



Producing some of South Africa's most recognisable brands since 1920

annual report 2008

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2008 a challenging year...

- Listed on the JSE on 22 April 2008
- R500 million raised through a rights issue
- Debt facilities restructured for R3,6 billion
- Revenue R14,9 billion +27%
- Cash profit from operating activities R1 142 million +2%
- Operating profit R865 million +4%
(before items of a capital nature)
- Headline earnings per share 292 cents -11%
- Total dividend per share 96 cents +3%
- Total dividend declared R187 million +11%



pioneer foods at a glance

our vision ...

to be a leading food and beverage company
through globally trusted brands

our values ...

accountability and commitment
development and recognition of people
adaptability
consumer/customer focus
integrity
passion





who we are

The Group was formed in 1997 by a merger between Bokomo and Sasko, two established businesses that had been competing in the South African agricultural and food markets since the early 1900's.

Since their inception in the 1920's and 1930's respectively, both Bokomo and Sasko built leadership positions in their markets – each converting from a co-operative to a company during 1996 – prior to the merger to form Pioneer Foods.

Pioneer Foods provides numerous quality products from its diversified portfolio of premium brands that include some of South Africa's best known products.

what we do

Our core business is the production and distribution of food and beverages for human and animal consumption in Southern Africa.

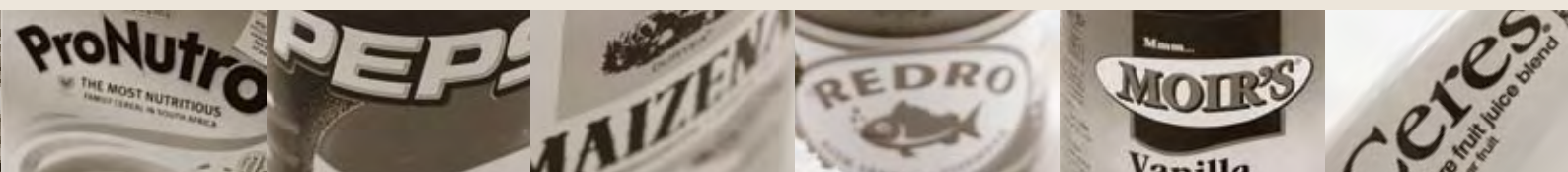
We operate one of the largest milling and baking businesses, with our *Sasko* brand being one of the most recognisable brands throughout South Africa.

We are a leader in the breakfast cereal market in Southern Africa with brands such as *Weet-Bix* and *ProNutro* being two of the top selling breakfast cereals and we are a leader in the local dried fruit products market with our *Safari* brand.

We are a major player in the Southern African beverage industry with recognisable brands such as *Liqui-Fruit*, *Ceres* and *Pepsi*.

We are a major player in the South African egg market.

The Group has access to an extensive distribution network that covers the entire country and key regions of the various Africa businesses.



our business

Pioneer Foods is structured in four divisions that manufacture household food and beverage products. These are:

- Sasko: manufacturer of a range of affordable grain-based food products, ranging from wheaten flour, maize flour, bread and pasta. We have one of South Africa's largest baking operations, with bakeries located throughout the country. We also trade in rice, beans, lentils and dried vegetables.
- Bokomo Foods: producer of products ranging from breakfast cereals, rusks, biscuits, instant mash potato, cake mixes, baking aids, dried fruit products, nuts, spreads, dehydrated vegetables and processed salads.
- Agri Business: produces poultry and animal feeds, broilers, eggs and processed egg and chicken based products.
- The Ceres Beverage Company: one of the largest manufacturers of fruit juices, carbonated soft drinks and fruit concentrate mixtures in South Africa.

Pioneer Foods has interests in a number of joint ventures with international partners:

- Heinz Foods SA (Pty) Ltd
- Bowman Ingredients (SA) (Pty) Ltd
- Bokomo Botswana (Pty) Ltd
- Bokomo Namibia (Pty) Ltd

We also have businesses in Zambia and Uganda, as well as a UK based breakfast cereal plant.

our strategy

Organic growth in revenue

- Capacity expansion
- Brand support
- Focused sales and merchandising structure

New category and geographic expansion

- Evaluate opportunities to enter new categories
- Africa will become a focus in the medium term

Margin improvement

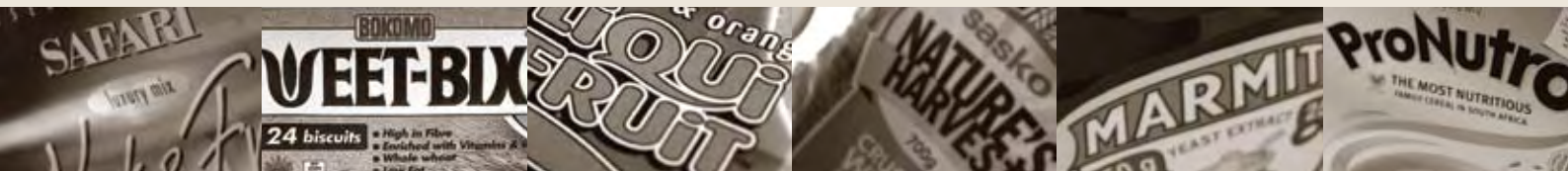
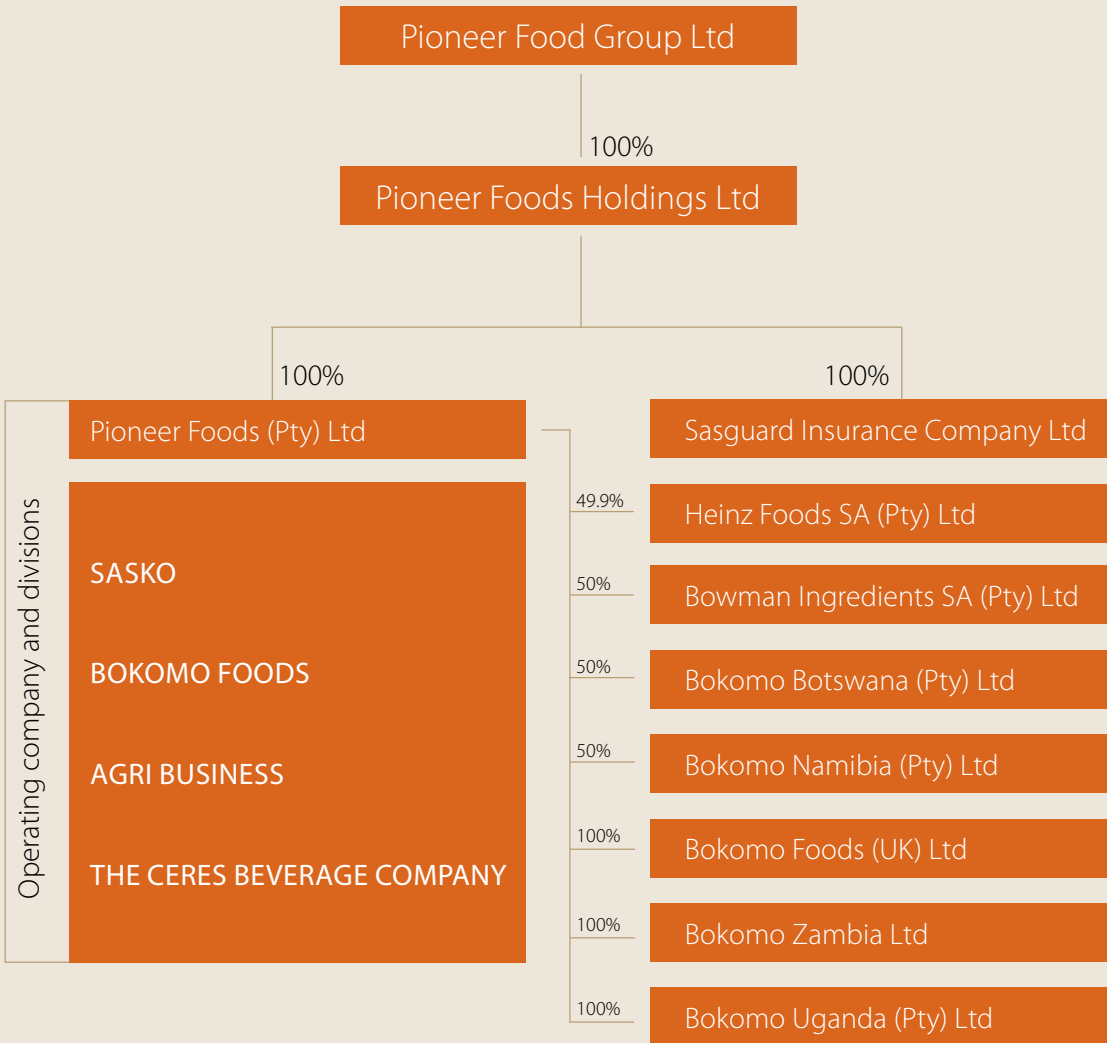
- Alignment of sales prices with input costs
- Driving efficiencies through process optimisation
- Strengthening brand positioning

Transformation

- Committed to the principles of transformation across the Group



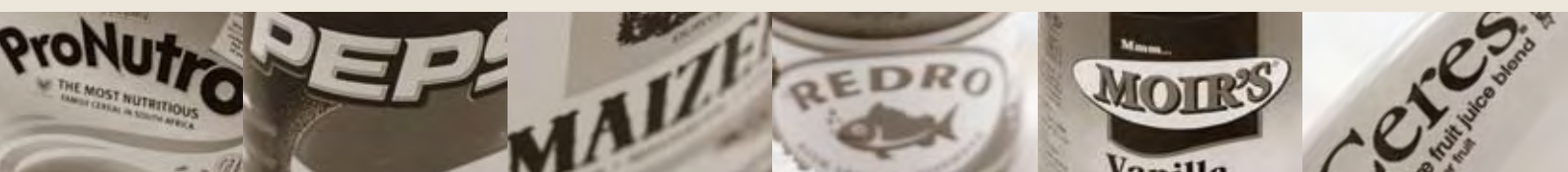
organisational structure



divisions, products and services

SASKO	• Wheaten flour • Pasta • Dried vegetables	• Maize meal • Rice	• Bread • Buns and rolls	
BOKOMO FOODS	• Breakfast cereals • Crumbs • Cake mixes • Biscuits • Flour mixes & concentrates	• Rusks • Baking aids • Desserts • Soy products • Instant mash potato • Meal enhancers	• Glacè fruits • Processed salads • Fruit pulp • Dried vine fruit products • Dried tree fruit products • Dehydrated vegetables	Bokomo Foods (UK) Ltd (100%) • Breakfast cereals • Nuts • Spreads • Vinegar
AGRI BUSINESS	• Broilers • Eggs	• Animal feeds • Processed egg and chicken based products		
THE CERES BEVERAGE COMPANY	• Fruit juices • Carbonated soft drinks • Fruit concentrate mixtures			
HEINZ FOODS SA (PTY) LTD (49.9%)	• Tomato sauces • Tomato ketchup • Frozen foods	• Condiments • Seafood products	• Instant meals • Noodles	• Soups • Tinned food
BOWMAN INGREDIENTS SA (PTY) LTD (50%)	• Crumbs & batters			
AFRICA BUSINESS	Bokomo Zambia Ltd (100%) • Day-old-broilers • Day-old-pullets • Eggs	Bokomo Uganda (Pty) Ltd (100%) • Day-old-broilers • Day-old-pullets	Bokomo Namibia (Pty) Ltd (50%) • Eggs • Maize meal • Wheaten flour	Bokomo Botswana (Pty) Ltd (50%) • Eggs • Maize meal • Wheaten flour
CORPORATE OFFICE	• Corporate finance • Information systems • Treasury	• Insurance • Secretarial and legal services • Internal audit	• Retirement fund and salary administration • Organisational development and talent management	• Training and development co-ordination • Corporate strategy • Scarce skills management

Joint Ventures and Foreign Entities



salient features

	2008	2007	% Change
Financial results (R million)			
Revenue	14 884	11 677	+27
Operating profit, before items of a capital nature	865	832	+4
Headline earnings	468	503	-7
Cash profit from operating activities	1 142	1 117	+2
Net cash from operations	490	831	-41
Capital and reserves	4 257	3 609	+18
Performance per share (cents)			
Headline earnings	292.4	328.4	-11
Dividend	96.0	93.0	+3
Net asset value	2 437.6	2 338.6	+4
Price at year-end	2 477.0	3 504.0	-29
Core ratios (%)			
Operating profit margin	5.8	7.1	
Return on average net assets	15.4	17.2	
Return on average shareholders' funds	11.9	14.8	
Debt to equity	34.2	33.1	



board of directors



HE (Boy) Blanckenberg (60), BA Trade, Agricultural Diploma (Elsenburg)

Chairman of the Board, Chairman of Nomination Committee, Member of Human Resources Committee

Mr Blanckenberg has been farming in the Klipheuwel area since 1970. He has served as board member and chairman of various organisations in the dairy industry. He is currently a director of companies and is the chairman of the Board of Pioneer Foods.

