Sell	(50)	129.50
2019/07/05	Sell	(2 600)	132.28
2019/07/08	Buy	4 968	132.69
2019/08/01	Sell	(3 500)	128.72



PIONEER FOOD GROUP LIMITED
 (Incorporated in the Republic of South Africa)
 (Registration number 1996/017676/06)
 Share code: PFG
 ISIN: ZAE000118279
 ("Pioneer Foods" or "the Company")



PEPSICO
PEPSICO, INC.
 (Incorporated in the State of North Carolina,
 United States)
 NASDAQ Share code: PEP
 ("PepsiCo")



SIMBA PROPRIETARY LIMITED
 (Incorporated in the Republic
 of South Africa)
 (Registration number 1995/003667/07)
 ("the Pepsi Offeror")

STANDBY OFFER BY THE PEPSI OFFEROR TO PIONEER FOODS ORDINARY SHAREHOLDERS

1. DEFINITIONS AND INTERPRETATIONS

Except for the additional definitions set out below, unless the context clearly indicates otherwise, the definitions commencing on page 17 in the main body of the Circular and the rules of interpretation commencing on page 32 in the main body of the Circular, apply to this **Annexure 10**.

"Base Standby Offer Consideration"	ZAR110.00 (one hundred and ten Rand) per Standby Offer Share;
"Effective"	in relation to the Standby Offer, means the Standby Offer will be commencing by reason of the occurrence of a Standby Offer Trigger Event;
"Standby Offer"	a general offer by the Pepsi Offeror on the terms and conditions set out in this Annexure 10;
"Standby Offer Closing Date"	the closing date of the Standby Offer, which date shall be 12:00 on the first Friday following the expiry of 10 South African Business Days after announcement of the fulfilment or, where applicable, waiver of the Standby Offer Conditions, or the first Friday falling on or after the 30th South African Business Day after the Standby Offer Opening Date, whichever is the later, but subject to any extension of that date by the Pepsi Offeror in accordance with paragraph 6.3.2 of this Annexure 10 below; provided that if that Friday is not a South African Business Day, the closing date of the Standby Offer shall be the South African Business Day preceding that Friday (or such other date as the JSE may direct);
"Standby Offer Conditions"	the conditions precedent to which the Standby Offer is subject, should a Standby Offer Trigger Event occur, as set out in paragraph 12 of this Annexure 10 below;

<p>“Standby Offer Consideration”</p>	<p>the cash consideration (expressed in Rand) payable to a Standby Offer Participant for each Standby Offer Share, being an amount calculated in accordance with the following formula:</p> <p>A = Base Standby Offer Consideration plus B plus C minus D</p> <p>where:</p> <p>A = the Standby Offer Consideration per Standby Offer Share;</p> <p>B = if the Standby Offer Settlement Date in relation to a Standby Offer Participant is after 30 September 2019, the amount per Pioneer Foods Ordinary Share (expressed in Rand) of the final Cash Distribution for the Pioneer Foods financial year ending 30 September 2019, but only if and to the extent that both (i) such Cash Distribution is declared by Pioneer Foods after 30 September 2019, but prior to such Standby Offer Settlement Date, and (ii) the entitlement to such Cash Distribution vests in Persons who are holders of Pioneer Foods Ordinary Shares as at a dividend participation record date which is on or after such Standby Offer Settlement Date, provided that, notwithstanding anything to the contrary in the Implementation Agreement or the Circular, the maximum amount of B shall be a total amount of ZAR2.19 (two Rand and nineteen cents);</p> <p>C = if the Standby Offer Settlement Date in relation to a Standby Offer Participant, is after 31 March 2020, either:</p> <ul style="list-style-type: none"> • if the interim Cash Distribution for the 6 month period ending 31 March 2020 has been declared prior to the Standby Offer Settlement Date in relation to such Standby Offer Participant, the amount per Pioneer Foods Ordinary Share (expressed in Rand) of that interim Cash Distribution, but only if and to the extent that the entitlement to such Cash Distribution vests in Persons who are holders of Pioneer Foods Ordinary Shares as at a dividend participation record date which is on or after that Standby Offer Settlement Date; or • if the interim Cash Distribution for the 6 month period ending 31 March 2020 has not been declared prior to the Standby Offer Settlement Date, an amount of ZAR1.05 (one Rand and five cents), <p>provided that, notwithstanding anything to the contrary in the Implementation Agreement or the Circular, the maximum amount of C shall be ZAR1.05 (one Rand and five cents);</p> <p>D = the total amount (expressed in Rand) of any Extraordinary Distributions per Pioneer Foods Ordinary Share which are declared by Pioneer Foods prior to the Standby Offer Settlement Date in relation to a Standby Offer Participant, and which have been paid or are payable to Persons who are holders of Pioneer Foods Ordinary Shares as at a date prior to that Standby Offer Settlement Date;</p> <p>Accordingly, assuming no Extraordinary Distributions are declared by Pioneer Foods prior to the Standby Offer Settlement Date in relation to a Standby Offer Participant, the minimum Standby Offer Consideration to such Standby Offer Participant shall be the Base Standby Offer Consideration of ZAR110 (one hundred and ten Rand) per Standby Offer Share and the maximum Standby Offer Consideration to such Standby Offer Participant shall be ZAR113.24 (one hundred and thirteen Rand and twenty four cents) per Standby Offer Share;</p>
<p>“Standby Offer LDT”</p>	<p>the last day to trade Pioneer Foods Ordinary Shares in order to be registered in the Register on the Standby Offer Closing Date, which date will be 3 South African Business Days prior to the Standby Offer Closing Date;</p>
<p>“Standby Offer Opening Date”</p>	<p>the opening date of the Standby Offer, expected to be the 1st South African Business Day after the date on which it is announced on SENS that the Standby Offer is open for acceptance;</p>
<p>“Standby Offer Participants”</p>	<p>Pioneer Foods Ordinary Shareholders referred to in paragraph 6.3.1 below who Validly Accept the Standby Offer by the Standby Offer Closing Date and who are accordingly entitled, subject to the Standby Offer Conditions being fulfilled or, where applicable, waived, to receive the Standby Offer Consideration;</p>

“Standby Offer Period”	the period from the Standby Offer Opening Date to the Standby Offer Closing Date;
“Standby Offer Settlement Date”	in respect of a Standby Offer Participant, the date on which the Standby Offer Consideration payable to a Standby Offer Participant is settled, being a date within 6 South African Business Days after the later of (i) the Standby Offer being declared wholly unconditional and (ii) the acceptance of the Standby Offer by that Standby Offer Participant;
“Standby Offer Shares”	those Pioneer Foods Ordinary Shares held by Standby Offer Participants on the Standby Offer Closing Date, in respect of which the Standby Offer Participants have Validly Accepted the Standby Offer;
“Standby Offer Trigger Event”	either (i) any Scheme Condition Precedent is not fulfilled (and where applicable) not waived, or (ii) the Scheme otherwise lapses or fails; and
“Valid Acceptance”	acceptance of the Standby Offer by a Pioneer Foods Ordinary Shareholder by forwarding a completed Form of Surrender, Transfer and Acceptance (<i>blue</i>) to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown, 2107), to be received by it by no later than 12:00 on the Standby Offer Closing Date.

2. INTRODUCTION

- 2.1 Pioneer Foods Shareholders are referred to the joint announcement by Pioneer Foods, PepsiCo and the Pepsi Offeror, published on SENS on 19 July 2019. In that announcement, Pioneer Foods Shareholders were advised that PepsiCo and Pioneer Foods had entered into the Implementation Agreement, and Pioneer Foods had received notice from the Pepsi Offeror of its firm intention to make an offer, as contemplated by the Takeover Regulations:
- 2.1.1 to acquire all of the Pioneer Foods Ordinary Shares (other than the Excluded Shares) by way of a scheme of arrangement in terms of section 114 of the Companies Act, to be proposed by the Pioneer Foods Board between Pioneer Foods and the holders of Pioneer Foods Ordinary Shares (other than the holders of the Excluded Shares); or
- 2.1.2 if a Standby Offer Trigger Event occurs, to acquire all of the Pioneer Foods Ordinary Shares (including the Excluded Shares) by way of the Standby Offer.
- 2.2 The Standby Offer will automatically become Effective if a Standby Offer Trigger Event has occurred. PepsiCo, the Pepsi Offeror and Pioneer Foods shall announce through SENS and the printed media, as required, that the Standby Offer has become Effective.
- 2.3 In the event that the Scheme becomes Operative, the Standby Offer will never become Effective.
- 2.4 The Standby Offer will form part of an affected transaction as defined in section 117 of the Companies Act. The Standby Offer will be implemented in accordance with the Companies Act and the Companies Regulations and will be regulated by the Takeover Panel.
- 2.5 The purpose of this **Annexure 10** is to:
- 2.5.1 set out the terms and conditions on which the Standby Offer is extended to all Pioneer Foods Shareholders, if a Standby Offer Trigger Event has occurred; and
- 2.5.2 record the terms of the Standby Offer in compliance with the Companies Act and the Companies Regulations.
- 2.6 The Standby Offer is an integral part of the Transaction and this **Annexure 10** should be read together with and in the context of the Circular as a whole.

3. IMPORTANT DATES AND TIMES

Should a Standby Offer Trigger Event occur, all dates and times pertinent to the Standby Offer will be published on SENS and in the press.

4. INFORMATION ON PEPSICO

Please refer to paragraph 3.1 in the main body of the Circular for information regarding PepsiCo.



5. RATIONALE FOR THE STANDBY OFFER

5.1 Rationale for PepsiCo

The rationale for the Transaction from PepsiCo's perspective appears in paragraph 3.2 in the main body of the Circular.

5.2 Rationale for Pioneer Foods

The rationale for the Transaction from Pioneer Foods' perspective is detailed in paragraph 3.3 in the main body of the Circular.

6. TERMS OF THE STANDBY OFFER

6.1 The Standby Offer

6.1.1 On the occurrence of a Standby Offer Trigger Event, the Pepsi Offeror offers to acquire all Pioneer Foods Ordinary Shares, including the Excluded Shares, in exchange for the Standby Offer Consideration. Pioneer Foods Ordinary Shareholders are entitled to elect to accept the Standby Offer in respect of all or some of the Pioneer Foods Ordinary Shares held by them at any time during the Standby Offer Period.

6.1.2 In the event that the Scheme becomes Operative, the Standby Offer will never become Effective. If the Standby Offer becomes Effective, the Standby Offer will be subject to, and will become unconditional upon the fulfilment or, where applicable, waiver of the Standby Offer Conditions.

6.1.3 PepsiCo confirms that the Pepsi Offeror will be the acquirer of the Standby Offer Shares and that the Pepsi Offeror is acting alone and not in concert with any other Person.

6.2 Transfer and the Standby Offer Consideration

6.2.1 If all the Standby Offer Conditions are fulfilled or, where applicable, waived, each Standby Offer Share held by a Standby Offer Participant for which Valid Acceptances have been submitted and received by the Pepsi Offeror will be disposed of and transferred to the Pepsi Offeror for the Standby Offer Consideration.

6.2.2 The Base Standby Offer Consideration represents a premium of 56.5% to the 30-day VWAP of Pioneer Foods of ZAR70.31 (seventy Rand and thirty once cents) per Pioneer Foods Ordinary Share, as at 12 July 2019, being the trading date immediately prior to the publication of the Cautionary Announcement.

