

*group overview*

- **Revenue from continuing operations R13 billion (excluding Spar)**
- **Operating margin from continuing operations 13,9% (excluding Spar)**
- **Total dividend for the year up 28%**

**TIGER BRANDS: VISION 2004, TODAY AND LOOKING FORWARD**

**Vision 2004**

- Create an ability to attract, retain and develop the best people.
- Achieve organic growth (profitable top-line growth).
- Attain superior financial performance.
- Build a culture of innovation.

**Tiger Brands Today**

- The core businesses have grown and been honed over the last five years; minorities purchased; acquisitions made in key growth areas and non-core businesses unbundled.
- The businesses and core competencies, upon which we intend to build, have been identified.
- Strategies to deal with the challenges of a strong currency and a low inflationary environment are being implemented.

Steps to unlock shareholder value have included:

- Unbundling of Spar.
- Share repurchase programme.
- Lowering of the dividend cover.

**Towards 2010**

The building blocks going forward:

- Organic growth in adjacent segments of the market and innovation of the core brands.
- International market development, globalisation and focus on the 'Out of Home' market.
- Developing a culture of continuous improvement.
- Acquisitions in food and healthcare.
- Further lowering of the dividend cover.

**Headline earnings**  
PER SHARE

**up 19%**

**Operating income**  
FROM CONTINUING OPERATIONS

**up 23%**

**Dividend**  
FOR THE YEAR

**up 28%**

**DIVISIONAL HIGHLIGHTS**

**Domestic Food**

Increased operating income by 29% on an 8% increase in revenue

**Consumer Healthcare**

Successful innovations in Bioplus and Compral contributed to growth

**Regulated Healthcare**

Despite increased regulation, operating income was up 20% driven by a strong performance from generics

**Hospital Products**

Continued to benefit from the further widening of its product base

**Fishing**

The strong exchange rate had a detrimental effect on the fishing industry

**Spar**

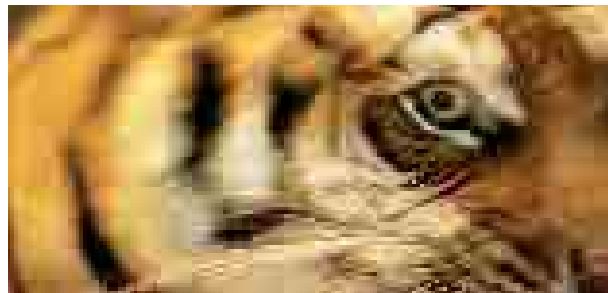
Successfully unbundled and separately listed on the JSE Securities Exchange in October 2004

**Exports and International**

Results benefited from higher deciduous fruit volumes and improved dollar prices



Focusing on . . . **Continuous Improvement**  
and **Innovation**

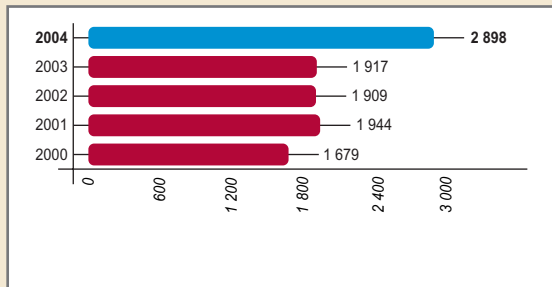


*innovative processes*  
*innovative products*

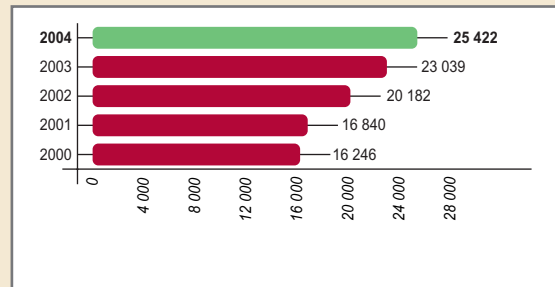
*2004 highlights*

- **Headline earnings per share up 19%**
- **Operating income from continuing operations up 23%**
- **Total dividend up 28%**
- **Dividend cover reduced to 2,5 times**
- **Share buy-back programme commenced**
- **Spar unbundling successfully completed in October 2004**