Director since 20 June 1997.



JA (Nols) Louw (64), BSc Hons, B(B&A) (Hons)

Vice-chairman of the Board, Chairman of Human Resources Committee

Mr Louw served as executive director of Malbak from 1969 to 1985. In 1986 he became managing director of Pepcor and vice-chairman of Pepcor in 1992. Mr Louw became chairman of Pep Limited in 1996, a position he held until 1997. Currently Mr Louw has various farming operations and is a director of companies, inter alia, of Shoprite Holdings Limited.

Director since 28 April 1999.



WA (André) Hanekom (49), CA(SA)

Managing director

Joined the Group with Bokomo Breakfast Cereals and in 1994 he was appointed chief executive officer of Bokomo. After the merger, André was the executive: Sasko Milling & Baking before being appointed as managing director of the Group in 1999.

Director since 1 January 1999.



LR (Leon) Cronjé (51), CA(SA)

Financial director

Joined the Group in 1987 with Sasko and was the General Manager: Finance before the merger. He was appointed in the same role for Pioneer Foods before becoming financial director in 1999.

Director since 28 April 1999.



MT (Tertius) Swanepoel (54), B Econ

Executive director: Marketing

Joined the Group in 1989 and fulfilled various managerial and executive positions before being appointed as an executive director.

Director since 22 February 2003.



TA (Tertius) Carstens (45), B Eng (Chem), MBA

Executive director: Sasko

Joined the Group in 1995 and fulfilled various managerial and executive positions before being appointed as an executive director.

Director since 23 May 2007.



JH (Kosie) van Niekerk (51)

Non-executive director, Member of Nomination Committee

After serving as a pilot in the South African Air Force, Mr Van Niekerk started farming in 1980 and has extended the business to seven farms. He has served on various boards of companies and is currently serving, inter alia, on the board of Kaap Agri Ltd, where he is the vice-chairman.

Director since 24 February 2006.



GD (George) Eksteen (66)

Non-executive director, Member of Nomination and Human Resources Committees

Mr Eksteen farms in the Malmesbury area. Since 1980 he has been serving on various boards and is currently the chairman of Kaap Agri Ltd.

Director since 22 February 2002.



board of directors (continued)



AH (Andile) Sangqu (41), BCom (Acc), BCompt Hons, CTA, Higher Dipl Tax, MBL

Independent non-executive director, Chairman of Audit and Risk Committee

After having completed his articles with PricewaterhouseCoopers Inc., Mr Sangqu spent 14 years in various financial management positions. He is currently group executive director at Kagiso Trust Investments and serves on various boards of companies.

Director since 24 February 2006.



WA (Willem) Agenbach (59), MSc

Non-executive director, Member of Audit and Risk Committee

Mr Agenbach served on the board of Southern Associated Maltsters from 1994 to 2005. He also served on the board of Sasko from 1994 to 1997. He retired as chairman of Overberg Agri Ltd in 2008 and farms in the Overberg area, and is a director of companies.

Director since 28 April 1999.



AE (Antonie) Jacobs (43), BAcc, BCompt (Hons), CA(SA), MCom (Tax), LLB

Non-executive director

Mr Jacobs has many years experience in an investment management capacity in the agricultural sector. He was the managing director of KKK Landbou Limited for three years. He served on the boards of various investment holding companies with diversified interests, such as Winecorp and Spier Holdings. He also previously lectured tax and accountancy at the University of Stellenbosch.

Director since 7 August 2008.



AW (Albie) Bester (64)

Non-executive director, Member of the Nomination Committee

Mr Bester has been farming in the Moorreesburg area since 1965. He has served on various managerial boards of public organisations and is currently also serving on the board of Moorreesburgse Koringboere (Pty) Ltd.

Director since 22 February 2008.



JN (Johannes) Hamman (66), BA (LLB)

Non-executive director

In 1970 Mr Hamman was one of the four founders of Finansbank and was managing director until 1980. In 1980 he joined Federated Insurance Group and became chief executive officer of the Fedsure Group in 1986. He joined Finansbank again in 1989 as managing director and retired in 1992. He is currently a director of various companies.

Director since 28 April 1999.



NS (Sylvia) Mjoli-Mncube (49), MA in City planning, SPURS fellow (MIT), Cert Finance SEP Executive, Leadership Programme (Harvard USA), Cert in Technical Management (Warwick)

Independent non-executive director, Member of the Nomination Committee

Ms Mjoli-Mncube held various positions at the Social and Economic Science Research Centre at the Washington State University, Pullman, USA. From 1993 to 1995 she was executive director of Bernhardt Dunstan and Associates, a wholly owned subsidiary of Murray and Roberts. From 1995 to 2003 she was executive director of the National Urban Reconstruction and Housing Agency.

Director since 25 November 2004.



Dr MI (Iqbal) Survé (45), MBChB, BSc (Med) (Hons) Sports Medicine, Fellow of American College of Sports Medicine, Senior Executive Programme (Harvard/Wits), MBA (UCT)

Independent non-executive director, Member of Human Resources Committee

Prior to founding Sekunjalo Group in 1997, Dr Survé was a practising medical doctor and sports medicine specialist.

Dr Survé is a fellow of the Africa Leadership Initiative, a fellow of the HRH the Prince of Wales Business and Environment Programme and was appointed by former president Bill Clinton to the Board of Governance on the Clinton Global Initiative. He has also been a participant member of the World Economic Forum. He is currently a director of various companies.

Director since 25 November 2004.



AC (Amanda) Singleton (45), BA Communication, Cert in Management Development, Cert in Strategic Leadership

Independent non-executive director, Member of Audit and Risk Committee

Ms Singleton has many years experience in strategic organisational communication, with specific focus on culture change and reputational management.

Director since 24 February 2006.



Dr FA (Franklin) Sonn (68), BA (Hons) Teacher's Diploma, FIAC/LLD (h.c.), Dr Humane Letters (h.c.), Dr Laws (h.c.), Dr Education (h.c.), Dr Humanities (h.c.)

Independent non-executive director, Member of Human Resources Committee

Dr Sonn held, inter alia, the following positions: deputy president: Chamber of Commerce and Industry of South Africa, president: Afrikaanse Handelsinstituut, chairman and trustee of Impumelelo Innovations Awards Trust, trustee of the Legal Resources Trust, executive in residence at the University of Cape Town Graduate School of Business, chancellor of the University of the Free State, trustee of the Nelson Mandela Foundation, ambassador to the United States of America. Currently he serves on the boards of various companies.

Director since 28 April 1999.



executive management

WA (André) Hanekom (49), CA(SA)

Managing Director

20 years service

MT (Tertius) Swanepoel (54), B Econ

Executive Director: Marketing

20 years service

LR (Leon) Cronjé (51), CA(SA)

Financial Director

21 years service

TA (Tertius) Carstens (45), B Eng (Chem), MBA

Executive Director: Sasko

15 years service

PM (Mkuseli) Dlikilili (44), B Admin (Hons), MA

Human Resources

8 years service

F (Felix) Lombard (39), CA(SA), M Com (Tax)

Bokomo Foods

14 years service

PJ (Pieter) Stofberg (54), BA (LLB)

Company Secretary and Legal Services

26 years service

WP (Pieter) Hanekom (44), CA(SA)

The Ceres Beverage Company

15 years service

T (Rosh) Naidoo (35), B Proc

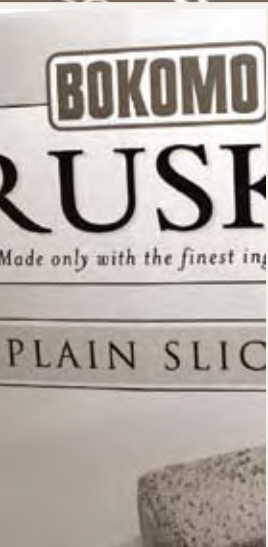
Corporate Strategy

5 years service

HA (Hennie) Lourens (45), B Com (Hons), M Com, B Proc

Agri Business

12 years service



trusted brands
since 1920



chairman's report

results

The year under review has been an eventful and challenging one.

- The Group was listed "by introduction" on the Johannesburg Stock Exchange (JSE) on 22 April 2008, enhancing tradability of shares.
- A rights issue for R500 million was successfully completed in June 2008, partially funding the capital expansion programme and further boosting the Group's debt capacity.
- Group debt facilities for a total value of R3,6 billion were restructured, largely limiting the Group's exposure to the unstable and volatile financial markets and insuring liquidity for the funding of working capital needs.

From a performance perspective the year was especially challenging given the substantial rise in raw material costs. Coupled with higher general inflation and specifically the increase in fuel and energy related costs, this resulted in declining operating profit margins.

Revenue increased by 27% to R14,9 billion through good volume growth in a number of product categories, along with price increases to recover significantly higher input costs. The exceptionally high cost of raw material and other input costs, such as fuel and energy, and generally depressed economic conditions caused challenging trading conditions. This is reflected in the decrease in the Group's operating profit margin from 7,1% to 5,8%. Cash profit from operating activities increased by 2% to R1 142 million and operating profit, before items of a capital nature, increased by 4% to R865 million.



HE Blanckenberg
Chairman

Investments of R648 million in fixed capital and R511 million in working capital contributed to an increase in debt levels. This together with higher average interest rates caused a material increase in net finance cost of R105 million to R220 million for the year.

This contributed to headline earnings decreasing by 7% to R468 million. Headline earnings per ordinary share declined by 11% to R2,92. The larger decline, when expressed in per share terms compared to total headline earnings is due to the increase in the weighted number of ordinary shares in issue after the rights issue in June 2008.

The fixed capital spend is primarily directed to ease capacity constraints in the milling, baking, *Weet-Bix* and *Pepsi* businesses. The substantial increase in working capital, specifically inventory, resulted from the steep increase in wheat cost. Stock volumes however remained comparable to the previous year.



Along with higher general inflation this resulted in increased final product prices, leading to an increased investment in debtors.

Total Group debt at year-end was R1 455 million, a ratio of 34% to net equity.

A major difference in reporting for the year under review was the change in the composition of the segmental reporting. As part of the process to share more detailed information with stakeholders, segments were changed from the historic two segments, staple foods and branded products, to four segments, predominantly the four major divisions, Sasko, Bokomo Foods, Agri Business and The Ceres Beverage Company.