6.3 The Standby Offer Period

6.3.1 The Standby Offer is irrevocable and will be open for acceptance from 09:00 on the Standby Offer Opening Date and shall close at 12:00 on the Standby Offer Closing Date. The Standby Offer will be open for acceptance by those Pioneer Foods Ordinary Shareholders that are recorded in the Register as holders of Pioneer Foods Ordinary Shares at any time from 09:00 on the Standby Offer Opening Date up to and including 12:00 on the Standby Offer Closing Date.

6.3.2 The Pepsi Offeror may, in its absolute and sole discretion, but subject to the provisions and requirements of the Companies Act and the Companies Regulations, extend the Standby Offer Closing Date on one or more occasions, in which event, the amended Standby Offer Closing Date will be announced on SENS and in the South African press.

6.4 Cash Confirmation

The Takeover Panel has been furnished with appropriate written confirmation as contemplated in Regulations 111(4) and 111(5) of the Companies Regulations by way of a guarantee issued by JPMorgan Chase Bank, N.A., Johannesburg Branch in respect of the Standby Offer and the Standby Offer Consideration. Pioneer Foods Shareholders are referred to paragraph 4.9 in the main body of the Circular for more information in this regard.

6.5 Amendment or variation of the Standby Offer

Subject to compliance with applicable Law including the requirements of the JSE and Takeover Panel, no amendment or variation of the Standby Offer shall be valid unless it is agreed to by PepsiCo in writing, provided that:

6.5.1 PepsiCo shall not agree to any amendment or variation that has the effect of reducing the Standby Offer Consideration.

6.5.2 PepsiCo shall be entitled at any time to increase the Standby Offer Consideration, and to effect the necessary amendments consequent on such increase, without requiring the consent of Pioneer Foods.

6.6 No set-off of Standby Offer Consideration

As per Regulation 106(4)(h) of the Companies Regulations, settlement of the Standby Offer Consideration pursuant to the Standby Offer will be implemented in full in accordance with the terms of the Standby Offer without regard to any lien, right of set-off, counterclaim, deduction, withholding or other analogous right to which the Pepsi Offeror may otherwise be, or claim to be, entitled against any Pioneer Foods Ordinary Shareholder.

6.7 Squeeze out and delisting of Pioneer Foods

- 6.7.1 If (i) the Standby Offer Conditions are fulfilled or, where applicable, waived, and (ii) the Standby Offer is accepted by the holders of at least 90% of the issued Pioneer Foods Ordinary Shares, other than any Pioneer Foods Ordinary Shares held before the PepsiCo Offer by the Pepsi Offeror, a related or inter-related person, or persons acting in concert, or a nominee or subsidiary of any such person or persons, then the Pepsi Offeror will be entitled to acquire the remaining Pioneer Foods Ordinary Shares through the implementation of the minority “squeeze out” provisions of section 124 of the Companies Act.
- 6.7.2 If (i) the Standby Offer Conditions are fulfilled or, where applicable, waived, and (ii) the Pepsi Offeror, invoking the “squeeze out” provisions of section 124 of the Companies Act, acquires all the remaining issued Pioneer Foods Ordinary Shares, Pioneer Foods Ordinary Shares will be delisted from the JSE.
- 6.7.3 If the Standby Offer Conditions are fulfilled or, where applicable, waived, but the Pepsi Offeror does not or is not entitled to invoke, or does not acquire all the remaining issued Pioneer Foods Ordinary Shares pursuant to, the “squeeze out” provisions of section 124 of the Companies Act, then, if Ordinary Resolution Number 1 in the Notice of General Meeting (in which shareholder approval is sought for a delisting) is approved, application will be made to the JSE for the delisting of the Pioneer Foods Ordinary Shares from the JSE.
- 6.7.4 **Pioneer Foods Ordinary Shareholders that do not Validly Accept the Standby Offer should note that in the event that (i) the Pepsi Offeror does not acquire all the remaining issued Pioneer Foods Ordinary Shares pursuant to the “squeeze out” provisions of section 124 of the Companies Act and (ii) Pioneer Foods is delisted, they will remain minority shareholders in an unlisted entity that is no longer subject to the JSE Listings Requirements.**

6.8 No Encumbrance

Each Standby Offer Participant is deemed, on the relevant Standby Offer Settlement Date, to have warranted and undertaken in favour of PepsiCo and the Pepsi Offeror that the relevant Standby Offer Shares are not subject to a pledge or otherwise Encumbered, or if subject to any such pledge or other Encumbrance, that such Standby Offer Shares shall be released from such pledge or other Encumbrance immediately on payment and discharge of the Standby Offer Consideration. In this regard, each Standby Offer Participant irrevocably authorises and appoints the Pepsi Offeror and PepsiCo, in *rem suam* (that is, irrevocably for the Pepsi Offeror and PepsiCo’s advantage), with full power of substitution, to act as agent in the name, place and stead of such Standby Offer Participant in doing all things and signing all documents to procure that the relevant Standby Offer Shares are released from any pledge or Encumbrance, including the removal of any endorsements to that effect present in the Register.

6.9 Foreign Pioneer Foods Ordinary Shareholders and Exchange Control Regulations

Annexure 6 to the Circular contains a summary of the Exchange Control Regulations as they apply to Standby Offer Participants. Standby Offer Participants who are not resident in, or who have a registered address outside of, South Africa, must satisfy themselves as to the full observance of the Laws of any relevant territory concerning the receipt of the Standby Offer Consideration, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

7. THE PIONEER FOODS CLASS A SHARE COMPARABLE OFFER AND PIONEER FOODS CLASS A REPURCHASE

If the Standby Offer becomes Effective, the provisions of paragraph 5 in the main body of the Circular shall continue to apply.

8. THE PSR COMPARABLE OFFER AND THE PSR AMENDMENT

If the Standby Offer becomes Effective, the provisions of paragraph 6 in the main body of the Circular shall continue to apply.

9. THE BEE TRUST REPURCHASE

If the Standby Offer becomes Effective, the provisions of paragraph 7 in the main body of the Circular shall continue to apply.

10. BEE PAYMENT

The BEE Payment will only be made to the extent that the Scheme becomes Operative.

11. GOVERNING LAW

The Standby Offer is governed by the Laws of South Africa. Each of Pioneer Foods, PepsiCo and the Pepsi Offeror submits, and each Standby Offer Participant shall be deemed to have irrevocably submitted, to the non-exclusive jurisdiction of the High Court of South Africa, Western Cape Local Division, Cape Town in relation to all matters arising out of or in connection with the Standby Offer.



12. STANDBY OFFER CONDITIONS

- 12.1 The Standby Offer will only become Effective if a Standby Offer Trigger Event occurs.
- 12.2 If a Standby Offer Trigger Event occurs, the Standby Offer will be subject to the fulfilment or, where applicable, waiver of the following conditions precedents only:
- 12.2.1 each of the Conditions (read on a *mutatis mutandis* basis) set out in paragraphs 4.2.1.1 and 4.2.1.3 (excluding 4.2.1.3.4) to 4.2.1.11 (both inclusive) in the main body of the Circular (in the case of paragraphs 4.2.1.1, 4.2.1.4 and 4.2.1.5, only insofar as they relate to the Pioneer Foods Class A Repurchase Resolution and the BEE Trust Repurchase Resolution) is fulfilled or, where waiver is available under paragraphs 4.2.3 or 4.2.4 in the main body of the Circular (read on a *mutatis mutandis* basis), so waived, by no later than its Long Stop Date; and
- 12.2.2 by no later than 30 June 2020 (or a later date/s agreed in writing by Pioneer Foods and PepsiCo) the Standby Offer is accepted by the holders of at least 90%, or such lower percentage as PepsiCo may specify in writing to Pioneer Foods from time to time, of the total issued Pioneer Foods Ordinary Shares, other than the Pioneer Foods Ordinary Shares, if any, held before the PepsiCo Offer by the Pepsi Offeror, any related or inter-related person, or persons acting in concert, or any nominee or subsidiary of such persons or persons.
- 12.2.3 if the Pepsi Offeror does not acquire all the remaining issued Pioneer Foods Ordinary Shares pursuant to the “squeeze out” provisions of section 124 of the Companies Act, then by not later than 17h00 (South African time) on 30 November 2019 (or a later date/s agreed in writing by Pioneer Foods and PepsiCo), the Delisting Resolution is adopted by the requisite majority of Pioneer Foods Shareholders at the General Meeting, as contemplated in paragraphs 1.15(a) and 1.16 of the JSE Listings Requirements.
- 12.3 The Pepsi Offeror shall be entitled to waive in writing each Standby Offer Condition in paragraphs 12.2.2 and 12.2.3 above.
- 12.4 An announcement will be released on SENS and published in the South African press as soon as possible after the fulfilment or waiver of all of the Standby Offer Conditions, or non-fulfilment of any of the Standby Offer Conditions, as the case may be.

13. MATERIAL PROVISIONS OF THE IMPLEMENTATION AGREEMENT

Pioneer Foods Shareholders are referred to the Circular generally, as well as more specifically paragraphs 9 and 10 in the main body of the Circular for information regarding the provisions of the Implementation Agreement, including those relating to the non-solicitation and other undertakings given by Pioneer Foods. The Implementation Agreement is available for inspection, along with the other documents, as set out in paragraph 33 in the main body of the Circular.

14. PROCEDURE FOR ACCEPTANCE OF THE STANDBY OFFER

14.1 General

- 14.1.1 The Standby Offer may be accepted by Pioneer Foods Ordinary Shareholders in respect of all or part of their Pioneer Foods Ordinary Shares (including any Excluded Shares). Pioneer Foods Ordinary Shareholders who do not wish to accept the Standby Offer need take no further action and will be deemed to have declined the Standby Offer. In order to accept the Standby Offer, a Pioneer Foods Ordinary Shareholder must be recorded in the Register on the date of Valid Acceptance. In this regard it should be noted that the Standby Offer LDT is the last day to trade Pioneer Foods Ordinary Shares in order to be registered in the Register on the Standby Offer Closing Date.
- 14.1.2 **Pioneer Foods Ordinary Shareholders are referred to the section entitled “Action required by Pioneer Foods Ordinary Shareholders in relation to the Standby Offer”, commencing on page 12 in the main body of the Circular, which details the action to be taken by Pioneer Foods Ordinary Shareholders in relation to the Standby Offer.**
- 14.1.3 In relation to Certificated Pioneer Foods Ordinary Shareholders, the Pepsi Offeror reserves the right, in its absolute and sole discretion, to:
- 14.1.3.1 treat as invalid, Forms of Surrender, Transfer and Acceptance (*blue*) not completed correctly or not accompanied by the relevant Documents of Title (or, if applicable, evidence reasonably satisfactory to the Pepsi Offeror that the Documents of Title to the relevant Standby Offer Shares have been destroyed or lost and an indemnity reasonably acceptable to the Pepsi Offeror); and
- 14.1.3.2 require proof of the authority of the Person signing the Form of Surrender, Transfer and Acceptance (*blue*) where such proof has not yet been lodged with or recorded by Computershare; or
- 14.1.3.3 condone the non-compliance by any Certificated Pioneer Foods Ordinary Shareholder with any of the terms of the Standby Offer.