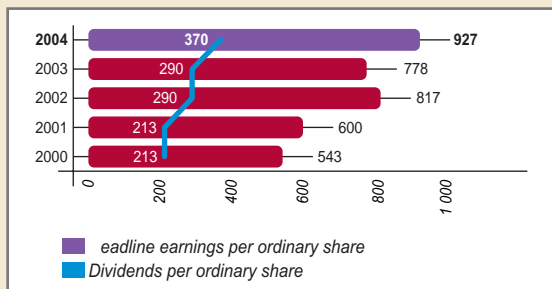
**CASH GENERATED FROM OPERATIONS (Rm)**



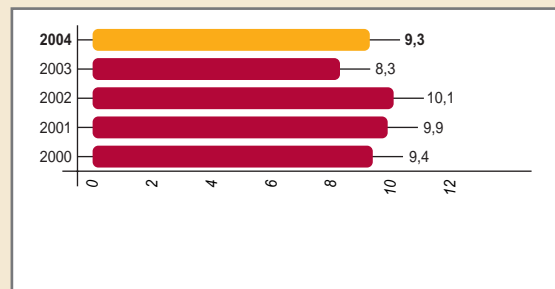
**REVENUE (Rm)**



**EARNINGS AND DIVIDENDS PER SHARE (cents)**



**OPERATING MARGIN (%)**



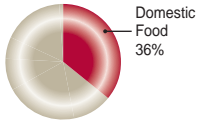
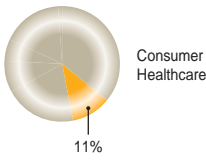
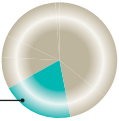
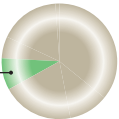
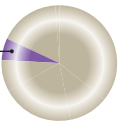
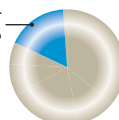
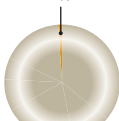
## key performance indicators

<i>(Rands in millions)</i>	2004	2003
Return on average net assets employed (%)	63,5	62,5
Operating margin (%) – total business (including Spar)	9,3	8,3
Operating margin (%) – continuing operations (excluding Spar)	13,9	12,1
Net debt to equity (%)	34,1	55,3

## financial highlights

<i>(Rands in millions)</i>	2004	2003	% change
<b>Consolidated results</b>			
Revenue – continuing operations (excluding Spar)	13 188,1	12 587,0	5
Operating income – continuing operations (excluding Spar)	1 950,0	1 589,2	23
Headline earnings	1 553,8	1 300,5	19
Total assets employed	12 257,4	11 201,5	9
Cash generated from operations	2 898,3	1 916,8	51
Capital expenditure	454,9	363,7	25
<b>Ordinary share performance</b>			
Headline earnings per ordinary share (cents)	927	778	19
Headline earnings per ordinary share (cents) (excluding Spar)	758	622	22
Dividends per ordinary share (cents)	370	290	28
Dividend cover (times)	2,5	2,7	(7)
Market price at year-end (cents)	9 801	6 850	43