The Sasko segment performed particularly well despite a substantially increased cost base, mainly from raw material cost increases. Volume growth and an increased profit contribution from specifically the rice and pasta businesses were very pleasing. Satisfactory bread volume growth was achieved, despite a number of substantial price increases during the year. This trend, along with good maize flour volume growth, again confirmed the defensive nature of the division's basket of products.

The Agri Business segment disappointed with negative contributions from both the egg and broiler businesses. Oversupply due to increased capacity in both the egg and broiler markets, as well as declining demand for these sources of protein, prevented a reasonable recovery of significant raw material and other cost increases in final product prices. The animal feeds business on the other hand performed well and achieved improved results.

The Bokomo Foods segment posted an increased contribution to earnings. The performance of the breakfast cereal business within this segment was satisfactory. Price increases to recover the steep rising raw material costs, however, limited volume growth. Biscuits, baking aids and the UK breakfast cereals businesses delivered improved results. The dried fruit business performed well with increased sales volumes in both the local and export markets.

The Ceres Beverages segment posted decreased results for the year. The fruit juice business of the segment performed satisfactorily with export sales achieving good volume growth in particular. The contribution from the fruit concentrate mixtures business was lower than expected as aggressive competitor activities negatively affected realistic pricing strategies and constrained sales volumes. *Pepsi* volumes continued its double-digit growth benefiting from improving consumer awareness. The addition of further production capacity enabled a steady increase in the market share of this exciting venture.

complaint referral by competition commission

In May 2008 Pioneer Foods (Pty) Ltd received a complaint referral by the Competition Commission for alleged restrictive practices in contravention of section 4(1)(b)(i) and section 4(1)(b)(ii) of the Competition Act of 1998 in the national bread market. Pioneer Foods submitted its response to the complaint referral within the set time limits. The Competition Commission opted not to respond to the answering affidavit. Independent legal advice indicated that Pioneer Foods has reasonable prospects of a successful defence against all the charges in the complaint referral.



chairman's report (continued)

This referral is in addition to the one received in the previous financial year for alleged restrictive practices in the Western Cape bakeries. Independent legal advice in that case also indicated a reasonable chance of a successful defence against all or some of the charges in that complaint referral. Accordingly, no provision was made in the year under review for the payment of any penalties.

Should Pioneer Foods not be successful in its defence, an administrative penalty may be imposed in terms of section 59 of the Competition Act. The amount of the administrative penalty would be determined by taking into account the factors listed in section 59(3) of the Competition Act, but may not exceed 10% of the annual turnover of Pioneer Foods in the financial year preceding the referral.

In keeping with its unwavering commitment to good corporate governance, the Board established a committee, consisting of mostly independent non-executive directors, to investigate all related matters. External consultants are assisting the committee in this assignment.

listing on the johannesburg stock exchange

After due and careful consideration of all options, the Board decided to proceed with the listing of Pioneer Foods on the JSE. The existing ordinary shares were listed on 22 April 2008 with no new shares issued or capital raised at the date of listing.

This landmark event brought an end to a historic period of more than ten years of the trading of Pioneer Foods' shares on the "over-the-counter" market. Although there was consensus that the "over-the-counter" trading of more than 5 000 shareholders was not sustainable in the long term, it did unlock substantial value to shareholders over this ten year period, with the shares trading from below R3 per share to as high as R40 per share.

Through the listing, a broader investor base – some of whom are prohibited to invest in unlisted shares – will potentially now be able to invest in Pioneer Foods. Liquidity in shares and trading volumes have substantially increased since listing.

rights issue

An analysis of the Group's debt capacity, mindful of the planned capital expansion programme and the increased investment in working capital, resulted in the decision to attract additional shareholder capital for the first time in the history of the Group.

A renounceable rights offer of 20 million ordinary shares at an issue price of R25 per share, totalling R500 million, was subsequently approved by the Board. The rights offer was underwritten by Zeder Investments Ltd to a maximum of R360 million, or 14,4 million shares. A very positive response from shareholders, subscribing to 88,4% of the rights offer shares limited the underwriter's investment to R58 million, or 2,3 million shares. Particularly positive was the fact that the two largest shareholders, namely Kaap Agri Ltd and Moorreesburgse Koringboere (Pty) Ltd, expressed a vote of confidence in the future of the Group by following 100% of their rights.



debt restructure

In order to align the term of debt with the nature of investments funded, the Group's debt was restructured. Existing facilities were cancelled and replaced with a syndicated loan facility of R3,6 billion from six financial institutions. A five-year facility for R1,3 billion is secured by bonds and notarial bonds over certain fixed property and equipment. This long-term facility will ensure funding of the capital expansion programme in addition to the rights issue funding. An additional R400 million guaranteed short-term facilities, R1,3 billion overnight facilities, as well as other general banking facilities of more than R600 million, are secured by a pledge over debtors and stock. These facilities will ensure liquidity to optimally fund and manage working capital needs.

dividend

The final dividend has been maintained at 66 cents per ordinary share. Although the final dividend per share is the same as in the comparative period, it is declared on an additional 20 million shares as a result of the rights issue. Together with an increased interim dividend of 30 cents per share (2007: 27 cents per share) paid earlier in the financial year, the total dividend pay out to ordinary shareholders amounts to R187 million for the year. This is an increase of 11% on the previous year and represents a dividend cover of 2,5 times in relation to headline earnings.

prospects

The Board remains optimistic about the short and longer term growth potential of Pioneer Foods. A number of factors will determine the speed and magnitude of the Group's earnings growth. The potential turnaround in the egg and broiler businesses, the contribution potential from the *Pepsi* venture and the optimisation of the Bokomo Foods division's profitability are of particular interest. A sustained solid performance from the milling and baking businesses is also key to future earnings growth.

The significant decline in international and local wheat prices during the last quarter of the year under review is expected to contribute to lower food inflation in the Group's basket of products in the current year. This should positively affect earnings while limiting further increases in working capital.

Debt however is expected to largely remain at current levels. The Board is confident in the inherent strength of the Group's product basket and development potential and expects margins to improve over time as operating costs stabilise and inflation subsides.



HE Blanckenberg
Chairman



operational review

sasko

The Sasko segment consists of the Sasko division, the Bowman Ingredients joint venture and the other African businesses.

Revenue for the segment increased by 39% to R8,1 billion and operating profit by 37% to R622 million, resulting in a slightly decreased operating profit margin of 7,6%.

The Sasko division is the predominant contributor to this segment and manufactures grain-based staple foods in a number of wheat mills, maize mills, bakeries, rice and dried vegetable packing plants, and a pasta plant. A network of distribution depots supports and enables the country-wide distribution of this basket of products.

The segment performed well in a challenging business environment. There was a dramatic rise in the cost of wheat and rice for the period under review, whereas maize prices were largely maintained at already high levels due to the continued increase in international demand together with relatively low stock positions world-wide. The unreliability of electrical power supply and the rail transport system, resulted in increased operating costs in an effort to ensure an uninterrupted supply of products to the customer and consumer base. This, combined with higher inflation and the increase in fuel and energy-related costs, presented a challenge to maintain profit margins.

The sales volumes of wheaten flour products slowed considerably towards the end of the year as a result of the materially increased sales prices. However, this decline in volume, particularly during the last quarter of the financial year, was in line with industry trends and thus indicative of a change in consumer consumption behaviour.

The project to upgrade and create additional production capacity at the wheat mill in Krugersdorp was completed during the year. The planned upgrading of two maize mills was also completed at the beginning of the year. This additional production capacity positively contributed to the availability of *White Star* super maize meal. Maize meal sales volumes ended strong on the back of increased consumption during the last quarter of the 2008 financial year.

The rice business performed very well with a much improved contribution to earnings. The growth in sales volumes of rice, and specifically the premium *Spekko* brand, continued during the course of the year. However, the doubling of rice prices half-way through the year on the back of a world-wide shortage of rice had a negative effect on sales volumes during the second half of the financial year.



The performance of the bakery business was negatively affected by the substantial increase in wheaten flour prices, as well as energy and distribution-related costs. However, overall bread volumes continued to grow satisfactorily despite a number of bread price increases to recover the abnormal increase in wheat cost during the year.

The pasta business achieved excellent volume and profit growth. Additional production capacity was commissioned in the first half of the year and immediately contributed to increased sales volumes and improved operational efficiencies.

The new year has commenced with international grain commodity prices well down on recent record highs. The performance of the Sasko division will be dependent on the success of balancing the management of raw material procurement, inbound logistics with specific reference to rail service shortcomings, and exchange rate volatility, with the strength of consumer demand and possible preference shifts between staple food categories. Sasko is well positioned with its continuous investment in effective production capacity, technology, brand building and service delivery to manage these challenges.

Bowman Ingredients, the joint venture with J.S. Bowman & Son from the UK, performed well during the year. The focus of this business is the manufacturing of crumbs and batters and an improved performance was predominantly driven by the supply of superior technology solutions and improved internal production efficiency.

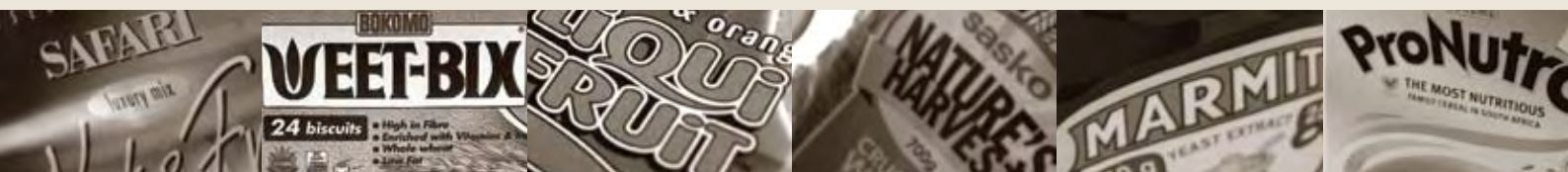
The African ventures also form part of this segment. The joint ventures in Botswana and Namibia performed well during the year and both posted increased earnings compared to the previous year. These two businesses are active in wheat and maize milling and also distribute most of the Group's products on an agency basis. Good sales volume growth was achieved across the board.

The businesses in Zambia and Uganda performed satisfactorily. Both these businesses, which focus on the production of day-old-broilers and day-old-pullets, achieved sales volume growth. The global increase in raw material prices also affected these businesses. The sales growth was not enough to compensate for raw material increases, resulting in decreased profit margins. However, it is expected that profit margins in the new year will improve on the back of the downward trend in world commodity prices.

agri business

The composition of this segment is the broiler, egg and animal feed businesses.

The financial performance of the segment was disappointing. As in the previous year, the segment was negatively affected by steeply climbing grain prices in world markets. This resulted in margin pressure as the cost of raw materials could not be recovered in the prices of eggs and broilers. Although revenue increased by 18% to R2,5 billion, it was not nearly enough to recover the increased cost of maize and soy, which rose by 40% and 50% respectively. An operating profit of R101 million in the previous year declined to R4 million for this year, virtually eroding the 4,8% operating profit margin of the previous year.



operational review (continued)

The Nulaid egg business struggled with decreasing margins. In addition, the growth in available laying hens peaked during 2008, resulting in an oversupply of eggs and leading to less than adequate selling prices. Furthermore, diseases remained prevalent in the industry, although the situation improved relative to 2007.

The Tydstroom broiler business experienced good trading conditions during the first quarter of the financial year. However, increased feed costs, diseases and an oversupply of broilers in the market had a negative impact on profitability for the remainder of the year.

The Nova Feeds animal feed business performed well during 2008. A major concern however, is the service levels of Spoonnet, which have declined to the extent that the business needs additional investment in infrastructure in order to maintain minimum stock levels of raw material to ensure the constant production of feed.