- 14.1.4 If a Form of Surrender, Transfer and Acceptance (*blue*) is treated as invalid due to non-compliance with the instructions contained therein, then the Pioneer Foods Ordinary Shareholder that submitted that Form of Surrender, Transfer and Acceptance (*blue*) will be deemed to have declined the Standby Offer, unless that Pioneer Foods Ordinary Shareholder re-submits a properly completed Form of Surrender, Transfer and Acceptance (*blue*) on or prior to the Standby Offer Closing Date.

14.2 Acceptances irrevocable

- 14.2.1 All acceptances of the Standby Offer received by Computershare on or prior to the Standby Offer Closing Date, shall be irrevocable, subject to the rights of Standby Offer Participants to withdraw such acceptance in the limited circumstances contemplated in Companies Regulation 105.
- 14.2.2 Standby Offer Participants should note that they may not trade any Pioneer Foods Ordinary Shares in respect of which they have accepted the Standby Offer, from the date of acceptance of the Standby Offer.

14.3 Transaction receipts

No receipts will be issued by Computershare for Forms of Surrender, Transfer and Acceptance (*blue*) unless specifically requested to do so by the Pioneer Foods Ordinary Shareholder in question. Lodging agents who require special transaction receipts are requested to prepare such receipts and to submit them for stamping by Computershare together with the Form of Surrender, Transfer and Acceptance (*blue*).

14.4 Acceptances of the Standby Offer by nominee companies and representatives

Acceptances of the Standby Offer by recognised nominee companies may be submitted in aggregate or in respect of each Pioneer Foods Ordinary Shareholder represented by such nominee companies. Any representative accepting the Standby Offer warrants that it is duly authorised to do so.

14.5 Offer not made where unlawful

- 14.5.1 The lawfulness of the Standby Offer to Pioneer Foods Ordinary Shareholders resident in jurisdictions outside of South Africa may be affected by Laws of the relevant jurisdiction. Such Pioneer Foods Ordinary Shareholders should familiarise themselves with any applicable legal requirements, which they are obligated to observe. It is the responsibility of any such Pioneer Foods Ordinary Shareholders wishing to accept the Standby Offer to satisfy themselves as to the full observance of the Laws of the relevant jurisdiction in connection therewith.
- 14.5.2 In particular, the Standby Offer is not being made, directly or indirectly, in or into any jurisdiction where it is unlawful for the Standby Offer to be made or accepted ("**the Affected Jurisdictions**") or by the use of mail, or by means or instrumentality of interstate or foreign commerce of, or any facility of a national securities exchange of, any of the Affected Jurisdictions. In such circumstances, the Circular is sent for information purposes only.
- 14.5.3 Pioneer Foods Ordinary Shareholders wishing to accept the Standby Offer should not use the post of any of the Affected Jurisdictions or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to the Standby Offer. Envelopes containing Forms of Surrender, Transfer and Acceptance (*blue*) or other documents relating to the Standby Offer should not be post-marked in any of the Affected Jurisdictions or otherwise dispatched from any of the Affected Jurisdictions and all acceptors must provide addresses outside the Affected Jurisdictions for receipt of the Standby Offer Consideration to which they are entitled under the Standby Offer.
- 14.5.4 Without limitation to the generality of the above, the Standby Offer is, unless otherwise permitted by Law and in the sole discretion of PepsiCo, not being made, directly or indirectly, in or into or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, Australia, Canada or Japan and the Standby Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Australia, Canada or Japan. Unless otherwise permitted by law and in the sole discretion of PepsiCo, purported acceptances will not be valid if given from within any of the United States, Australia, Canada or Japan.

14.6 Representation and Warranty of Foreign Pioneer Foods Ordinary Shareholders

Certificated Pioneer Foods Ordinary Shareholders who complete the Form of Surrender, Transfer and Acceptance (*blue*) are deemed to represent and warrant to the Pepsi Offeror that they have not received or sent copies or originals of the Circular, the Form of Surrender, Transfer and Acceptance (*blue*) or any related documents in, into or from the Affected Jurisdictions and have not otherwise utilised in connection with the Standby Offer, the mails, or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or of any facility of a national securities exchange of, the Affected Jurisdictions, and that the Form of Surrender, Transfer and Acceptance (*blue*) has not been mailed or otherwise sent in, into or from the Affected Jurisdictions and such Pioneer Foods Ordinary Shareholders is accepting the Standby Offer from outside the Affected Jurisdictions.

**15. SETTLEMENT OF THE STANDBY OFFER CONSIDERATION**

Pioneer Foods Ordinary Shareholders are referred to the section entitled “Action required by Pioneer Foods Ordinary Shareholders in relation to the Standby Offer”, commencing on page 12 in the main body of the Circular, which details the action to be taken by Pioneer Foods Ordinary Shareholders in relation to the Standby Offer.

- 15.1 Settlement of the Standby Offer Consideration is subject to the Exchange Control Regulations, the salient provisions of which are set out in **Annexure 6** to the Circular.
- 15.2 The Pepsi Offeror or its agents will administer and effect the payment of the Standby Offer Consideration to Standby Offer Participants.
- 15.3 If the Standby Offer becomes Operative:
- 15.3.1 Standby Offer Participants who hold Dematerialised Pioneer Foods Ordinary Shares will have their accounts held at their CSDP or Broker credited with the Standby Offer Consideration and debited with the Pioneer Foods Ordinary Shares they are transferring to the Pepsi Offeror pursuant to the Standby Offer on the Standby Offer Settlement Date; and
- 15.3.2 Standby Offer Participants who hold Certificated Pioneer Foods Ordinary Shares who:
- 15.3.2.1 have both surrendered their Documents of Title, and delivered completed Forms of Surrender, Transfer and Acceptance (*blue*), to Computershare on or before 12:00 on the Standby Offer Closing Date, will have the cheque in respect of the Standby Offer Consideration posted to them, at their risk, on the Standby Offer Settlement Date, unless they have elected to receive the Standby Offer Consideration by way of electronic funds transfer by completing the relevant section on the Form of Surrender, Transfer and Acceptance (*blue*), in which case the Standby Offer Consideration will be paid to them in cash on the Standby Offer Settlement Date by way of electronic funds transfer; or
- 15.3.2.2 deliver completed Forms of Surrender, Transfer and Acceptance (*blue*) to Computershare on or before 12:00 on the Standby Offer Closing Date, but only surrender their Documents of Title after 12:00 on the Standby Offer Closing Date, will have the cheques in respect of the Standby Offer Consideration posted to them, at their risk, or the Standby Offer Consideration paid to them by way of electronic funds transfer (if this option was selected on the Form of Surrender, Transfer and Acceptance (*blue*)) within 5 South African Business Days of Computershare receiving their Documents of Title.
- 15.3.3 In the event that a Standby Offer Participant who holds Certificated Pioneer Foods Ordinary Shares fails to surrender its Documents of Title to Computershare, the Standby Offer Consideration due to such Standby Offer Participant will be held in trust by Pioneer Foods (or its agent), but only for a period of three years from the Standby Offer Closing Date, and will thereafter be paid to the benefit of the Guardian’s Fund of the Master of the High Court. In this regard such Standby Offer Participant irrevocably authorises and appoints each of Pioneer Foods, PepsiCo and/or Pepsi Offeror (or their respective agents, as appointed by each of them), in *rem suam* (that is, irrevocably for Pioneer Foods’, PepsiCo’s and the Pepsi Offeror’s advantage), with full power of substitution, to act as agent in the name, place and stead of such Standby Offer Participant to pay the Standby Offer Consideration to the benefit of the Guardian’s Fund in the aforesaid manner.
- 15.4 Payment by the Pepsi Offeror or its agent to Standby Offer Participants of the Standby Offer Consideration shall be the sole and exclusive manner of discharge by the Pepsi Offeror of its obligations in terms of the Standby Offer.
- 15.5 The rights of Standby Offer Participants to receive the Standby Offer Consideration will be rights enforceable by the Standby Offer Participants against the Pepsi Offeror or its agent.
- 15.6 For the avoidance of doubt, no interest shall accrue for the benefit of the Pioneer Foods Ordinary Shareholders on the Standby Offer Consideration.

16. INTENTIONS REGARDING THE CONTINUATION OF PIONEER FOODS’ BUSINESS AND THE PIONEER FOODS BOARD

Pioneer Foods Shareholders are referred to paragraph 13 in the main body of the Circular in this regard.

17. INTEREST AND DEALINGS IN SHARES

17.1 Interests of PepsiCo, Pepsi Offeror, PepsiCo Directors and Pepsi Offeror Directors in Pioneer Foods Shares

Pioneer Foods Ordinary Shareholders are referred to paragraph 14 in the main body of the Circular in this regard.

17.2 Interests of Pepsi Offeror Directors in PepsiCo Securities and Pepsi Offeror Securities

Pioneer Foods Ordinary Shareholders are referred to paragraph 16 in the main body of the Circular in this regard.

17.3 Interests of Pioneer Foods and Pioneer Foods Directors in PepsiCo Securities and Pepsi Offeror Securities

Pioneer Foods Ordinary Shareholders are referred to paragraph 17 in the main body of the Circular in this regard.

17.4 Interests of Pioneer Foods Directors in Pioneer Foods Shares

Pioneer Foods Shareholders are referred to paragraph 18 in the main body of the Circular in this regard.

17.5 Dealings by providers of Irrevocable Undertakings

Pioneer Foods Ordinary Shareholders are referred to paragraphs 19 and 20 in the main body of the Circular in this regard.

18. AGREEMENTS

18.1 Save for the Implementation Agreement, the Pioneer Foods Class A Share Repurchase Agreement, the 2012 BEE Subscription Agreement Addendum, the Confidentiality Agreement and the Irrevocable Undertakings:

18.1.1 no agreements have been entered into by the Pepsi Offeror and/or any persons acting in concert with the Pepsi Offeror, with any of:

18.1.1.1 Pioneer Foods;

18.1.1.2 the Pioneer Foods Directors (or persons who were Pioneer Foods Directors in the 12 months preceding the Last Practicable Date); or

18.1.1.3 Pioneer Foods Shareholders (or Persons who were Pioneer Foods Ordinary Shareholders in the 12 months preceding the Last Practicable Date) which agreements are considered to be material to the decision to be taken by Pioneer Foods Ordinary Shareholders regarding the Standby Offer;

18.1.2 no agreements have been entered into by Pioneer Foods with any of:

18.1.2.1 PepsiCo, the Pepsi Offeror and/or persons acting in concert with the Pepsi Offeror;

18.1.2.2 the PepsiCo Directors or Pepsi Offeror Directors (or persons who were PepsiCo Directors or Pepsi Offeror Directors in the 12 months preceding the Last Practicable Date); or

18.1.2.3 PepsiCo and/or PepsiCo shareholders (or Persons who were PepsiCo shareholders in the 12 months preceding the Last Practicable Date) which agreements are considered to be material to the decision to be taken by Pioneer Foods Shareholders regarding the Standby Offer.

18.2 Pioneer Foods Shareholders are referred to paragraph 21 in the main body of the Circular for information on the aforementioned agreements.