group at a glance

OPERATING DIVISION	CONTRIBUTION TO OPERATING INCOME	CONTRIBUTION TO GROUP
<p><b>domestic food</b></p> <p><b>Grains:</b> Ace, Albany, Golden Cloud, Jungle, King Korn, Morvite, Tastic  <b>Groceries:</b> All Gold, Black Cat, Colmans, Koo, Fatti's &amp; Moni's  <b>Snacks &amp; Treats:</b> Anytime, Black Cat, FFWD, Inside Story, Wonderbar, Beacon  <b>Perishables:</b> DairyBelle, Enterprise, Like it Lean</p>	36%	 <p>Domestic Food 36%</p>
<p><b>consumer healthcare</b></p> <p><b>OTC medicines:</b> Bioplus, Citro Soda, Compral, Panado, Osteo-Matrix  <b>Personal care:</b> Gill, Ingram's Camphor Cream, Lemon Lite  <b>Homecare:</b> Airoma, Doom, FastKill, ICU, Jeyes, Peaceful Sleep, Rattex  <b>Babycare:</b> Elizabeth Anne's, Purity</p>	11%	 <p>Consumer Healthcare 11%</p>
<p><b>regulated healthcare</b></p> <p><b>Branded medicines:</b> Betadine, Corenza C, Fucidin, Glucomed, Medikeel, Nebilet, Novartis Ophthalmic, Myprodol, Syndol, Synap Forte, Zildem  <b>Generic medicines:</b> Adco Generics, including Adco-Dol and Adco-Simvastatin, Alcophyllex, Zetomax, Adco-Zolpidem, Zopimed</p>	20%	 <p>Regulated Healthcare 20%</p>
<p><b>hospital products</b></p> <p>Adcock Ingram Critical Care: Medication Delivery – Sabax intravenous solutions, Colleague and Flo-Gard infusion pumps, Baxter kidney dialysis solutions/accessories, Prograf, Fenwal blood products, range of medical diagnostic tests and equipment</p>	9%	 <p>Hospital Products 9%</p>
<p><b>fishing</b></p> <p><b>Sea Harvest:</b> Feasts of Flavour, Simply Delicious  <b>Oceana:</b> Lucky Star</p>	6%	 <p>Fishing 6%</p>
<p><b>spar</b></p> <p>KwikSpar • Spar • SuperSpar • Tops • Build-it • Freshline</p>	17%	 <p>Spar 17%</p>
<p><b>exports and international</b></p> <p><b>Empresas Carozzi (Chile, Peru, Argentina):</b> Carozzi, Costa, Molitalia, Bonafide – 24%  <b>C &amp; T Malt (USA, United Kingdom, Canada, Australia) – 50%</b>  <b>Agro-Tech Foods (India):</b> Sundrop, Healthy World – 17% • <b>Namibian Fishing Industries (Namfish) (Namibia) – 35%</b>  <b>National Foods (Zimbabwe):</b> Red Seal, Gold Seal – 27%  <b>Datlabs (Pvt) Limited (Zimbabwe):</b> Cafemol, Ingram's Camphor Cream, Lanolene Milk, Sabax Intravenous Solutions – 100%</p>	1%*	 <p>Exports and International 1%</p>

\*Exports only

## NATURE OF BUSINESS

Leading supplier of major food brands

Leading supplier of health, personal, baby and home care brands

Leading supplier of branded prescription and generic medicines

Leading supplier of medicine delivery, blood, renal, diagnostic and other hospital products

Sea Harvest Corporation is involved in deep-sea trawler fishing, fresh and frozen fish and processing and marketing

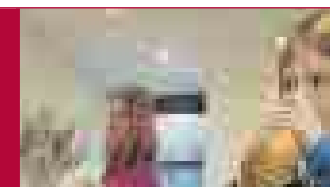
Oceana is involved in the fishing, processing, marketing and trading of a wide variety of marine species. It also has interests in cold storage operations

A leading distribution service for independently owned Spar stores

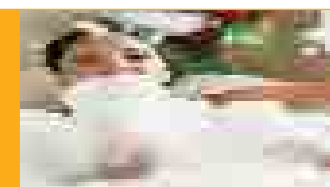
Tiger Brands has interests in several food businesses based in Chile, India, the USA, Canada, Australia, United Kingdom, Namibia and Zimbabwe  
It also has a healthcare subsidiary based in Zimbabwe

## OPERATING INCOME AND REVENUE PER DIVISION

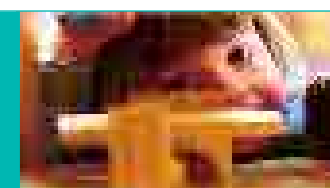
	2004 R'm	2003 R'm	% change
<b>DOMESTIC FOOD</b>			
Revenue	8 821,7	8 203,3	8
Operating income	859,8	666,9	29
Operating margin	9,7%	8,1%	