In the 2009 financial year the supply of eggs should decline, which could improve the pricing of eggs to more realistic levels. Furthermore, the effect of diseases will be lessened due to a renewed effort to improve bio-security on farms. The ability to realistically recover feed price increases in the broiler business should improve, given expectations of better supply and increases in demand in the industry. Farming results are improving, which is also expected to have a positive effect on costs. The Nova Feeds business is expected to maintain profitability levels, provided that procurement strategies and practices are prudent and effective.

bokomo foods

The Bokomo Foods segment consists of the Bokomo Foods division, the Bokomo UK business, the Heinz Foods SA joint venture and the Sosoy joint venture.

Revenue for the segment increased by 15% to R2,5 billion, with operating profit increasing by 12% to R239 million. The operating profit margin decreased slightly from 9,6% to 9,4%.

The Bokomo Foods division is the dominant contributor to this segment and its focus is the production and selling of fast moving consumable goods (FMCG) to the retail market and bulk packed products to the industrial market. The export focus is the selling of FMCG products in developing countries and semi-processed industrial products in developed countries.

At the beginning of the financial year the existing Bokomo Foods and S.A.D divisions were consolidated into one division, Bokomo Foods. The S.A.D name will still be used, specifically internationally, where it has been positively associated with South African dried fruit since 1927. This divisional merger will enable an improved service and product offering to the existing and overlapping customer base and overhead costs will be optimised.



This consolidation further resulted in a project to consolidate, on a Group-wide scale, the services of order taking and shelf packing at all major retail and wholesale outlets under one service provider. This project will be completed in 2009.

The breakfast cereals business within the Bokomo Foods division – with brands such as *Weet-Bix*, *Bokomo* Corn Flakes, *Bokomo* Bran Flakes, *Bokomo* Oats, *Bokomo* Otees and *Nature's Source* muesli's, achieved another growth performance for the year. A first half of good volume and margin growth was followed by a second half where increased prices to recover increased input costs resulted in decreased sales volumes in some of the higher value products.

A number of new products were launched during the year with the new *Bokomo Right Start* range being the most significant. The range consists of Multi Grain Flakes, Oat Flakes, Bran Flakes, Raisin Bran Flakes and Fibre Plus. Good progress has been made in addressing production inefficiency in some of the manufacturing plants.

The expectation for the new year is another improved performance from the breakfast cereals business, with the expected lower raw material costs keeping price inflation at affordable levels.

The business unit within the division that focuses on baking aids, cake mixes, instant puddings and desserts, also achieved an improved performance. This business with well known brands such as *Moir's* and *Maizena* however, has not reached optimal profitability levels yet.

The performance of the biscuit business, Kwaliti Biscuits, improved during the year with good growth in sales volumes. While production efficiencies have been improved, it is not at an optimum level yet and will be further addressed in the new year. The biscuit market in South Africa is showing strong growth, and re-positioning the biscuit brand and optimizing and increasing production capacity could result in a much improved performance from this business.

Good results were achieved from the dried fruit products business, with the *Safari* brand the leader in the dried fruit category in South Africa. The results were driven by growth in both the domestic and export markets. Raisin export volumes were exceptionally high and export sales prices increased substantially in dollar terms due to relatively small crops in competing countries.

The demand for dried fruit products should continue to improve as the trend indicates that consumers preferences are moving to healthier, natural food choices. The challenge for this business is to annually procure optimum volumes of raw material to cater for local and international demand. South African dried fruit products have natural characteristics which can demand a premium on the export markets.



operational review (continued)

Both the dried fruit product manufacturing plants in Uppington and Worcester are now HACCP and BRC (British Retail Consortium) accredited. BRC accreditation is a requirement for supplying the retail trade in Europe. This provides the opportunity to supply the top-end European retail markets directly.

Early indications are that both the vine and tree fruit crops will be smaller in the coming year, which will pose a challenge to match the good performance of the past year.

The business within the division that focuses on spreads with iconic brands such as *Marmite*, *Bovril*, *Redro* and *Peck's* had a challenging year. The irregular availability of brewers yeast for *Marmite* and of fish for *Redro* and *Peck's* was a challenge. The upgrading of the manufacturing plant to improve production efficiency also had a negative impact on production capabilities for the duration of the upgrading process.

Future growth in this business will be driven by leveraging these well-known brands in various brand extensions. The successful launch of *Marmite Cheese Spread* in the past year is a good example of brand extension potential.

The other smaller businesses in the division such as *Safari* nuts, *Werda* salads and *Safari* vinegar, performed satisfactorily with especially the nuts category achieving very good sales volume growth.

The breakfast cereals business in the UK, Bokomo Foods UK, manufactures and sells wheat biscuits and muesli's for the United Kingdom and Scandinavian markets. The wheat biscuit category achieved improved results, with increased sales volumes and improved profit margins. The muesli business improved on the financial results of the previous year, but not to an acceptable level. A further improved performance is expected from this business in the new year.

Heinz Foods SA, the joint venture with the HJ Heinz Company achieved good revenue growth, but a substantial increase in raw material costs has put profit margins under pressure.

The *Heinz* brand recorded excellent sales volume growth and targets were exceeded, although off a relatively low base. Consumer awareness has improved significantly over the past 36 months. Continued investment in marketing and product innovation will support strong future growth in the *Heinz* brand.

The significant price increases to protect margins on the frozen foods product ranges, the *Today* and *Mama's* brands, limited volume growth in the second half of the year. Product innovation and certain supply chain initiatives should improve sales and profit growth over the next financial year.

Despite a very competitive category, *Wellington's* condiments and sauces sustained their strong growth trend. Product innovation, supported by increased marketing spend and revised branding, should support this growth trend. Increased volumes and an improvement in plant efficiency will lead to improved profitability in the new year.



ceres beverages

This segment focuses on three separate categories within the beverage sector, namely fruit juices, fruit concentrate mixtures and carbonated soft drinks. The strategic intent of the business is to offer a complete beverage solution, and this strategy was further supported during the financial year with the expansion of several new products and line extensions in the juice, concentrate mixtures and carbonated soft drinks categories.

Substantial cost increases in raw materials and packaging during the financial year have put extreme pressure on margins and the cold weather in the first half of the year had a negative impact on sales volumes. While revenue increased by 15% to R2,1 billion, the tough trading conditions resulted in operating profit declining by 27% to R78 million. The already low operating profit margin decreased as a result from 5,9% to 3,7% for the year under review.

Satisfactory financial results were achieved in the fruit juice category. In the local market, the fruit juice volumes were flat against the previous year. During the first quarter specifically, the supply of constant electrical power was very unreliable and necessitated a material investment in generators.

Export sales volumes achieved a double digit growth rate and indicate the potential of the products in this category in international markets. A good financial performance was achieved in the export business, which was further enhanced as the rand started to weaken towards the end of the financial year. The international business is of high strategic importance to this business as it is a natural hedge against rising import costs, which are driven by the exchange rate.

The fruit concentrate mixtures category had an extremely difficult year in comparison to an excellent performance in the previous year. Aggressive competitor activity in this category resulted in sales volumes being slightly down at decreased margins. The upgrade and installation of new equipment to increase production capacity was also completed. The tough economic conditions could see consumers buying these cheaper beverage options and the entrance of new consumers into this category could support volume growth in the new financial year.

The carbonated soft drinks category once again achieved excellent sales volume growth. This is very positive against the backdrop of cold weather, CO₂ shortages and a challenging economic environment. The new line extensions of *Pepsi* products were successfully launched during the year to increase consumer choices. The cooler placement programme and the increased distribution footprint have made good progress. This venture is on track and in line with projections, but, as projected not earnings enhancing yet.

The Ceres Spring Water business was acquired after year-end, ensuring a focus on the growing water category.

The focus for the new year will be to continue the drive to enhance efficiency. This will be achieved by producing products closer to the relevant markets as well as ensuring the improved availability of products through more focused sales and merchandising. Continuous investment in the brands will ensure brand health and a better financial performance for the beverage segment is expected in the new financial year.



financial review

income statement

Revenue for the past financial year increased by 27,5% to R14 884,4 million. This significant growth, following a 20,8% growth in the previous reporting period, is indicative of the magnitude of the inflationary effect in basic foods during the past eighteen months. The ratio between volume and price increases as drivers of the revenue growth in both these years was to a large degree dominated by final product price increases to recover the above 50% increase in world and local grain prices. Very low world grain stock levels during the past twelve to eighteen months, due to increased demand and abnormal weather conditions, have improved significantly in the recent past. As a result grain prices, specifically wheat, have decreased materially and should limit the abnormal inflation in food prices for the immediate future.

A further decrease in the gross profit margin by more than 3% to 26,1% is indicative of the challenge to timely recover the increased cost of production in a high inflationary environment. The above inflation increases in energy costs and rising staff costs, further contributed to the decline in the Group's operating profit margin from 7,1% to 5,8%.

Operating profit, before items of a capital nature, increased by 4,0% to R865,1 million. This materially lower growth rate in comparison to the increase in revenue was mainly the result of the challenging trading conditions, specifically in the beverage and agri businesses. Headline earnings were further negatively affected by a material increase in net finance charges by R105 million to R220 million. A combination of existing high debt levels, further increased by an additional net investment of R648 million in fixed capital and R511 million in working capital, as well as higher average interest rates, caused this material increase in net finance charges. Headline earnings as a result decreased by 6,8% to R468,2 million. Headline earnings per share declined by 11,0 % to R2,92. This larger decline compared to the total headline earnings performance is due to the weighted increase in the number of ordinary shares in issue after the rights issue of 20 million ordinary shares in June 2008.

The larger decrease of 14,6% to R2,82 in net earnings per share attributable to ordinary shareholders is mainly the result of the partial impairment of the purchase prices initially paid for the Moir's and Kwaliti Biscuits businesses. These impairment calculations are based on the the future profitability of these ventures in relation to the current value of the investment.



dividend

A final dividend of 66 cents per ordinary share is payable in February 2009, following an increased interim dividend payment of 30 cents (2007: 27 cents) per ordinary share in July 2008. Although the final dividend per share is the same as in the comparative period, there are 20 million more shares in issue as a result of the rights issue during the year. Therefore, the total dividend payable based on the past year's results increased by 11% to R187,1 million. Dividend cover based on total headline earnings decreased from 3,0 times to 2,5 times.

A final dividend of 19,8 cents per class A ordinary share is also payable to employees as members of the broad-based employee share scheme. The total dividend declared per class A ordinary share amounts to 28,8 cents per share for the reporting period.

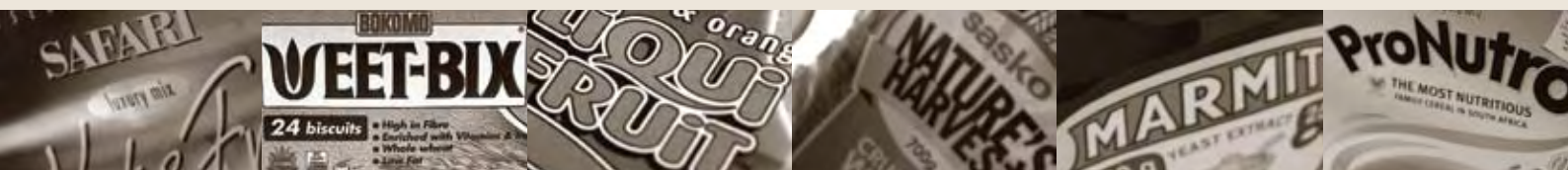
segmental results

A major change in reporting for the year under review was the change in the composition of the segmental reporting. Segments were changed from the historic two segments, staple foods and branded products, to four segments, predominantly representing the four major divisions, Sasko, Bokomo Foods, Agri Business and The Ceres Beverage Company.