19. FINANCIAL INFORMATION OF PIONEER FOODS

- 19.1 The audited historical financial information of Pioneer Foods for the last three financial years ended 30 September 2016, 2017 and 2018 is annexed to the Circular as **Annexure 2**.
- 19.2 The interim financial information of Pioneer Foods for the six-month period ended 31 March 2019 is annexed to the Circular as **Annexure 3**.
- 19.3 The *pro forma* financial information of Pioneer Foods and the Independent Reporting Accountant's report on the *pro forma* financial information of Pioneer Foods are annexed to the Circular as **Annexure 4** and **Annexure 5**, respectively.

20. REPORT OF THE INDEPENDENT EXPERT

Pioneer Foods Shareholders are referred to paragraph 23 in the main body of the Circular in this regard.

21. THE VIEWS OF THE INDEPENDENT BOARD ON THE STANDBY OFFER

Pioneer Foods Shareholders are referred to paragraph 24 in the main body of the Circular in this regard.

22. PIONEER FOODS DIRECTORS' SERVICE CONTRACTS

- 22.1 Each of the executive Pioneer Foods Directors has concluded service contracts with terms and conditions that are market-related and appropriate for their positions in Pioneer Foods.
- 22.2 No service contracts have been concluded between Pioneer Foods and the non-executive Pioneer Foods Directors.
- 22.3 All Pioneer Foods Directors, other than the executive Pioneer Foods Directors, are subject to retirement by rotation and re-election in terms of the MOI.

23. SERVICE CONTRACTS ENTERED INTO OR AMENDED WITHIN THE SIX-MONTH PERIOD PRIOR TO THE LAST PRACTICABLE DATE

No service contracts have been entered into or amended within the six-month period prior to the Last Practicable Date.

24. TAX IMPLICATIONS FOR PIONEER FOODS ORDINARY SHAREHOLDERS

The tax position of a Standby Offer Participant under the Standby Offer is dependent on such Standby Offer Participant's individual circumstances, including but not limited to whether it holds the Standby Offer Shares as capital assets or as trading stock, whether the Standby Offer Shares are held by a Collective Investment Scheme or Pension Fund and on the tax jurisdiction in which the Standby Offer Participant is resident. It is recommended that the Standby Offer Participant seek appropriate advice in this regard.

25. REMUNERATION OF PIONEER FOODS DIRECTORS

Pioneer Foods Shareholders are referred to paragraph 27 in the main body of the Circular for information regarding the effect of implementation of the Transaction on the remuneration of Pioneer Foods Directors.

26. INDEPENDENT BOARD RESPONSIBILITY STATEMENT

The Independent Board accepts responsibility for the information contained in the Circular, including this **Annexure 10**, which relates to Pioneer Foods and confirms that, to the best of its knowledge and belief, such information which relates to Pioneer Foods is true and the Circular does not omit anything likely to affect the importance of such information.

27. PEPSI OFFEROR RESPONSIBILITY STATEMENT

The Pepsi Offeror Board accepts responsibility for the information contained in the Circular, including this **Annexure 10**, which relates to the Pepsi Offeror and confirms that, to the best of its knowledge and belief, such information which relates to the Pepsi Offeror is true and the Circular does not omit anything likely to affect the importance of such information.

28. ADVISORS' CONSENTS

The parties referred to in the "Corporate Information and Advisors" section of the Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, reports, in the Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of the Circular.

29. COSTS AND EXPENSES

Subject to paragraph 32.2 in the main body of the Circular, each of Pioneer Foods, PepsiCo and the Pepsi Offeror shall bear and pay their own costs incurred by them in connection with the Transaction.

30. DOCUMENTS AVAILABLE FOR INSPECTION

The documents, or copies thereof, listed in paragraph 33 in the main body of the Circular, will be available for inspection by the Pioneer Foods Shareholders at the registered office of Pioneer Foods and at the offices of PSG Capital and PepsiCo's Legal Advisor at their respective addresses set out in the "Corporate Information and Advisors" section of the Circular from the date of posting of the Circular until the Standby Offer Closing Date.

**SIGNED AT TYGERVALLEY ON 29 AUGUST 2019 BY NW THOMSON
ON BEHALF OF THE PIONEER FOODS BOARD****NW THOMSON**

Chairman of the Independent Board

**SIGNED AT LONDON ON 29 AUGUST 2019 BY J AVERISS
ON BEHALF OF THE PEPSI OFFEROR BOARD****J AVERISS**

Authorised Signatory



PIONEER FOOD GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1996/017676/06)
Share code: PFG
ISIN: ZAE000118279
("Pioneer Foods" or "the Company")

NOTICE OF GENERAL MEETING OF PIONEER FOODS SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a general meeting of Pioneer Foods Shareholders will be held at 10:00 on Tuesday, 15 October 2019, at Cape Town Marriott Hotel Crystal Towers, Corner Century City Boulevard and Rialto Road, Century City, Cape Town.

PURPOSE

The purpose of the General Meeting of Pioneer Foods Shareholders is to consider and, if deemed fit, to approve, with or without modification, the special and ordinary resolutions set out in this notice of general meeting.

Note:

- The definitions and interpretations commencing on page 17 of the Circular to which this notice of general meeting is attached ("**the Circular**"), and the definitions contained in Annexure 10, commencing on page 224 of the Circular (i) apply, unless the context clearly indicates otherwise, *mutatis mutandis* to this notice and to the resolutions set out below, and (ii) are hereby incorporated into this notice by reference thereto.
- For Special Resolution Number 1 to be approved by Pioneer Foods Shareholders, it must be supported by at least 75% of the votes exercised on the resolution by Pioneer Foods Shareholders. The Excluded Shareholders will be excluded from voting on Special Resolution Number 1. As at the Last Practicable Date, the only Excluded Shareholder is Pioneer Foods Proprietary Limited.
- For Special Resolution Number 2 to be approved by Pioneer Foods Ordinary Shareholders, it must be supported by at least 75% of the votes exercised on the resolution by Pioneer Foods Ordinary Shareholders. For the avoidance of doubt, the Pioneer Foods Class A Shareholder is not entitled to vote on Special Resolution Number 2. The Excluded Shareholders will also be excluded from voting on Special Resolution Number 2. As at the Last Practicable Date, the only Excluded Shareholder is Pioneer Foods Proprietary Limited.
- For Special Resolution Number 3 to be approved by Pioneer Foods Shareholders, it must be supported by at least 75% of the votes exercised on the resolution by Pioneer Foods Shareholders. In accordance with the JSE Listings Requirements, the BEE Trust will be excluded from voting on Special Resolution Number 3.
- For Special Resolution Number 4 to be approved by Pioneer Foods Shareholders, it must be supported by at least 75% of the votes exercised on the resolution. The holder of the Pioneer Foods Class A Shares will be excluded from voting on Special Resolution Number 4.
- For Special Resolution Number 5 to be approved by Pioneer Foods Shareholders, it must be supported by at least 75% of the votes exercised on the resolution.
- For Special Resolution Number 6 to be approved by Pioneer Foods Shareholders, it must be supported by at least 75% of the votes exercised on the resolution.
- For Ordinary Resolution Number 1 to be approved by Pioneer Foods Shareholders it must, in terms of the JSE Listings Requirements, be supported by more than 50% of the votes exercised on the resolution by Pioneer Foods Shareholders, excluding any Controlling Shareholder of Pioneer Foods, its associates and any party acting in concert with it (if any). As at the Last Practicable Date, Pioneer Foods does not have a Controlling Shareholder.
- For Ordinary Resolution Number 2 to be approved by Pioneer Foods Shareholders, it must, in terms of the JSE Listings Requirements, be supported by at least 75% of the votes exercised on the resolution by Pioneer Foods Shareholders. If and to the extent they hold Pioneer Foods Ordinary Shares, the PSR Holders will be excluded from voting on Ordinary Resolution Number 2.
- For Ordinary Resolution Number 3 to be approved by Pioneer Foods Shareholders it must, in terms of the JSE Listings Requirements, be supported by more than 50% of the votes exercised on the resolution by Pioneer Foods Shareholders. The BEE Transaction Participants who are Pioneer Foods Shareholders will be excluded from voting on Ordinary Resolution Number 3.
- Quorum requirements: The General Meeting may not begin unless i) at least three Pioneer Foods Shareholders entitled to attend and vote are present or represented at the General Meeting; and ii) sufficient Persons are present or represented at the General Meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting. Further, a matter to be decided at the General Meeting may not begin to be considered unless at the time the matter is called on the agenda (a) at least three Pioneer Foods Shareholders entitled to attend and vote on that matter are present or represented at the General Meeting; and (b) sufficient Persons are present or represented at the meeting to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter.
- The date on which Pioneer Foods Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 23 August 2019.
- Each of Special Resolution Number 1, Special Resolution Number 2 and Ordinary Resolution Number 3 will only be implemented if the conditions precedent to the Scheme are fulfilled or, where capable of waiver, waived.
- Each of the other resolutions below, other than Ordinary Resolution Number 1, Ordinary Resolution Number 2, Ordinary Resolution Number 4, Special Resolution Number 5 and Special Resolution Number 6, will only be implemented if the conditions precedent to (i) the Scheme; or (ii) the Standby Offer, (as may be applicable), are fulfilled or, where capable of waiver, waived.
- Ordinary Resolution Number 1 will only be implemented in the circumstances set out therein.
- Ordinary Resolution Number 2 and Special Resolution Number 6 will be implemented regardless of whether the Scheme or the Standby Offer becomes Operative.
- Special Resolution Number 5 will only be implemented if the event set out in i or ii therein has occurred.

SPECIAL RESOLUTION NUMBER 1 – Approval of the Scheme in terms of sections 114 and 115 of the Companies Act by Pioneer Foods Shareholders

“**RESOLVED THAT**, the scheme of arrangement in terms of section 114 of the Companies Act (as more fully set out in the Circular and as same may be amended or varied as contemplated in the Circular) proposed by the Pioneer Foods Board between Pioneer Foods and the holders of Pioneer Foods Ordinary Shares (other than the holders of the Excluded Shares) in terms of which, *inter alia* if such scheme of arrangement becomes Operative:

- the Pepsi Offeror will acquire, on the terms and subject to the conditions set out in the Circular (as same may be amended or varied as contemplated in the Circular), all the Scheme Shares; and
- each Scheme Participant will receive the Per Share Scheme Consideration; and
- in terms of paragraph 1.17(b) of the JSE Listings Requirements, Pioneer Foods Ordinary Shares will be delisted from the securities exchange operated by JSE Limited,

be and is hereby approved as a special resolution in terms of section 115(2)(a) of the Companies Act, 2008, as amended.”

Reason for and effect of Special Resolution Number 1

The reason for and the effect of Special Resolution Number 1 is to obtain Pioneer Foods Shareholder approval, as required in terms of section 114 read with section 115 of the Companies Act, for the Scheme proposed by the Pioneer Foods Board between Pioneer Foods and the Scheme Participants. Pioneer Foods Shareholders are referred to the content of the Circular for more information relating to the reason for and effect of Special Resolution Number 1.