The Sasko segment consists of the Sasko division, the Africa businesses and the Bowman Ingredients SA joint venture. This segment performed particularly well in a substantially increased cost base environment, largely on the back of raw material cost increases. Revenue increased by 39% to R8 142,9 million and operating profit by 37% to R622,1 million. The operating profit margin slightly decreased from 7,8% to 7,6%. Return on the average net assets invested in this segment was 23,1% opposed to 21,4% in the previous year.

The Bokomo Foods segment, which consists of the Bokomo Foods division, Bokomo Foods UK and the Heinz Foods SA joint venture, also posted an increased contribution to earnings. Revenue for the segment increased by 15% to R2 539,4 million, with operating profit increasing by 12% to R239,4 million. The operating profit margin decreased slightly from 9,6% to 9,4%. Return on average net assets improved, from 15,2% to 16,0%, still reflecting an unsatisfactory contribution from some of the businesses in this segment.

The Agri Business division represents the total of the Agri Business segment and disappointed with negative contributions from both the egg and broiler businesses. Although revenue increased by 18% to R2 493,3 million, it was not nearly enough to recover the increased cost of maize and soy by 40% and 50% respectively.



financial review (continued)

An operating profit of R100,7 million in the previous year declined to a profit of R3,5 million, virtually eroding the 4,8% operating profit margin of the previous year. The average asset base employed in this segment was R430 million, with the lower operating profit having a material impact on the Group's lower return on net average assets. Oversupply on the back of increased capacity in both the egg and broiler markets prevented a realistic recovery of significant raw material and other cost increases in final product prices.

The Ceres Beverages segment also disappointed with a decreased contribution to earnings. Revenue increased by 15% to R2 082,9 million, but the tough trading conditions resulted in operating profit declining by 27% to R77,8 million. As a result the already low operating profit margin of 5,9% further decreased to 3,7% for the year under review. The biggest challenge was in the fruit concentrate mixtures business, where aggressive competitor activities negatively affected realistic pricing and sales volumes. The continuous drive to increase consumer awareness and to create additional capacity for the *Pepsi* range of products, still prevented any contribution to operating profit. The capital expansion in this segment to support the growth potential of *Pepsi*, coupled with a poor performance from the concentrate mixture business, resulted in a single digit return on average net assets of 8,3%.

balance sheet

The increased investment in fixed capital as part of the expansion programme, along with the increased investment in working capital as a result of the increased raw material prices, resulted in a substantially increased asset base. The only marginal increase in operating profit, largely as a result of the poor performances from the agri and beverage businesses, resulted in a decrease in return on average net assets from 17,2% to 15,4%.

The rights issue of R500 million was successfully completed in June 2008 and affected various financial ratios. Return on average shareholders' funds was negatively affected as a result of the increased equity basis which, together with the substantially increased net finance charges, resulted in a return on average shareholders' funds of only 11,9%. Net interest bearing debt, on the other hand, benefited from the cash injection and only increased from R1 194,8 million to R1 454,9 million, despite the increased investment in working capital and fixed assets. The ratio of net interest bearing debt to equity also benefited and only marginally increased to 34,2%. The Group's balance sheet was further restructured to better align the debt to the long-term or short-term nature of the capital expenditure. A syndication of six financial institutions participated to arrange a five-year amortising and bullet repayment facility for R1,3 billion. Certain fixed assets were encumbered as security for this facility. A short-term guaranteed facility of R400 million as well as R1,3 billion overnight borrowing facilities, plus general banking facilities in excess of R600 million, all secured by a pledge over stock and debtors, will ensure liquidity for working capital funding needs.



cash flow statement

Cash generated by operations decreased by R340,9 million to R490,0 million. This was mainly the net result of cash profit from operating activities only increasing by 2% to R1 141,7 million, whilst the investment in working capital increased by R511,2 million, with the cash effect of hedging activities having a further negative impact of R140,5 million on cash flow. Although physical stockholding of specifically raw materials was substantially the same as in the previous year, the material increase in raw material costs and the resultant increase in selling prices caused the increased working capital investment. After the payment of R178,3 million in income tax and net cash invested in long-term activities of R648,9 million, a net cash deficit of R337,2 million for the year was recorded. The net proceeds from long-term borrowings of R1 066,6 million and the rights issue of ordinary shares resulting in a net inflow of R485,7 million, were adequate to fund this deficit. After the payment of interest and dividends, cash and cash equivalents increased by R806,6 million.



corporate governance report

statement of commitment

The Board of Directors of Pioneer Foods is committed to the principles of effective corporate governance and strives for the highest standards of integrity and ethics.

The Board supports the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance and is satisfied that the Group has applied adequate corporate practices of transparency, integrity and accountability for the year under review.

company secretary

All directors have access to the advice and services of the company secretary who is responsible, *inter alia*, for ensuring that Board procedures and applicable rules and regulations are fully observed.

directors and board committees

The Board of Directors is responsible for the total and effective control of the Group. The Board consists of thirteen non-executive and four executive members. The chairman of the Board is non-executive.

The non-executive directors are selected for specific terms and their re-appointment is not automatic. Executive directors and the company secretary are appointed by the Board.

The Board meets at least five times per year and reviews strategy, operating and capital budgets, as well as operating results. Other matters relating to the overall objectives of the Group are also discussed. Additional board meetings are held during the year, if needed.

A decision making framework has been approved by the Board in terms of which levels of authority have been established relating to various matters, *inter alia* the appointment of the managing director, the appointment of executive and non-executive directors, remuneration, approval of financial reports, approval of capital and operational budgets, acquisition of new businesses, acquisition and disposal of capital assets, approval of loans and investments and approval of plans relating to procurement of raw material.

Relevant information is supplied timeously before board meetings to board members to enable them to comply with their statutory and fiduciary responsibilities and to take informed decisions.



Directors complete a questionnaire on an annual basis which information is used to assess the effectiveness of the Board and the Chairman. The results of the questionnaire are evaluated by the nomination committee and discussed by the full board to address areas of concern.

The Board is supported by a number of Board committees in the execution of its duties. Each of the committees function according to specific mandates of the Board.

Detail of Board members' attendance at board and committee meetings are set out in the following table:

Board Member	Board Meetings (Scheduled) 5	Board Meetings (Unscheduled) 2	Audit & Risk Committee 4	Human Resources Committee 4	Nomination Committee 3
HE Blanckenberg (Chairman)	5	2		4	3
JA Louw (Vice-chairman)	5	1		4	
WA Agenbach	5	1	4		
AW Bester*	1	2			2
GD Eksteen	4	2		3	3
JN Hamman	4	1	3		
NS Mjoli-Mncube	4	2			3
AH Sangqu	5	1	3		
AC Singleton	5	1	4		
Dr FA Sonn	3	1		3	
Dr MI Survé	5	0		1	
CJ Truter*	2	1			
JH van Niekerk	5	2			2
WA Hanekom	4	2			
TA Carstens	5	1			
LR Cronjé	5	2			
MT Swanepoel	5	2			
AE Jacobs* ⁺					

In all instances of absence apologies were offered in advance

* Not a member of the board or relevant committee for the full year

⁺ Only appointed in August 2008



corporate governance report (continued)

human resources committee

The human resources committee consists of five non-executive directors. The chairman is non-executive and the committee meets at least three times a year and operates in accordance with a charter as approved by the Board. This committee is responsible for the following:

- maintaining and approving an appropriate human resources policy
- executive management succession planning
- monitoring the implementation of relevant labour legislation
- monitoring the implementation of the transformation policy
- the remuneration of directors and senior management
- the evaluation and approval of a remuneration strategy, including market-related incentive schemes for executive and senior management

These incentive schemes include the following:

Performance linked short-term incentives –

Annual performance bonuses are payable and are based on a combination of performance achieved in terms of profit growth and return on average net assets. Depending on seniority this bonus is limited to an amount that varies between 15% and 75% of a year's remuneration package. An additional bonus, limited to one month's remuneration package is payable to executive management if predetermined employment equity goals in professional and management appointments are achieved.

Performance bonuses are also payable to other members of management, based on the achievement of personal goals, as well as Group, divisional or unit profit performance.

Long-term share incentive scheme –

A share incentive scheme exists and the committee annually considered the offering of share options to management. The last offer was in February 2007 at R31,42, the market price at the time. New allocations in terms of the share option scheme was discontinued in 2008 and replaced with a phantom share plan. Subject to the terms and conditions of the phantom share plan, selected employees will be granted the opportunity to acquire ordinary shares in future, with the quantum of their awards based on the future increase in the value of the Pioneer Foods share price from date of allocation of such specific phantom shares. The number of phantom shares offered is based on exactly the same principles as applied in determining the number of share options offered in the discontinued scheme. It is based on a multiple of the total remuneration package per year that varies from half a year's package up to three years package. The total value of phantom shares offered takes into account the value of share options and phantom shares offered in any past five years. Share options and phantom shares that have been accepted may be traded at 20% per year within a maximum period of 10 years.

The total number of ordinary shares that may be transferred to employees under the phantom share plan is limited to 14,5 million shares and represented approximately 7,5% of the issued shares at the date of approval of the plan by shareholders.



nomination committee

The nomination committee consists of five non-executive directors and operates in accordance with a charter approved by the Board. The committee makes proposals to the Board about all non-executive appointments. The committee is responsible for the performance evaluation of the Chairman and the Board as a whole. The committee is also responsible for succession planning regarding the Chairman and meets at least twice a year.

audit and risk committee

The audit and risk committee consists of three non-executive directors and operates in accordance with a charter approved by the Board. The committee's responsibilities are, in summary, to ensure that:

- appropriate internal control procedures are in place and are applied
- risk management procedures are adequate
- appropriate standards of reporting and compliance are maintained
- relevant legislation is adhered to
- the internal audit function operates effectively and is totally independent

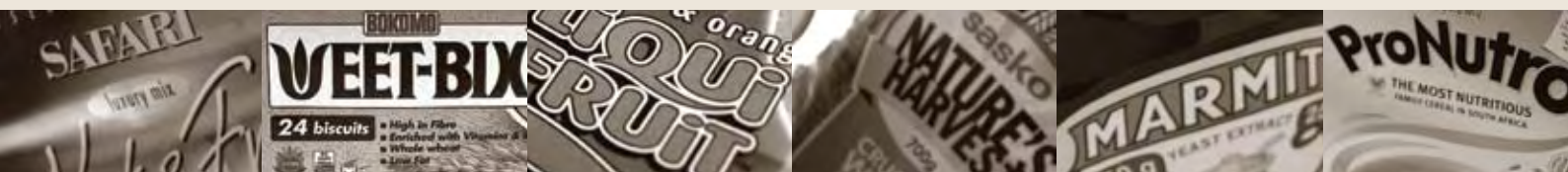
Meetings are held at least three times per year and are attended by the internal and external auditors and relevant members of management. The internal, as well as the external auditors have unlimited access to the audit and risk committee, thereby ensuring that their independence is not compromised in any way. The opportunity is also created for a discussion with the external auditors without management being present.

internal control and risk management

The Board accepts final responsibility for the internal control and risk management systems of the Group. In order to ensure completeness, all material risks in the Group have been identified and documented in a comprehensive risk framework per division. Proper internal control systems are in place and are maintained through a self-control system. The timely execution of self-control procedures is controlled programmatically and compliance with self-control procedures is monitored internally.

Group assets are comprehensively insured by Sasguard Insurance Company Limited, a subsidiary with a limited insurance licence, approved by the Financial Services Board, and is regulated as such. It is therefore in essence a process of self-insurance, supported by external re-insurance cover for abnormal disasters and other material risks.

The daily treasury activities of the Group are limited to call and short-term loans, as well as short-term investments. Adequate borrowing facilities exist to ensure daily liquidity, while surplus funds may only be invested at institutions approved by the Board. Foreign currency trading is regulated by an approved policy to ensure optimal effectivity between the buying and selling of currency.



corporate governance report (continued)

Raw material purchases and the use of derivative financial instruments for the hedging of raw material costs are regulated by a comprehensive policy document approved by the Board. Speculation with any financial instrument is not part of the Group's business and is not allowed. Application of the policy is monitored by a committee consisting of the applicable members of executive management.

The above-mentioned procedures provide the Board with reasonable assurance concerning the reporting of reliable financial information, as well as securing of the Group's assets.

internal audit

An independent internal audit function exists, with the head of internal audit reporting directly to the managing director with ready and regular access to the chairman of the audit and risk committee.

The department consists of personnel with relevant training and experience. The objectives, authority and responsibility of the independent internal audit function are fully described in an internal audit charter approved by the audit and risk committee. The internal audit department liaises closely with the external auditors to prevent duplication.

The internal audit of specialised information technology and the SAP ERP system environment has been outsourced to a division of PricewaterhouseCoopers Inc. This division functions independently from the external audit function.

Findings and recommendations of all internal audit processes are reported to management and the audit and risk committee.



ethics

The Group strives to maintain high ethical and moral standards through the application of sound business principles in all circumstances.

An independent hotline service, *Tip-Offs Anonymous*, is available 24 hours per day to receive complaints or allegations regarding unethical conduct. It reports directly to the internal auditors or the chairman of the audit and risk committee. Through this service employees and any other stakeholders can report anonymously and confidentially any unethical conduct by employees or service providers.

A closed period for trading in the Group's shares is maintained for prescribed periods to prevent any insider trading of Group shares. No director or member of executive management may trade, either directly or indirectly, in Group shares during the closed period. These periods apply at least every six months from 15 March and 15 September respectively until the publication of the interim or annual financial results.

Directors and affected employees are prohibited to trade in Pioneer Foods' shares in any other price sensitive periods. The company secretary notifies all directors and affected employees prior to the commencement of closed periods of the prohibitions in the Insider Trading Act relating to share dealings whilst in possession of price sensitive information. There is a process in place in terms of the requirements of the JSE Limited for directors to obtain prior clearance before dealing in Pioneer Foods' shares.



sustainability report

statement from the managing director

"At Pioneer Foods we regard the sustainable development as a core strategic area of our business.

Sustainability cuts across all levels of what we do and how we operate. For us, sustainability is about good ethical business practice, risk management, good governance and, above all, awareness and consideration for employees and other stakeholders.

Internationally, stakeholders are becoming increasingly demanding in their expectations of the business community and this demand moves beyond "the bottom line" and profit.

Stakeholders expect companies to commit to and implement sustainable business practices. Only by doing so, can any business achieve sustainable profits and assist in the drive for prosperity and progress in South Africa.

In this, we embrace the principle of the "triple bottom line", which examines the contribution our business makes to society, good governance and the environment.

Therefore, Pioneer Foods is working towards the implementation of a comprehensive sustainability strategy and the development of a framework which will govern our economic, social and environmental activities and impacts.

We have addressed two areas in this Sustainability Report:

socio-economic report

We report on the impact of our Group on external communities highlighting our Socio-Economic Development (SED) initiatives, our Human Capital initiatives and interventions, and we discuss our approach to internal stakeholders, and black economic empowerment.

environmental report

As a food company, we acknowledge that our business activities have an impact on the environment. As such, we have reported on various initiatives that have been undertaken by our respective business divisions to ensure good business practice.

We have only begun our journey towards making Pioneer Foods a socially and environmentally responsible company and we are aware that we have a long journey ahead of us. However, we are committed to driving sustainability practices within our organisation."



socio-economic report

Since 1920, Pioneer Foods has played a significant role in providing food and beverages of a good quality to our customers and consumers and has built a relationship of trust around our brands. You would most likely find brands and products from Pioneer Foods' varied basket of products in all South African households.

This has influenced the birth of a Corporate Brand promise "...Nourishing to Sustain...".

This brand promise extends to all our stakeholders, including our employees, customers, shareholders and the communities in which we live and work.

...as an employer... we want to sustain our employees and their families with

- market-related salaries and wages,
- fair and consistent expectations, and
- working conditions that are safe and conducive to good performance and relations.

This drive is fortified and strengthened by one of our values, namely, to develop and recognise the achievements of our workforce. We sustain our local communities with jobs, community involvement and responsible environmental practices.

... as a responsible corporate citizen ... we fulfil our regulatory obligations, and obey all laws of the country.

... as a food manufacturer ... we aim to sustain our customers and consumers by

- brands and products of good value and quality,
- superb customer care, and
- being a meaningful contributor within our various value chains.



Donation to Feedback beneficiaries



sustainability report (continued)

stakeholder engagement

We are committed to nourishing each stakeholder relationship as each and every relationship is important to us.

The table below shows the channels of engagement with our stakeholders.

Stakeholder	Direct	Electronic	Internal Communication	Surveys, Forums, Roadshows, Summits, AGM's & Other forms of dialogue	External Communication: Media
Staff	X	X	X	X	
Customers	X	X		X	X
Consumers	X	X		X	X
Suppliers	X	X		X	X
Agents	X	X	X	X	X
NGO's & Civil Society	X	X		X	X
Regulatory Authorities	X	X		X	X
Government				X	X
Industry Associations	X	X		X	X
Shareholders, Investors & Analysts	X	X		X	X

broad-based black economic empowerment (b-bbee)

Pioneer Foods is committed to the principles of B-BBEE and the Codes of Good Practice. As such, we have designed and adopted a strategy to ensure good governance and requisite compliance.

Our strategic progress as indicated by the B-BBEE scorecard is reported to the Board Human Resources Committee. Progress is tracked against strategy by means of quarterly management and executive meetings.

We are currently in the process of finalising the second verification audit and we expect to receive our new scorecard from the National Empowerment Rating Agency ("NERA") in early 2009.

We highlight two specific areas of B-BBEE hereunder, under the headings-

- Socio-Economic Development (SED); and
- Human Capital



socio-economic development (sed)

As a national food manufacturer we understand that we play a valuable role in the upliftment of the South African society.

The Pioneer Foods Fund

The Pioneer Foods Fund ("The Fund") was established in 2007 and is an independent sub-committee of the Board's Human Resources Committee with 50% of the committee comprising of external representatives. The Fund was allocated a minimum of 1% of the Net Profit After Tax of Pioneer Foods' 2008 budget for SED initiatives and invested more than R6 million in SED this year.

In keeping with our commitment to governance, we established The Pioneer Foods Fund to ensure impartial and transparent decision-making in our Socio-Economic Development investments. This will ensure that all people who apply for funding relief and who meet the criteria, have an equal chance of success.

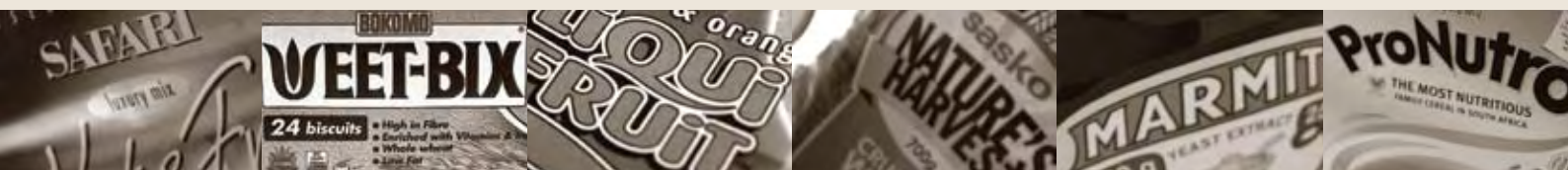
The vision of The Fund is to alleviate poverty in South Africa, so that all citizens have an opportunity to access food from a just and sustainable system. The strategy is to invest in sustainable development initiatives which address the needs of, and expand opportunities for, stakeholders in accordance with our development goals which are:

- Nutrition
- Agricultural Initiatives along the value chain
- Environmental Sustainability
- Natural Disaster Relief

Nutrition

Our country faces many socio-economic challenges. Therefore, it makes sense for us to assist with critical social issues related to poverty relief. However, whilst poverty relief is important, it is not developmental by nature, therefore. The Fund aspires to ensure that beneficiaries receive sufficient nourishment, education on nutrition, and are enabled to better ensure their own food security.

Pioneer Foods has had a long and mutually beneficial relationship with its NGO partner *Feedback Food Redistribution* ("Feedback"). Feedback provides meals to impoverished communities as well as education and training to build knowledge about health, nutrition and hygiene. Food gardens in the various communities supplement the donations to beneficiaries, allow for beneficiary organisations to develop their own food security initiatives and, over time, their own organisational capacity.



sustainability report (continued)

Agricultural Initiatives and Environmental Sustainability

Agricultural initiatives along the value chain should be focused on providing food security and relief to beneficiaries. We recognise and respect the pivotal role played by primary agriculture in the food value chain and the sustainability of the Company itself. Agriculture correlates effectively with our third focus area, namely Environmentally Sustainable Initiatives.

The Fund sponsored Phase 2 of a School Feeding and Greening Project at the Pula-Madibogo Primary School in Mankweng in the poverty-stricken Sovenga community in Limpopo province.

The Pula-Madibogo school needed a reliable water supply to continue with its expansion. The Fund donated water tanks, fruit and indigenous trees and the necessary gardening implements to the school. This supports the school's permaculture project that supplements the current feeding programme with a variety of fresh vegetables.

The school has managed to expand its commercial footprint through the sale of its surplus vegetables to the surrounding communities and has used such proceeds to purchase the needed protein based food.

Natural Disaster Relief

During the flooding in the Western Cape earlier in 2008, Pioneer Foods provided grants to the Salvation Army and the Red Cross society to assist communities. We also purchased rain resistant track-suits with neon reflectors for 3 700 learners in the Paarl and Wellington area in the Western Cape to ensure that learners from informal settlements were visible to traffic on the roads, and protected from the harsh wind and rainy Cape winter.



human capital

people

The overarching Human Capital mandate flowing from Pioneer Foods' business strategy is "delivering competent and committed people to drive business value". This is paramount to our fundamental belief that our people are the creators of value in our business.

We have embarked on a strategy to build the Pioneer Foods employer brand. We have done this by leveraging our brands in our career advertisement campaigns under the banner "*Many businesses – One Purpose – Infinite Choice*". Our Company has pooled its resources to create a central Recruitment Hub to optimise our recruitment rand spend. In 2008 we developed an inclusive careers grid integrating job opportunities across divisions. We had a successful debut as Pioneer Foods, showcasing career opportunities in the Group, at the Careers Expo held at the Cape Town International Convention Centre on 9 and 10 October 2008.

Given the global shortage of skills and the resultant mobility of talent, our short-to-medium term focus has been, and continues to be, capacity building in terms of skills development, leadership development and the scarce skills pipeline. We believe that focusing on these issues will ensure the sustainable supply and retention of skills that will enable our business growth strategy. We have undertaken various initiatives in this regard:

- Regarding skills and leadership development we have over the past five years put more than 400 people through various leadership programmes that have been run in partnership with the University of Stellenbosch Business School.
- To specifically focus on the issue of scarce skills, we have appointed a Group Manager: Scarce Skills. His main objective is to ensure the availability and sustainable supply of scarce skills to meet our business needs. To this end, we have partnered with several Further Education and Training (FET) and Higher Education and Training (HET) institutions and equipment suppliers to build a skills pipeline. In this regard, we are focusing primarily in the technical, food technology, manufacturing and information systems disciplines.
- To deepen the employee engagement drive and to nurture an inclusive, values-based and performance driven organisational culture (characterised by a working environment that enables excellence, growth and development), we have restructured the Corporate Human Resources (HR) function to provide for a Group Manager: Organisational Development & Talent whose role is to look specifically at organisational development and talent.