SPECIAL RESOLUTION NUMBER 2 – Approval of the Scheme in terms of sections 114 and 115 of the Companies Act by Pioneer Foods Ordinary Shareholders

“**RESOLVED THAT**, the scheme of arrangement in terms of section 114 of the Companies Act (as more fully set out in the Circular and as same may be amended or varied as contemplated in the Circular) proposed by the Pioneer Foods Board between Pioneer Foods and the holders of Pioneer Foods Ordinary Shares (other than the holders of the Excluded Shares) in terms of which, *inter alia* if such scheme of arrangement becomes Operative:

- the Pepsi Offeror will acquire, on the terms and subject to the conditions set out in the Circular (as same may be amended or varied as contemplated in the Circular), all the Scheme Shares; and
- each Scheme Participant will receive the Per Share Scheme Consideration; and
- in terms of paragraph 1.17(b) of the JSE Listings Requirements, Pioneer Foods Ordinary Shares will be delisted from the securities exchange operated by the JSE Limited,

be and is hereby approved as a special resolution in terms of section 115(2)(a) of the Companies Act, 2008, as amended.”

Reason for and effect of Special Resolution Number 2

The reason for and the effect of Special Resolution Number 2 is to obtain Pioneer Foods Ordinary Shareholder approval, in terms of section 114 read with section 115 of the Companies Act, for the Scheme proposed by the Pioneer Foods Board between Pioneer Foods and the Scheme Participants. Pioneer Foods Ordinary Shareholders are referred to the content of the Circular for more information relating to the reason for and effect of Special Resolution Number 2.

SPECIAL RESOLUTION NUMBER 3 – BEE Trust Repurchase

“**RESOLVED THAT**, subject to the Scheme or the Standby Offer becoming Operative, and in terms of the JSE Listings Requirements and sections 48(8) and 115(2) of the Companies Act (if applicable), Pioneer Foods be and is hereby authorised to:

- amend the 2012 BEE Subscription Agreement (in the form that agreement is prior to its amendment under the 2012 BEE Subscription Agreement Addendum) on the terms and conditions set out in the 2012 BEE Subscription Agreement Addendum, as referred to in paragraph 7 of the Circular; and
- repurchase the BEE Trust Pioneer Foods Shares from the BEE Trust as follows:
 - the BEE Trust Repurchase Shares in accordance with the BEE Trust Repurchase Formula at a cash price per BEE Trust Repurchase Share equal to the par value of ZAR0.10 (ten cents); and
 - the BEE Trust Residual Repurchase Shares at a cash price per BEE Trust Residual Repurchase Share equal to the Per Share Scheme Consideration or the Standby Offer Consideration,

and otherwise on the terms and conditions set out in the 2012 BEE Subscription Agreement (as amended by the 2012 BEE Subscription Agreement Addendum) as referred to in paragraph 7 of the Circular.”

**Reason for and effect of Special Resolution Number 3**

The reasons for Special Resolution Number 3 are that the JSE Listings Requirements and, if applicable, sections 48(8) and 115(2) of the Companies Act, require shareholder approval, by way of a special resolution for the repurchase by Pioneer Foods of the BEE Trust Pioneer Foods Shares and the amendment pursuant to the 2012 BEE Subscription Agreement Addendum. The effect of Special Resolution Number 3 is that Pioneer Foods will, subject to the Scheme or the Standby Offer becoming Operative, be authorised to implement the BEE Trust Repurchase.

SPECIAL RESOLUTION NUMBER 4 – Pioneer Foods Class A Repurchase

“RESOLVED THAT, subject to the Scheme or the Standby Offer becoming Operative, and in terms of the JSE Listings Requirements and sections 48(8) and 115(2) of the Companies Act, Pioneer Foods be and is hereby authorised to repurchase all Pioneer Foods Class A Shares in issue at a cash price per share equal to the Per Class A Share Comparable Offer Consideration, on the terms and conditions set out in the Pioneer Foods Class A Share Repurchase Agreement, as referred to in paragraph 5 of the Circular.”

Reason for and effect of Special Resolution Number 4

The reasons for Special Resolution Number 4 are that sections 48(8) and 115 of the Companies Act, the JSE Listings Requirements and the MOI require shareholder approval, by way of a special resolution, for the repurchase by Pioneer Foods of the Pioneer Foods Class A Shares. The effect of Special Resolution Number 4 is that Pioneer Foods will, subject to the Scheme or Standby Offer becoming Operative, be authorised to implement the Pioneer Foods Class A Share Repurchase and repurchase the Pioneer Foods Class A Shares.

SPECIAL RESOLUTION NUMBER 5 – Revocation of Special Resolution Number 1, Special Resolution Number 2, Special Resolution Number 3 and/or Special Resolution Number 4

“RESOLVED THAT, in terms of section 164(9) of the Companies Act, if all or any of Special Resolution Number 1, Special Resolution Number 2, Special Resolution Number 3 and/or Special Resolution Number 4 (as may be applicable) is/are adopted, but:

- i thereafter any Condition to the Scheme Fails or the Scheme otherwise lapses or fails; or
- ii after the Standby Offer has become Effective, any Standby Offer Condition Fails or the Standby Offer otherwise lapses or fails,

then:

- a) at the time of the occurrence of event number i above, each of Special Resolution Number 1 and Special Resolution Number 2 will be deemed to have been revoked; and
- b) at the time of the occurrence of event number ii above, each of Special Resolution Number 3 and Special Resolution Number 4 (if adopted, as may be applicable) will be deemed to have been revoked,

and accordingly each Dissenting Shareholder which has, pursuant to the adoption of the relevant revoked Special Resolutions, sent a demand to Pioneer Foods in terms of sections 164(5) to (8) of the Companies Act to be paid the fair value of its Pioneer Foods Shares, shall cease to have, and be deemed not to have had, any right, pursuant to the adoption of the relevant revoked Special Resolutions, to be paid under section 164 of the Companies Act.”

Reason for and effect of Special Resolution Number 5

The reason for Special Resolution Number 5 is to remove Dissenting Shareholders’ right to payment under section 164 of the Companies Act in certain circumstances set out in the resolution. The effect of Special Resolution Number 5 is to remove a Dissenting Shareholder’s right to payment under section 164 of the Companies Act in such circumstances.

SPECIAL RESOLUTION NUMBER 6 – Approval for the payment of fees to the members of the Independent Board

“RESOLVED THAT, Pioneer Foods be and is hereby authorised to pay the following fees to the members of the Independent Board for their services rendered in relation to the Pepsi Offer:

	PROPOSED ONCE-OFF FEE
NW Thomson	R120 000
SS Ntsaluba	R60 000
LE Mthimunye	R60 000
CG Botha	R30 000

Note: CG Botha resigned from the Independent Board on 17 July 2019.

Reason for and effect of Special Resolution Number 6

The reason and effect of Special Resolution Number 6 is to authorise Pioneer Foods to pay the above proposed fee to the members of the Independent Board for their services rendered in respect of the Pepsi Offer, in terms of section 66(9) of the Companies Act.

ORDINARY RESOLUTION NUMBER 1 – Delisting of Pioneer Foods Ordinary Shares from the main board of the JSE

“RESOLVED THAT, if (i) a Standby Offer Trigger Event occurs, and (ii) the Standby Offer Conditions are fulfilled or, where applicable, waived, but (iii) the Pepsi Offeror does not or is not entitled to invoke, or does not acquire all the remaining issued Pioneer Foods Ordinary Shares pursuant to, the “squeeze out” provisions of section 124 of the Companies Act, the delisting of the Pioneer Foods Ordinary Shares from the main board of the JSE in terms of paragraph 1.15 of the JSE Listings Requirements be and is hereby approved, and Pioneer Foods be and is hereby authorised to apply for the delisting of the Pioneer Foods Ordinary Shares from the securities exchange operated by JSE Limited with effect from the commencement of business on or about the South African Business Day following the Standby Offer Closing Date or as soon as reasonably possible thereafter.”

Reason for and effect of Ordinary Resolution Number 1

The reason for and effect of Ordinary Resolution Number 1 is to authorise Pioneer Foods to make application to the JSE to delist the Pioneer Foods Ordinary Shares from the main board of the JSE in terms of paragraph 1.15 of the JSE Listings Requirements, in the event that the Standby Offer Conditions are fulfilled or, where applicable, waived, but the Pepsi Offeror is not entitled to, or does not, give notice as contemplated in section 124(1)(a) of the Companies Act.

ORDINARY RESOLUTION NUMBER 2 – PSR Amendment

“RESOLVED THAT, pursuant to a determination made by the “Directors” (as defined in the Phantom Share Plan Rules) in terms of the discretion granted to them in the Phantom Share Plan Rules, the Phantom Share Plan be amended as follows:

- by amending the definition of “**Exercise or Exercised**” in Rule 2.1.17 to read as follows: “2.1.17 “**Exercise**” or “**Exercised**”: the completion of an Exercise Notice by a Participant in terms of Rule 7.2, and the delivery thereof to the Directors as indicated in Rule 15, or any deemed exercise in terms of Rule 10;”;
- by amending the definition of “**Exercise Date**” in Rule 2.1.18 to read as follows: “2.1.18 “**Exercise Date**”: the date of receipt, as contemplated in Rule 15, by the Directors of a duly completed Exercise Notice, or if applicable, the Deemed Exercise Date (as defined in Rule 10.1);”;
- by amending the definition of “**Exercise Price**” in Rule 2.1.21 to read as follows: “2.1.21 “**Exercise Price**”: the closing price of the Share as quoted by the JSE on the Business Day immediately preceding the Exercise Date, or, in the case of the deemed exercise in terms of Rule 10, the offer price per Share in relation to such Reconstruction or Takeover;”;
- by amending the definition of “**Performance-based PSRs**” in Rule 2.1.34 to read as follows: “2.1.34 “**Performance-based PSRs**”: the PSRs Granted to a Participant under this Plan which Vest in accordance with the provisions of Rule 7.1.1.2, being 50% (fifty percent) of total number of PSRs Granted to a Participant, or if applicable Rule 10;”;
- by amending the definition of “**Reconstruction or Takeover**” in Rule 2.1.39 to read as follows: “2.1.39 “**Reconstruction or Takeover**”: any takeover, merger or reconstruction however effected (including a reverse takeover, reorganisation, any general offer or any scheme of arrangement), which results in a change in Control of the Company;”;
- by adding a new definition of “**Record Date**” at Rule 2.1.40 to read as follows: “2.1.40 “**Record Date**”: of a Reconstruction or Takeover means the date for determination of which shareholders are entitled to participate in the Reconstruction or Takeover (or, in the case of a general offer, the closing date of that offer);”, and consequentially renumbering the succeeding provisions of Rule 2.1;
- by amending the definition of “**Settlement Date**” in Rule 2.1.45 to read as follows: “2.1.45 “**Settlement Date**” the date on which Settlement occurs, provided that the relevant Employer Company shall be obliged to Settle (i) within 30 (thirty) days from the relevant Exercise Date and (ii) in the case of a deemed exercise in terms of Rule 10, by no later than the Business Day preceding the Record Date;”;
- by amending the definition of “**Time-based PSR’s**” in Rule 2.1.48 to read as follows: “2.1.48 “**Time-based PSRs**”: the PSRs Granted to a Participant under this Plan which Vest in accordance with the provisions of Rule 7.1.1.1, being 50% (fifty percent) of total number of PSRs Granted to a Participant, or if applicable Rule 10; and”;