Also, as part of our roadmap to sustainability, the Human Capital function is driving the following key focus areas:

- Culture
- Talent
- Leadership
- Scarce Skills
- Performance & Reward
- Wellness



sustainability report (continued)

culture

Ten years have passed since *Bokomo* and *Sasko* merged in 1997 to form Pioneer Foods. Since then, the Company has grown in leaps and bounds. This year, we felt the time was right to review the founding values.

We selected a random sample of 20% of our employees on the SAP payroll to participate in a values survey. This survey was done by means of a questionnaire. The results analysis resulted in the co-creation of the following shared values:

- Accountability and Commitment
- Adaptability
- Consumer/Customer Focus
- Development and Recognition of People
- Integrity
- Passion

The values were defined and supporting behaviours were mapped out through various employee focus groups to create the "Pioneer Foods Way". This motto and value lifestyle will be rolled-out throughout Pioneer Foods through industrial theatre, DVDs, booklets, training and workshops from October 2008 to 31 March 2009. We will monitor the success of our value lifestyle through performance management processes, climate surveys and feedback on the intranet site created specifically for the engagement on the Pioneer Foods Way.

talent

We have put in place several initiatives, interventions and processes to provide for a Broad-Based talent pool to address current and future organisational needs. The cornerstone of our talent management approach is nurturing, development and providing career growth opportunities which include internal promotions and transfers; Management and Career Management; Leadership Development Programmes; learnerships; Graduate Development Programmes; bursaries and an educational assistance scheme.

leadership

We are in the process of consolidating our diverse leadership development interventions into an integrated leadership framework that is supported by our career grid, business objectives and organisational values. By doing this, we aim to develop a leadership cadre that is inspired, motivated and competent to ignite the passion for results from the broad spectrum of our employees.

scarce skills

To address this problem, we have created a cross-divisional and multi-disciplinary team drawn from the disciplines deemed to be scarce categories. This team is working with the Group Manager: Scarce Skills to put measures and processes in place to ensure the availability and continued supply of scarce skills resources to meet our business needs as we continue with our capacity expansion.



performance & reward

We have implemented a revised performance management system linked to career development. This system is benchmarked against global levels of work, performance standards, and balanced scorecard items entrenching sustainability measures per individual. We also have embarked on a journey which includes the following processes: value driver workshops, workforce segmentation and reward dialogues that will culminate in a total rewards value proposition enabling the attraction, motivation, engagement and retention of talent and sustainable business performance.

wellness

We have initiated a holistic wellness programme which was approved by the executive management and the Board HR Committee in May 2007 and implemented in February 2008. This programme covers the psychological, emotional, physical and financial well-being of our employees. This programme has evolved from the premise that the business challenge today is to ensure that companies have well motivated, healthy and committed employees who are equipped with the adequate life-skills to make a meaningful contribution to the sustainability of the business, and society in general. We envisage that the current wellness programme will be rolled out over a five-year period. Since the launch of this programme, two modules have been rolled-out: namely, personal- and financial well-being. Employee feedback on the programme has been very positive.

employment

We have provided sustainable employment to 10 883 permanent employees within our wholly-owned South African operations at a total payroll cost of approximately R1,1 billion. These statistics are as at 30 September 2008.

Our salaried staff turnover rate for the year under review was 13,8% and the breakdown thereof is as follows:

<u>Reason</u>	<u>Percentage</u>
Resignation	71%
Dismissal	15%
Retirement	8%
Retrenchment	4%
Death in service	2%

employee relations

We uphold the right to freedom of association and human dignity in the workplace. We promote workplace harmony and labour peace through constructive engagement with employees, employee representatives and representative trade unions.

We have 17 trade unions in our various business operations with a collective membership of 5 776 employees.



sustainability report (continued)

training and development

Education, training and development is the cornerstone of our value proposition and underpins our Human Capital philosophy of "Growing our own timber". Pioneer Foods fully embraces the national skills development strategy and supports the legislative framework governing the skills development dispensation in South Africa.

Our business is an active member of the FoodBev SETA. For the reporting period ending 31 March 2008, we have invested approximately 2% of payroll to various training and development interventions and almost 70% of this investment went to Black employees, as defined in the B-BBEE Act, 2003.

employment equity

Pioneer Foods is committed to improving its employment equity profile to broadly reflect the demographics of the South African economically active population at all levels, over time.

We view transformation as a business imperative, and employment equity as a key driver for organisational transformation and sustainability.

We have made steady progress over the past five years in the junior to mid-management levels. Our progress in senior and top management levels has been slow in comparison as we have lost a considerable number of black managers at these levels due to increased "head hunting" activity and the high mobility of talent given the shortage of skills.

We strive for an 80:20 black appointment ratio in the occupational levels of middle, senior and top management to improve our employment equity profile. Our cumulative appointment ratio at the close of the financial year was well below the 80% target, at 64% Black (African, Coloured and Indian). This was influenced mainly by the relative shortage of skills in the technical and operations disciplines.

The table below reflects the consolidated Group employment equity report as at 31 March 2008.

Occupational Levels	Designated							Non-designated			TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management	1	0	0	0	0	1	0	8	0	0	10
Senior management	6	13	5	2	0	0	20	122	0	0	168
Professionally qualified and experienced specialists and mid-management	45	64	24	13	28	9	81	315	0	0	579
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	443	447	96	101	298	50	371	355	0	0	2 161
Semi-skilled and discretionary decision making	1 748	773	67	156	233	21	49	24	0	0	3 071
Unskilled and defined decision making	2 688	530	24	599	818	2	1	4	0	0	4 666
TOTAL PERMANENT	4 931	1 827	216	871	1 377	83	522	828	0	0	10 655
Non – permanent employees	139	33	2	13	17	1	24	24	0	0	253
GRAND TOTAL	5 070	1 860	218	884	1 394	84	546	852	0	0	10 908



environmental report

introduction

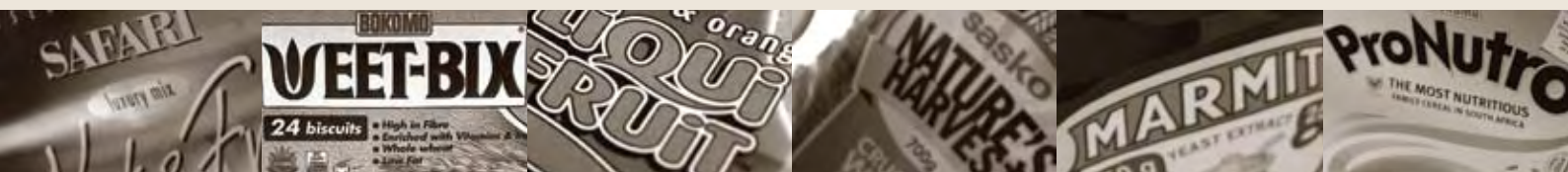
Pioneer Foods is committed to delivering brands, products, processes and services that comply with legal and regulatory requirements, as well as quality and food safety standards.

This approach also ensures good management principles for a safe work environment.

Pioneer Foods has not had a formal Group sustainability strategy in place which was largely due to the diverse nature of our businesses. However, we are currently in the process of compiling a Group sustainability strategy.

Our environment report provides highlights on the following topics for the four major divisions:

- Food and safety standards
- Occupational health and safety
- Energy efficiency; and
- Environmental and waste management



sustainability report (continued)

Food Safety			
To support and further enhance the integrity of our brands and products, food safety is a critical factor for success. Food safety programmes are implemented at certain divisions to ensure that high food safety standards are achieved.			
SASKO	AGRI	BOKOMO FOODS	THE CERES BEVERAGE COMPANY
Selected production sites are certified Good Manufacturing Practices (GMP) facilities as well as HACCP accredited.	- We have implemented the HACCP system at all our abattoirs. - Food safety audits are conducted at all factories. - At our animal feed factories, Near Infrared analysis (NIR) is done on incoming raw materials and outgoing final products.	HACCP, BRC, AIB and ISO 9000 have been implemented at certain plants. These programmes are monitored via a centralised structure to attain high food safety standards.	The Ceres Fruit Juices factory already has ISO 9001, HACCP and South African National Accreditation System (SANAS) accreditation.

Occupational Health & Safety			
We create a healthy and safe working environment for employees and provide employees with protective clothing and education.			
SASKO	AGRI	BOKOMO FOODS	THE CERES BEVERAGE COMPANY
- A health and safety management system was established to address risks within Sasko. - The system is maintained internally and audited and reviewed by a nationally accredited service provider.	- National Occupational Safety Association (NOSA) rated. - INCON to assist or audit health and safety systems.	- NOSA rated - SHE officers oversee the system and ensure that plants comply with company and legislative requirements. - Quality control officers ensure that policies and procedures are implemented and food safety focus is maintained at all times.	The Ceres Fruit Juices factory is currently 4 Star NOSA rated.



Energy Efficiency & Conservation			
The use of energy and other scarce resources are constantly and closely monitored.			
SASKO	AGRI	BOKOMO FOODS	THE CERES BEVERAGE COMPANY
• Opportunities for energy reduction, as well as investigations into substitutes with environmentally acceptable solutions are currently under way. • Will further embark on an energy auditing programme, selectively targeting processes and practices to reduce energy consumption.	• Actions are taken to ensure effective energy usage such as: • energy saving bulbs are used in layer poultry houses. • power factor corrective systems are used in all our animal feed factories.	• Resources continuously monitored: - water - electricity • Emissions controlled through the use of automated combustion equipment.	• The Ceres Fruit Juices factory has built a 'high-tech' effluent treatment plant to ensure all effluent is correctly processed.

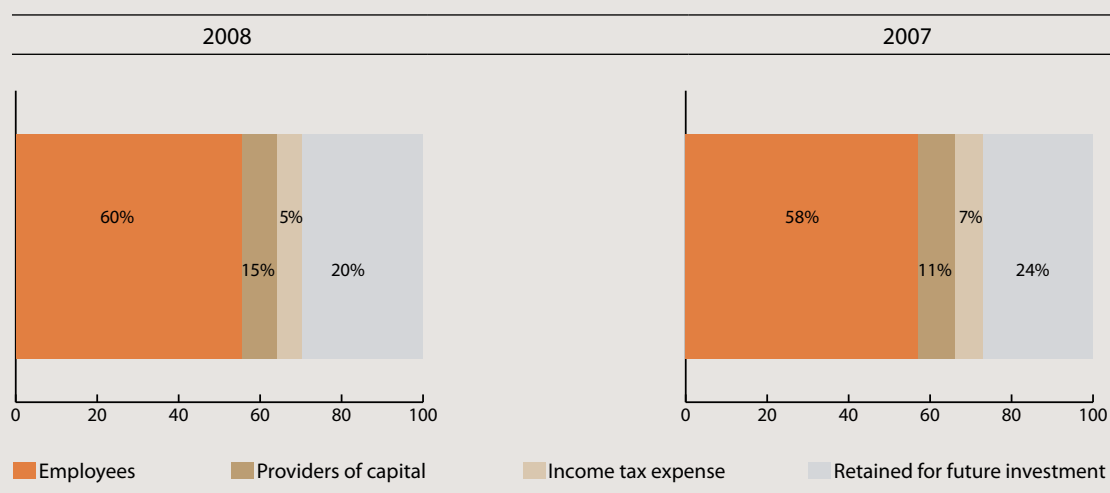
Environmental & Waste Management			
Waste reduction is necessary to ensure our long term sustainability and survival.			
SASKO	AGRI	BOKOMO FOODS	THE CERES BEVERAGE COMPANY
• Implementing an Environmental Management System (EMS) which is aligned to ISO 14001. • An environmental review has been completed at key sites. • Full environmental compliance audits were performed at certain sites with corrective actions implemented.	• Old packing materials at egg pack stations are re-used as dividers on pallets, thus reducing usage of new carton board dividers. • Carton boxes are recycled to our carton manufacturing suppliers. • Effluent water purification systems have been installed and this water re-used as irrigation water.	• Waste reduction and yield management initiatives have been implemented at certain sites. • ISO 14000 implementation commenced at two of the fruit processing plants.	• The Ceres Fruit Juices factory is working towards obtaining ISO 14000 accreditation in 2009. • Participates in various recycling programmes for packaging types such as glass, cans and PET.