- by amending the definition of “**Vesting Date**” in Rule 2.1.49 to read as follows: “2.1.49 “**Vesting Date**”: the date on which PSRs become exercisable in terms of Rule 7, and as stipulated in the Letter of Grant or Rule 10, as applicable, and “**Vest**” and “**Vested**” shall be construed accordingly;”;
- by amending Rule 7.1.1 to read as follows: “7.1.1 Subject to Rule 10.1:”;
- by amending Rule 8.3 to read as follows: “8.3 The Employer Company will discharge the obligation in Rule 8.2 by:”;
- by amending Rule 9.2 to read as follows: “9.2 Any Performance-based PSRs, or any portion thereof, that do not Vest on the applicable date in accordance with the provisions of Rule 7.1.1.2.2, 7.1.1.2.3, 7.1.1.2.4 and/or Rule 10, shall lapse.”;
- by amending Rule 9.3 to read as follows: “9.3 If, while any portion of a Participant’s PSRs has Vested but remains unexercised, such Participant ceases to be an Employee of any Employer Company by reason of his resignation or dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct (whether such cessation occurs as a result of notice given by him or otherwise, or where he resigns to avoid dismissal on ground of misconduct, poor performance or proven dishonest or fraudulent conduct), the Participant shall be entitled, (i) within 30 (thirty) days of ceasing to be an Employee of the relevant Employer Company or (ii) in the case of a Reconstruction or Takeover, the earlier of the date of expiry of such 30 (thirty) day period and 5 (five) trading days on the JSE prior to the Record Date) (“**Relevant Period**”), to Exercise any Vested PSRs in accordance with the provisions of the Plan, provided that after the Relevant Period, all unexercised (Vested and unvested) PSRs will lapse, except to the extent that the Directors may determine otherwise in their absolute discretion.”;
- by deleting the word “sixty” in Rule 9.6.1 so that it reads as follows: “9.6.1 **Retirement age of 60 and over**”;
- by deleting the word “sixty” in Rule 9.6.1.1 so that it reads as follows: “9.6.1.1 Should a Participant retire at the age of 60 or over, all of such Participant’s Vested and unvested PSRs that remains unexercised will be retained by the Participant and the Participant will be entitled to the same rights, and be subject to the same conditions, under this Plan as if the Participant had continued to be an Employee.”;
- by deleting the word “(sixty)” in Rule 9.6.2 so that it reads as follows: “9.6.2 **Retirement age under 60**”;
- by deleting the word “(sixty)” in Rule 9.6.2.1 so that it reads as follows: “9.6.2.1 Should a Participant retire before the age of 60 (“**Early Retirement**”):”;
- by amending Rule 9.6.2.1.2 to read as follows: “9.6.2.1.2 such Participant shall be entitled, (i) within 30 (thirty) days of ceasing to be an Employee of the relevant Employer Company or (ii) in the case of a Reconstruction or Takeover, the earlier of (i) the date of expiry of such 30 (thirty) day period and 5 (five) trading days on the JSE prior to the Record Date) (“**Applicable Period**”) as a result of Early Retirement, to Exercise its unexercised Vested PSRs in accordance with the provisions of the Plan, provided that after the Applicable Period, all unexercised Vested PSRs will lapse, except to the extent that the Directors may determine otherwise in their absolute discretion.”;
- by amending Rule 10.1 to read as follows: “10.1 In the event of a Reconstruction or Takeover which will result in the Company’s Shares being delisted from the JSE, then all PSRs that have not been Exercised (Vested and unvested) will, notwithstanding the other provisions of these Rules, be deemed to have Vested, and be deemed to be Exercised, without any further action from the Participants, on the first Business Day after the date on which all the conditions precedent to the implementation of the relevant Reconstruction or Takeover are fulfilled or waived in accordance with its terms (“**Deemed Exercise Date**”).”; and
- by amending Rule 10.5 to read as follows: “10.5 Any adjustments contemplated in Rule 10.3 will be included in the Company’s annual financial statements.”

Reason for and effect of Ordinary Resolution Number 2

The reason for Ordinary Resolution Number 2 is to obtain the approval of Pioneer Foods Shareholders to amend the Phantom Share Plan Rules in order to give effect to a determination made by the “Directors” (as defined in the Phantom Share Plan Rules), such approval being required in terms of schedule 14 of the JSE Listings Requirements. The effect of Ordinary Resolution Number 2, if passed, will be that the PSR Amendment will be approved.

ORDINARY RESOLUTION NUMBER 3 – BEE Payment

“**RESOLVED THAT**, subject to the Scheme becoming Operative, Pioneer Foods be and is hereby authorised to make the BEE Payment directly or indirectly to the BEE Transaction Participants on the terms and conditions contained in paragraph 8 of the Circular.”

Reason for and effect of Ordinary Resolution Number 3

The reasons for Ordinary Resolution Number 3 are set out in paragraph 8.3 of the Circular. The effect of Ordinary Resolution Number 3, if passed, is that, subject to the Scheme becoming Operative, Pioneer Foods will be authorised to make the BEE Payment directly or indirectly to the BEE Transaction Participants.

ORDINARY RESOLUTION NUMBER 4 – Implementation

“**RESOLVED THAT**, each director and the company secretary of Pioneer Foods be and is hereby authorised to do all such things, including signing all such documentation, as are necessary or desirable to give effect to the ordinary and special resolutions passed at the General Meeting.”

Reason for and effect of Ordinary Resolution Number 4

The reason for Ordinary Resolution Number 4 is to authorise the directors and the company secretary to do all such things, including signing of documents and entering into of agreements, to give effect to and implement the special and ordinary resolutions approved at the General Meeting.

VOTING AND PROXIES

The Scheme Voting Record Date, being the date on which Pioneer Foods Shareholders must be recorded in the Register to be entitled to attend and vote at the General Meeting is Friday, 4 October 2019. The last day to trade in order to be entitled to attend and vote at the General Meeting is Tuesday, 1 October 2019.

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Accordingly, meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the General Meeting and must accordingly bring a copy of their identity document, passport or drivers’ license to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact Computershare for guidance.

On a poll, every Person present and entitled to vote, either as a Pioneer Foods Shareholder or as a proxy for a Pioneer Foods Shareholder, shall have one vote for every Pioneer Foods Share held by such Pioneer Foods Shareholder. On a show of hands, every Person present at the General Meeting and entitled to exercise voting rights shall be entitled to one vote, irrespective of the number of voting rights that Person would otherwise be entitled to exercise.

A Pioneer Foods Shareholder entitled to attend, speak and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of Pioneer Foods. For the convenience of Certificated Pioneer Foods Ordinary Shareholders, Own-Name Dematerialised Pioneer Foods Ordinary Shareholders and the Pioneer Foods Class A Shareholder, a Form of Proxy (yellow) is attached hereto. Completion of a Form of Proxy (yellow) will not preclude such Pioneer Foods Shareholder from attending and voting (in preference to that Pioneer Foods Shareholder’s proxy) at the General Meeting of Pioneer Foods Shareholders.

Duly completed Forms of Proxy and the authority (if any) under which it is signed (i) must, for administrative purposes, reach Computershare at the address given below by not later than 10:00 on Friday, 11 October 2019, or (ii) must thereafter be handed to the chairperson of the General Meeting or Computershare at the General Meeting, at any time before the proxy exercises any rights of the Pioneer Foods Shareholder at such General Meeting.

Pioneer Foods Ordinary Shareholders who hold Dematerialised Pioneer Foods Ordinary Shares, other than with Own Name Registration, must inform their CSDP or Broker of their intention to attend the General Meeting and request their CSDP or Broker to issue them with the necessary letters of representation to attend the General Meeting or provide their CSDP or Broker with their voting instructions should they not wish to attend the General Meeting in person, failing which the CSDP or Broker will be obliged to act in terms of the Custody Agreement between such Pioneer Foods Ordinary Shareholder and his/her CSDP or Broker.



Electronic participation

Pioneer Foods Shareholders are advised in terms of section 63(3) of the Companies Act, that while the General Meeting will be held in person, Pioneer Foods Shareholders (and/or their proxies) may participate in (but not vote at) the General Meeting by electronic communication, as contemplated in sub-section 63(2) of the Companies Act, and Pioneer Foods Shareholders and/or their proxies will be able, at their own expense, to participate in (but not vote at) the General Meeting by means of a teleconference facility. If they wish to participate in the meeting by way of electronic participation or teleconference, such shareholders:

- must contact the Company Secretary (by email at the address jay-ann.jacobs@pioneerfoods.co.za) by no later than five South African Business Days prior to the General Meeting in order to obtain a pin number and dial-in details for the teleconference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the General Meeting. Shareholders and their proxies or their representatives will not be able to vote telephonically or electronically at the meeting and will still need to appoint a proxy or representative to vote on their behalf at the General Meeting.

Pioneer Foods Shareholders who vote against all or any of the Special Resolution Number 1, Special Resolution Number 2, Special Resolution Number 3 and/or Special Resolution Number 4 and wish to exercise their rights (if applicable) in terms of section 115(3) of the Companies Act, to require the approval of a court for the Scheme and/or the Repurchases, should refer to **Annexure 7** of the Circular to which this Notice is attached which includes an extract of section 115 of the Companies Act.

APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

Pioneer Foods Shareholders are hereby advised of their Appraisal Rights in terms of section 164 of the Companies Act. Their attention is drawn to the full provisions of that section which are set out in **Annexure 7** to the Circular. The following sets out the salient features only of these Appraisal Rights.

In terms of section 164 of the Companies Act, at any time before Special Resolutions Numbers 1, 2, 3 and 4 (as applicable) as set out in this notice is voted on, a Pioneer Foods Shareholder may (if section 164 is applicable) give Pioneer Foods a written notice objecting to Special Resolutions Numbers 1, 2, 3 and/or 4 (as applicable).

Within 10 South African Business Days after Pioneer Foods has adopted Special Resolutions Numbers 1, 2, 3 and/or 4, Pioneer Foods must send a notice that the resolutions have been adopted to each Pioneer Foods Shareholder ("**Qualifying Shareholder**") who:

- gave Pioneer Foods a valid written notice of objection as contemplated above;
- has not withdrawn that notice; and
- has voted against Special Resolutions Numbers 1, 2, 3 and/or 4 (insofar as applicable).

A Qualifying Shareholder is entitled, within 20 South African Business Days after receiving Pioneer Foods' aforementioned notice of the adoption of Special Resolutions Numbers 1, 2, 3 and/or 4 (as applicable), to demand that Pioneer Foods pay the Qualifying Shareholder the fair value for all of the Qualifying Shareholder's Pioneer Foods Ordinary Shares

The wording of section 164 of the Companies Act is set out in **Annexure 7** to the Circular.

SIGNED AT TYGERVALLEY ON 29 AUGUST 2019 BY NW THOMSON ON BEHALF OF THE PIONEER FOODS BOARD

NW THOMSON

Chairman of the Independent Board

Company secretary and registered office

Jay-Ann Jacobs
Glacier Place
1 Sportica Crescent
Tygervalley
Cape Town, 7530
South Africa

(PO Box 20, Huguenot, 7645)

Transfer Secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)



**PIONEER
FOODS**

PIONEER FOOD GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1996/017676/06)

Share code: PFG

ISIN: ZAE000118279

("Pioneer Foods" or "the Company")

**FORM OF PROXY IN RESPECT OF THE GENERAL MEETING OF PIONEER FOODS SHAREHOLDERS
(for use by Certificated Pioneer Foods Ordinary Shareholders, Own-Name Dematerialised Pioneer Foods
Ordinary Shareholders and the Pioneer Foods Class A Shareholder only)**

The definitions and interpretations commencing on page 17 of the Circular to which this Form of Proxy is attached ("**the Circular**") shall, unless the context clearly requires otherwise, apply to this Form of Proxy.

For use by Pioneer Foods Shareholders at the General Meeting convened in terms of the Companies Act to be held at 10:00 on Tuesday, 15 October 2019 at Cape Town Marriott Hotel Crystal Towers, Corner Century City Boulevard and Rialto Road, Century City, Cape Town, South Africa or any adjourned or postponed meeting.

Dematerialised Pioneer Foods Ordinary Shareholders holding Pioneer Foods Shares other than with Own-Name Registration, must inform their CSDP or Broker of their intention to attend the General Meeting, and request their CSDP or Broker to issue them with the necessary letter of representation and/or proxy form to attend the General Meeting in person and vote (or abstain from voting), or provide their CSDP or Broker with their instructions should they not wish to attend the General Meeting in person. Letters of representation must be lodged with Computershare by the commencement of the General Meeting (including any adjournment or postponed meeting). Such Pioneer Foods Shareholders must not use this form of proxy.

I/We (please PRINT names in full)

of (address)

Tel no

Cell no

E-mail

being the holder(s) of

Pioneer Foods Ordinary Shares/Pioneer Foods Class A Shares

do hereby appoint (see notes 1 and 2):

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairperson of the General Meeting

as my/our proxy to attend, speak and vote for me/us at the General Meeting (or any postponement or adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each postponement or adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Pioneer Foods Shares registered in my/our name(s), in accordance with the following instructions and otherwise in accordance with the Companies Act, the MOI and the terms of the attached notes:

	For	Against	Abstain
Special Resolution Number 1: Approval of the Scheme in terms of sections 114 and 115 of the Companies Act by Pioneer Foods Shareholders			
Special Resolutions Number 2: Approval of the Scheme in terms of sections 114 and 115 of the Companies Act by Pioneer Foods Ordinary Shareholders			
Special Resolution Number 3: BEE Trust Repurchase			
Special Resolution Number 4: Pioneer Foods Class A Repurchase			
Special Resolution Number 5: Revocation of Special Resolution Number 1, Special Resolution Number 2, Special Resolution Number 3 and/or Special Resolution Number 4			
Special Resolution Number 6: Approval for the payment of fees to the members of the Independent Board			
Ordinary Resolution Number 1: Delisting of Pioneer Foods Ordinary Shares from the main board of the JSE			
Ordinary Resolution Number 2: PSR Amendment			
Ordinary Resolution Number 3: BEE Payment			
Ordinary Resolution Number 4: Implementation			

* One vote per Pioneer Foods Share held by Pioneer Foods Shareholders. Pioneer Foods Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided or "X" should they wish to vote all Pioneer Foods Shares held by them. If no instruction is provided, the proxy (if not the chairperson of the General Meeting) shall be entitled to vote or abstain from voting as he/she deems fit, provided that if the proxy is the chairperson of the General Meeting, he shall be deemed to be instructed to vote in favour of the resolutions set out above, in respect of all shares held by the Pioneer Foods Shareholder.

Signed at

on

2019

Signature

Capacity (where applicable)

Note: Authority of signatory to be attached – see notes 8 and 9.

Assisted by me (where applicable):

Full name (please PRINT name)

Signature

Capacity

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder.
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder.
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
 - the relevant shareholder; or
 - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

Notes:

1. Pioneer Foods Shareholders who hold Dematerialised Pioneer Foods Ordinary Shares other than with Own-Name Registration:
 - 1.1 who wish to attend the General Meeting in person may do so by requesting the registered holder, being their CSDP, Broker or nominee, to issue them with a letter of representation;
 - 1.2 who do not wish to attend the General Meeting in person but wish to vote (or abstain from voting) thereat must provide the registered holder, being the CSDP, Broker or nominee, with their instructions. The instructions must reach the registered holder in sufficient time to allow the registered holder to exercise such vote on their behalf.
2. Each Pioneer Foods Shareholder is entitled to appoint one (or more) proxies (none of whom need be a Pioneer Foods Shareholder) to attend, speak and vote in place of that Pioneer Foods Shareholder at the General Meeting.
3. A Pioneer Foods Shareholder entitled to attend and vote at the General Meeting may insert the name of a proxy or the names of two alternative proxies of the Pioneer Foods Shareholder's choice in the space/s provided with or without deleting "the chairperson of the General Meeting" but the Pioneer Foods Shareholder must initial any such deletion. The person whose name stands first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairperson of the General Meeting.
4. Completed Forms of Proxy and the authority (if any) under which they are signed must be (i) lodged with or posted to Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107), to be received by them, for administrative purposes, by no later than 10:00 on Friday, 11 October 2019 or (ii) thereafter handed to the chairperson of the General Meeting or Computershare at the General Meeting, at any time before the proxy exercises any rights of the Pioneer Foods Shareholder at such General Meeting.
5. The completion and lodging of this Form of Proxy will not preclude the relevant Pioneer Foods Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Pioneer Foods Shareholder wish to do so.
6. The chairperson of the General Meeting may accept or reject any Form of Proxy not completed and/or received in accordance with these notes or with the MOI.
7. Any alteration or correction made to this Form of Proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this Form of Proxy, unless previously recorded by Pioneer Foods.
9. Where this Form of Proxy is signed under power of attorney, such power of attorney must accompany this Form of Proxy, unless it has been registered by Pioneer Foods or waived by the chairperson of the General Meeting.
10. Where Pioneer Foods Shares are held jointly, all joint holders are required to sign this Form of Proxy.
11. A minor Pioneer Foods Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Pioneer Foods.
12. This Form of Proxy shall be valid at any resumption of an adjourned or postponed meeting to which it relates although this Form of Proxy shall not be used at the resumption of an adjourned or postponed meeting if it could not have been used at the General Meeting of Pioneer Foods Shareholders from which it was adjourned or postponed for any reason other than it was not lodged timeously for the meeting from which the adjournment took place.
13. This Form of Proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting of Pioneer Foods Shareholders in question, subject to any specific direction contained in this Form of Proxy as to the manner of voting.
14. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Pioneer Foods Shares in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by Pioneer Foods before the commencement of the meeting or adjourned meeting at which the proxy is used.
15. Any proxy appointed pursuant to this Form of Proxy may not delegate her or his authority to act on behalf of the relevant Pioneer Foods Shareholder.
16. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this Form of Proxy remains valid only until the end of the General Meeting of Pioneer Foods Shareholders or any adjournment of such General Meeting or any postponed meeting.
17. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory/ies.



PIONEER FOODS

PIONEER FOOD GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1996/017676/06)

Share code: PFG

ISIN: ZAE000118279

("Pioneer Foods" or "the Company")

FORM OF SURRENDER, TRANSFER AND ACCEPTANCE (for use by *Certificated Pioneer Foods Ordinary Shareholders only*)

*The definitions and interpretations commencing on page 17 of the Circular to which this Form of Surrender, Transfer and Acceptance is attached ("**the Circular**"), apply, unless the context clearly indicates otherwise, to this Form of Surrender, Transfer and Acceptance.*

This form should be read in conjunction with the Circular.

Instructions:

1. A separate Form of Surrender, Transfer and Acceptance is required for each Pioneer Foods Ordinary Shareholder. Certificated Pioneer Foods Ordinary Shareholders must complete this Form of Surrender, Transfer and Acceptance in **BLOCK CAPITALS**.
2. Part A must be completed by all Certificated Pioneer Foods Ordinary Shareholders who return this form and **relates to the surrender of Documents of Title**.
3. Part B must be completed by Certificated Pioneer Foods Ordinary Shareholders **who are emigrants from or non-residents of** the Common Monetary Area (see note 2).
4. Part C must be completed by all Certificated Pioneer Foods Ordinary Shareholders who return this form and **relates to the acceptance of the Standby Offer**.
5. Part D must be completed by all Certificated Pioneer Foods Ordinary Shareholders who wish to receive the Per Share Scheme Consideration or Standby Offer Consideration by way of electronic funds transfer.

Please also read notes overleaf.

To: Computershare

Hand deliveries to:

Computershare Investor Services (Pty) Ltd

Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196

Postal deliveries to:

Computershare Investor Services (Pty) Ltd

PO Box 61763
Marshalltown
2107

Dear Sirs

PART A – SURRENDER OF DOCUMENTS OF TITLE

ALL PIONEER FOODS ORDINARY SHAREHOLDERS WHO RETURN THIS FORM MUST PLEASE COMPLETE PART A.

Certificated Pioneer Foods Ordinary Shareholders who wish to anticipate the Scheme or the Standby Offer becoming Operative and expedite settlement of the Per Share Scheme Consideration or the Standby Offer Consideration, as applicable, should complete Part A and return this form to Computershare together with their Document(s) of Title by no later 12:00 on the Scheme Consideration Record Date, in the case of the Scheme and by no later than 12:00 on the Standby Offer Closing Date, in the case of the Standby Offer.

Should the Scheme not become Operative, relevant Documents of Title surrendered to and held by Computershare will, in the case of Certificated Pioneer Foods Ordinary Shareholders who have not accepted the Standby Offer in respect of all their Pioneer Foods Ordinary Shares, be returned to such Pioneer Foods Ordinary Shareholders by Computershare, at such Pioneer Foods Ordinary Shareholders' own risk, by registered post within 5 South African Business Days from the date of receipt of the Documents of Title or the date on which it becomes known that the Scheme will not become Operative, whichever is the later.

Surname or Name of corporate body

First names (in full)

Title

Address

Postal code

Country

Telephone number ()

Cellphone number ()

E-mail address

Fax number ()

Please note: In order to comply with the requirements of the Financial Intelligence Centre Act, No 38 of 2001 ("FICA"), Computershare will not be able to record any change of address mandated unless the relevant FICA documentation as advised by Computershare is received from the relevant Pioneer Foods Ordinary Shareholder. Pioneer Foods Ordinary Shareholders are required to contact Computershare directly on 086 1100 634 (or +27 11 370 5000) in order for Computershare to advise them of the specific FICA documentation required.

I/WE HEREBY SURRENDER THE ENCLOSED SHARE CERTIFICATE/S, CERTIFIED TRANSFER DEED/S AND/OR OTHER DOCUMENTS OF TITLE, DETAILS OF WHICH HAVE BEEN COMPLETED BELOW.

Share certificate/s and/or other Document(s) of Title to be surrendered (as enclosed)

Name of registered holder (separate form for each holder)	Certificate number(s) (in numerical order)	Number of Pioneer Foods Ordinary Shares covered by each certificate
Total		

Signature of Pioneer Foods Ordinary Shareholder	Stamp and address of agent lodging this form
Assisted by me (if applicable)	
State full name and capacity	
Date 2019	
Telephone (Home) ()	
Telephone (Work) ()	
Cellphone ()	

Signatories may be called upon for evidence of their authority or capacity to sign this form.

PART B

1. To be completed only by Certificated Pioneer Foods Ordinary Shareholders who are emigrants from the Common Monetary Area.

The Per Share Scheme Consideration or Standby Offer Consideration, as applicable, will be forwarded to the authorised dealer nominated below for its control and credited to the emigrant's blocked account. Accordingly, a non-resident who is an emigrant from South Africa must provide the following information:

Name and address of authorised dealer in South Africa or substitute instruction

Account number

2. To be completed only by all other non-resident Certificated Pioneer Foods Ordinary Shareholders who wish to provide a substitute address.