value added statement for the year ended 30 September 2008

	GROUP	
	2008 R'000	2007 R'000
Revenue	14 884 376	11 676 598
Cost of production and services	(12 017 000)	(8 998 377)
Value added by operating activities	2 867 376	2 678 221
Interest received	30 473	15 946
Dividends received	999	857
Wealth created	2 898 848	2 695 024
Distributed as follows:		
Employees		
Salaries, wages and employee benefits	1 741 256	1 573 979
Providers of capital	424 722	289 222
Interest paid	250 786	131 592
Dividend to shareholders	173 936	157 630
Income tax expense		
Income tax paid in respect of profits earned	151 495	196 051
Retained for future investment	581 375	635 772
Depreciation and impairments	274 537	255 291
Retained earnings	306 838	380 481
Wealth distributed and retained	2 898 848	2 695 024

distribution of wealth



five year financial review

	GROUP				
	2008 R'm	2007 R'm	2006 R'm	2005 R'm	2004* R'm
CONSOLIDATED INCOME STATEMENTS					
Revenue	14 884.4	11 676.6	9 664.4	8 446.3	7 591.2
Profit before items of a capital nature and income tax	646.5	717.2	681.2	670.7	522.1
Items of a capital nature	(19.4)	1.1	76.7	15.4	10.6
Income tax expense	(174.4)	(211.3)	(186.1)	(177.9)	(167.4)
Profit for the year	452.7	507.0	571.8	508.2	365.3
Attributable to:					
Equity holders of the Group	452.2	506.2	571.3	504.6	357.5
Minority interest	0.5	0.8	0.5	3.6	7.8
	452.7	507.0	571.8	508.2	365.3
Operating profit before items of a capital nature	865.1	831.9	746.9	731.0	551.7
Headline earnings for the year	468.3	502.6	493.5	487.8	352.6
CONSOLIDATED BALANCE SHEETS					
Property, plant, equipment and intangible assets	3 634.1	3 244.2	2 853.2	2 574.4	1 250.2
Deferred income tax assets	36.2	25.5	23.4	17.4	27.4
Loans to joint ventures and investment in associates	32.4	15.0	11.2	22.9	22.8
Non-current trade debtors and available-for-sale financial assets	41.5	42.0	29.8	20.6	24.4
Current assets	4 297.0	3 502.4	2 976.5	2 259.4	2 337.8
Total assets	8 041.2	6 829.1	5 894.1	4 894.7	3 662.6
Capital and reserves attributable to equity holders of the Group	4 256.8	3 609.2	3 186.7	2 650.5	2 025.7
Minority interest	6.0	5.8	5.0	4.7	37.4
Total equity	4 262.8	3 615.0	3 191.7	2 655.2	2 063.1
Non-current borrowings	1 181.3	187.4	272.4	67.5	135.2
Provisions, derivative financial instruments and share-based payment liability	135.1	71.9	69.0	76.6	72.9
Deferred income tax liabilities	442.4	415.4	398.0	387.3	94.9
Current liabilities	2 019.6	2 539.4	1 963.0	1 708.1	1 296.5
Total equity and liabilities	8 041.2	6 829.1	5 894.1	4 894.7	3 662.6
CONSOLIDATED CASH FLOW STATEMENTS					
Net cash profit from operating activities	1 141.7	1 117.4	973.3	936.8	738.0
Working capital changes	(511.2)	(350.7)	(573.7)	113.6	(62.0)
Cash effect from hedging activities	(140.5)	64.2	49.6	14.0	(12.8)
Income tax paid	(178.3)	(225.5)	(209.9)	(131.8)	(164.4)
Net cash flow from operating activities	311.7	605.4	239.3	932.6	498.8
Net cash flow from investment activities	(648.9)	(645.9)	(354.4)	(768.0)	(436.9)
Net cash flow from financing activities	1 140.9	(331.9)	74.5	(628.1)	(308.5)
Net cash and short-term borrowings from business combinations and disposal of subsidiaries	2.8	(3.0)	–	(4.4)	(10.6)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	806.5	(375.4)	(40.6)	(467.9)	(257.2)

(*) The 2004 comparative figures were not adjusted for the impact of IFRS.

five year financial review (continued)

	GROUP				
	2008 R'm	2007 R'm	2006 R'm	2005 R'm	2004* R'm
SEGMENTS					
Revenue					
Sasko	8 143.0	5 848.8	4 655.8	4 229.7	4 098.3
Agri Business	2 493.4	2 106.9	1 877.2	1 765.9	1 634.4
Bokomo Foods	2 539.4	2 217.3	1 856.1	1 577.7	1 322.1
Ceres Beverages	2 082.9	1 807.3	1 383.8	985.9	651.4
Unallocated	–	–	212.1	197.7	175.7
	15 258.7	11 980.3	9 985.0	8 756.9	7 881.9
Less: Internal revenue	(374.3)	(303.7)	(320.6)	(310.6)	(290.7)
	14 884.4	11 676.6	9 664.4	8 446.3	7 591.2
Operating profit before items of a capital nature					
Sasko	622.0	453.8	372.0	361.2	289.3
Agri Business	3.5	100.7	178.1	163.0	109.8
Bokomo Foods	239.4	213.0	158.0	166.6	132.4
Ceres Beverages	77.8	106.4	77.9	63.7	39.4
Unallocated	(77.6)	(42.0)	(39.1)	(23.5)	(19.2)
	865.1	831.9	746.9	731.0	551.7
Depreciation and amortisation					
Sasko	104.4	110.8	83.6	70.7	84.7
Agri Business	19.6	17.3	17.3	17.4	14.5
Bokomo Foods	45.9	54.0	50.7	44.1	47.3
Ceres Beverages	50.8	37.3	28.1	23.4	20.7
Unallocated	31.6	31.1	17.3	23.9	14.3
	252.3	250.5	197.0	179.5	181.5

(*) The 2004 comparative figures were not adjusted for the impact of IFRS.

five year financial review (continued)

	GROUP				
	2008	2007	2006	2005	2004*
PROFITABILITY (%)					
Revenue growth	27.5	20.8	14.4	11.3	(3.8)
Operating profit margin	5.8	7.1	7.7	8.7	7.3
Effective tax rate	27.8	29.4	24.6	25.9	31.4
Return on average net assets	15.4	17.2	18.3	21.7	25.1
Return on average shareholders' funds	11.9	14.8	16.9	19.0	18.6
LIQUIDITY AND SOLVENCY					
Debt to equity ratio (%)	34.2	33.1	28.3	22.2	17.0
Current ratio (times)	2.1	1.4	1.5	1.3	1.8
Acid test ratio (times)	1.0	0.7	0.8	0.7	1.0
Cash profit interest cover (times)	5.2	9.7	14.5	12.3	15.9
Net interest cover (times)	3.9	7.2	11.1	9.6	12.0
Dividend cover (times)	2.5	3.0	3.2	3.6	3.5
PERFORMANCE PER SHARE (CENTS)					
Earnings	282.3	330.7	377.4	324.3	210.3
Headline earnings	292.4	328.4	325.9	313.5	207.4
Dividend	96.0	93.0	85.2	74.8	54.6
Net asset value	2 437.6	2 338.6	2 087.6	1 757.6	1 193.1
PRODUCTIVITY					
Revenue to net asset cover (times)	3.5	3.2	3.0	3.2	3.7
Revenue per employee (R'000)	1 284.7	1 010.6	829.4	702.9	716.1
Net assets per employee (R'000)	367.4	312.4	273.5	220.6	191.1
Number of permanent employees	11 586	11 554	11 652	12 016	10 601
SHARE TRADING STATISTICS					
Price per share (cents):					
At year-end	2 477.0	3 504.0	2 800.0	2 000.0	1 100.0
High	3 504.0	4 000.0	3 300.0	2 000.0	1 100.0
Low	2 060.0	2 800.0	1 871.0	1 055.0	470.0
Net number of issued shares ('000):					
Total number of issued shares	201 184	181 184	181 184	181 184	183 239
Number of treasury shares – share incentive trusts	(8 571)	(8 871)	(10 415)	(12 266)	(12 159)
Number of treasury shares – subsidiary	(17 982)	(17 982)	(18 118)	(18 118)	(1 300)
	174 631	154 331	152 651	150 800	169 780
Market capitalisation (R'000)	4 983 328	6 348 687	5 073 152	3 623 680	2 015 629
Dividend yield (%)	3.9	2.7	3.0	3.7	5.0
Headline earnings yield (%)	11.8	9.4	11.6	15.7	18.9
Earnings yield (%)	11.4	9.4	13.5	16.2	19.1
Price earnings ratio (times)	8.5	10.7	8.6	6.4	5.3

(*) The 2004 comparative figures were not adjusted for the impact of IFRS.

definitions

Operating profit margin:

Operating profit, before items of a capital nature, as a percentage of revenue.

Effective tax rate:

Income tax expense per income statement as a percentage of profit before income tax.

Return on average net assets:

Operating profit, before items of a capital nature, as a percentage of total assets, excluding any loans to joint ventures, investments in associates, available-for-sale financial assets, non-current trade and other receivables, cash and cash equivalents and deferred income tax assets, reduced by trade and other payables, provisions for other liabilities and charges, derivative financial instruments and share-based payment liabilities. The average is based on the carrying values as at the beginning and end of the year.

Return on average shareholders' funds:

Headline earnings as a percentage of average capital and reserves attributable to equity holders of the Group, as determined at the beginning and end of the year.

Debt to equity ratio:

Borrowings, net of cash and cash equivalents, as a percentage of capital and reserves attributable to equity holders of the Group.

Current ratio:

Ratio of current assets to current liabilities.

Acid test ratio:

Ratio of current assets less inventories and current biological assets to current liabilities.

Cash profit interest cover:

Net cash profit from operating activities plus dividends received, divided by net interest.

Net interest cover:

Operating profit, before items of a capital nature, plus dividends received, divided by net interest.

Dividend cover:

Headline earnings for the year, divided by total dividends declared (excluding dividends on class A ordinary shares).

Net asset value per share:

Capital and reserves attributable to equity holders of the Group divided by the total number of issued ordinary shares, excluding treasury shares held by a subsidiary and a share incentive trust.

Revenue to net asset cover:

Revenue divided by net assets.

Revenue per employee:

Revenue divided by permanent employees at year-end.

Net asset value per employee:

Capital and reserves attributable to equity holders of the Group divided by permanent employees at year-end.

Market capitalisation:

Market price per ordinary share at year-end multiplied by the total number of issued ordinary shares.

Dividend yield:

Dividend per ordinary share divided by the market price per ordinary share at year-end.

Headline earnings yield:

Headline earnings per ordinary share divided by the market price per ordinary share at year-end.

Earnings yield:

Earnings per ordinary share divided by the market price per ordinary share at year-end.

Price earnings ratio:

Market price per ordinary share at year-end in relation to headline earnings per ordinary share.

Ordinary share(s):

For the purposes of all the above definitions ordinary share(s) exclude(s) class A ordinary shares.