The Per Share Scheme Consideration or the Standby Offer Consideration, as applicable, will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and a substitute address provided below:

Substitute address

3. If no nomination is made in terms of 1 above, the Per Share Scheme Consideration or the Standby Offer Consideration, if applicable, will be held in trust by Pioneer Foods or Computershare on behalf of Pioneer Foods.

PART C – STANDBY OFFER

Please tick the appropriate box:

1. I/We, by ticking the box below, hereby irrevocably (subject to the provisions of Regulation 105 of the Companies Regulations) accept the Standby Offer, once Effective, in respect of the Standby Offer Shares held by me/us.

Please tick this box if you **ACCEPT** the Standby Offer. By ticking this box, Pioneer Foods Ordinary Shareholders acknowledge that once they have accepted the Standby Offer, they will no longer be able to deal in their Pioneer Foods Ordinary Shares or have the surrendered Documents of Title returned until such time as the Standby Offer (if made) fails.

ALTERNATIVELY, I/We, by ticking the box below, hereby reject the Standby Offer:

Please tick this box only if you **REJECT** the Standby Offer in respect of ALL your Pioneer Foods Shares.

2. **The following portion of Part C only needs to be completed by those Certificated Pioneer Foods Ordinary Shareholders who have accepted the Standby Offer by ticking the applicable box at 1 above.**

Please tick this box if you accept the Standby Offer in respect of **ALL** the Pioneer Foods Ordinary Shares held by you.

ALTERNATIVELY, should you only accept the Standby Offer in respect of some of the Pioneer Foods Ordinary Shares held by you, kindly state the number of Pioneer Foods Ordinary Shares in respect of which the Standby Offer is accepted:
_____ (insert number of Pioneer Foods Ordinary Shares)

Please note that, as the default position, it is assumed that a Pioneer Foods Ordinary Shareholder that has accepted the Standby Offer, has accepted the Standby Offer in respect of **ALL** the Pioneer Foods Ordinary Shares held by that Pioneer Foods Ordinary Shareholder. Accordingly, should a Pioneer Foods Ordinary Shareholder have accepted the Standby Offer by ticking the applicable box at 1 above, but such Pioneer Foods Ordinary Shareholder has neither ticked the applicable box in 2 above nor inserted the number of Pioneer Foods Ordinary Shares in respect of which the Standby Offer is accepted, **such Pioneer Foods Ordinary Shareholder shall be deemed to have accepted the Standby Offer in respect of all the Pioneer Foods Ordinary Shares held by that Pioneer Foods Ordinary Shareholder.**

PART D

To be completed in BLOCK LETTERS by Certificated Pioneer Foods Ordinary Shareholders wishing to receive payment of the Per Share Scheme Consideration or the Standby Offer Consideration, as applicable, by means of EFT.

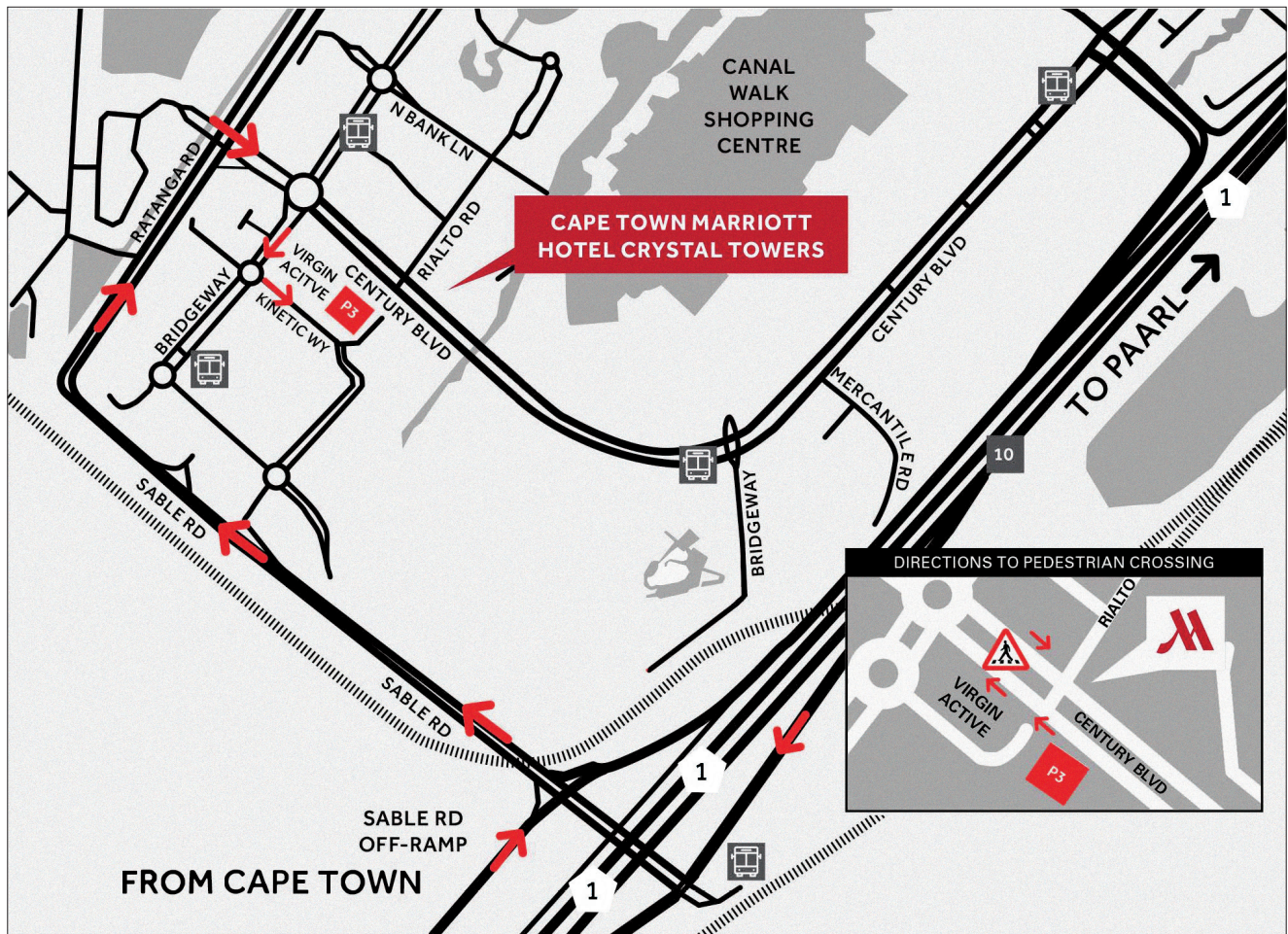
Name of account holder (no third party accounts):		
Bank name:		
Account number:		
Signature of Pioneer Foods Ordinary Shareholders:		
Assisted by me (if applicable):		
(State full name and capacity):		
Date:		2019
Telephone (Home) ()	Telephone (Work) ()	Cellphone ()

In terms of FICA, Computershare will only be able to record the bank details if the relevant FICA documentation as advised by Computershare is received from the Pioneer Foods Ordinary Shareholder. Pioneer Foods Ordinary Shareholders are required to contact Computershare directly on 086 1100 634 (or +27 11 370 5000) in order for Computershare to advise them of the specific FICA documentation required.

Notes:

1. Emigrants from the Common Monetary Area must complete Part B.
2. All other non-residents of the Common Monetary Area must complete Part B if they wish the Per Share Scheme Consideration or the Standby Offer Consideration, if applicable, to be sent to an address other than their address in the Register.
3. If Part B is not properly completed, the Per Share Scheme Consideration or the Standby Offer Consideration, as applicable (in the case of emigrants) will be held in trust by Pioneer Foods (or its agent) pending receipt of the necessary nomination or instruction.
4. The Per Share Scheme Consideration or the Standby Offer Consideration, as applicable, will not be sent to Pioneer Foods Ordinary Shareholders unless and until Documents of Title in respect of the relevant Pioneer Foods Ordinary Shares have been surrendered to Computershare.
5. If a Certificated Pioneer Foods Ordinary Shareholder produces evidence to the satisfaction of Pioneer Foods, PepsiCo and the Pepsi Offeror that Documents of Title in respect of Pioneer Foods Ordinary Shares have been lost or destroyed, PepsiCo may waive the surrender of such Documents of Title against delivery of a duly executed indemnity (including against any damage, expense, loss or payment that PepsiCo, or any of its duly authorised representatives, may incur or suffer by reason of, or arising from, the payment of the Standby Offer Consideration to such person) in a form and on terms and conditions approved by Pioneer Foods, PepsiCo and the Pepsi Offeror, or may in their discretion waive such indemnity.
6. If this Form of Surrender, Transfer and Acceptance is not signed by the Certificated Pioneer Foods Ordinary Shareholder, the Pioneer Foods Ordinary Shareholder will be deemed to have irrevocably appointed the company secretary of Pioneer Foods to implement that Pioneer Foods Ordinary Shareholder's obligations under the Scheme or the Standby Offer, as the case may be, on his/her behalf.
7. Persons who have acquired Pioneer Foods Ordinary Shares after the date of posting of the Circular to which this Form of Surrender, Transfer and Acceptance is attached, can obtain copies of the Form of Surrender, Transfer and Acceptance and the Circular from Pioneer Foods' company secretary at Glacier Place, 1 Sportica Crescent, Tygervally, Cape Town, South Africa (PO Box 20, Huguenot, 7645) and from Computershare at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107).
8. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this Form of Surrender, Transfer and Acceptance.
9. Any alteration to this Form of Surrender, Transfer and Acceptance must be signed in full and should not be merely initialled.
10. If this Form of Surrender, Transfer and Acceptance is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this Form of Surrender, Transfer and Acceptance for noting (unless it has already been noted by Pioneer Foods or Computershare).
11. Where the Certificated Pioneer Foods Ordinary Shareholder is a company or a close corporation, unless it has already been registered with Pioneer Foods or Computershare, a certified copy of the directors' or members' resolution authorising the signing of this Form of Surrender, Transfer and Acceptance must be submitted if so requested by Pioneer Foods.
12. Note 11 above does not apply in the event of this Form of Surrender, Transfer and Acceptance bearing the stamp of a broking member of the JSE.
13. Where Pioneer Foods Ordinary Shares are held jointly, all joint holders are required to sign this Form of Surrender, Transfer and Acceptance.

GENERAL MEETING PARKING AND VENUE LOCATION



**CAPE TOWN MARRIOTT HOTEL CRYSTAL TOWERS
CORNER CENTURY BOULEVARD AND RIALTO ROAD
CENTURY CITY, CAPE TOWN 7441, SOUTH AFRICA**

DIRECTIONS TO FREE PARKING FOR THE MEETING VENUE

- » Merge onto Sable Road
- » Continue onto Ratanga Road
- » Use the right 2 lanes to turn right onto Century Blvd
- » At the roundabout, take the 3rd exit onto Bridgeway
- » Go through 1 roundabout
- » At the roundabout, take the 1st exit onto Kinetic Way
- » Turn left to stay on Kinetic Way
- » Parking will be on the right (P3 Parking)

The meeting venue is located across the road on the corner of Century Blvd and Rialto Road.