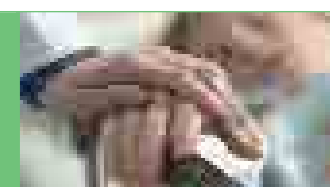
	2004 R'm	2003 R'm	% change
<b>CONSUMER HEALTHCARE</b>			
Revenue	1 252,2	1 073,2	17
Operating income	263,8	219,1	20
Operating margin	21,1%	20,4%	



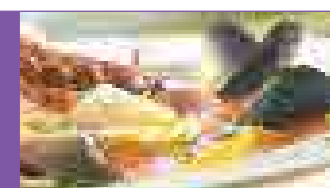
	2004 R'm	2003 R'm	% change
<b>REGULATED HEALTHCARE</b>			
Revenue	1 103,2	911,3	21
Operating income	467,1	389,4	20
Operating margin	42,3%	42,7%	



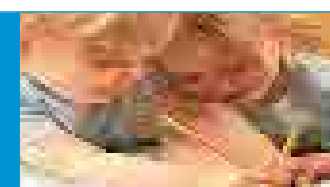
	2004 R'm	2003 R'm	% change
<b>HOSPITAL PRODUCTS</b>			
Revenue	638,4	617,2	3
Operating income	209,6	175,5	19
Operating margin	32,8%	28,4%	



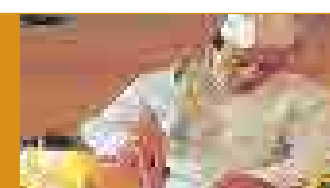
	2004 R'm	2003 R'm	% change
<b>FISHING</b>			
Revenue	1 627,9	1 703,9	(4)
Operating income	150,8	219,1	(31)
Operating margin	9,3%	12,9%	



	2004 R'm	2003 R'm	% change
<b>SPAR</b>			
Revenue	11 985,2	10 121,1	18
Operating income	417,2	346,4	20
Operating margin	3,5%	3,4%	



	2004 R'm	2003 R'm	% change
<b>EXPORTS</b>			
Revenue	604,3	621,1	(3)
Operating income	15,0	(78,2)	—
Operating margin	2,5%	(12,6%)	
<b>INCOME FROM INTERNATIONAL ASSOCIATES</b>	33,1	71,5	(54)



*message from the chairman*

## **Tiger Brands has produced excellent results**



**ROBBIE WILLIAMS** – Chairman

***Cash generation remained strong, assisted by good working capital management.***

Tiger Brands has produced excellent results this past year. The strong consumer-led recovery in the domestic economy benefited volumes, although the continued strong rand and low inflationary environment put pressure on selling prices and margins.

As indicated last year, programmes were implemented to counteract the negative impact of the strong local currency on export revenues.

Furthermore, the greater emphasis placed on cost containment and manufacturing efficiencies to take advantage of the scale and spread of our operations, has enabled the company to protect its margins in most areas, and in some cases improve them.

### **OVERVIEW OF RESULTS**

Revenue increased by 10% to R25,4 billion. Excluding the effect of acquisitions the increase amounted to 3%. Total operating income improved by 24%, with the rate of increase reducing to 15% after adjusting for acquisitions. The strong operational leverage is

primarily the result of increased sales volumes, good cost control and improved efficiencies.

Cash generation remained strong, assisted by good working capital management. This translated into lower net borrowings which amounted to R1 427 million at 30 September 2004 compared to R1 912 million at the end of the previous financial year. The borrowing reduction was achieved notwithstanding the share buy-back programme which was implemented during the second half of the year and the acquisition of Nelspruit Wholesalers in November 2003.

On a pro forma basis, after adjusting for the unbundling of Spar, net gearing at 30 September 2004 reduced to a level of 30% (R1 118 million), whilst the pro forma interest cover for 2004 increased to 8,9 times compared to 6,6 in 2003.

At the same time, I am pleased also to report an increase in headline earnings per share of 19%. Excluding the results of Spar from both 2004 and the prior year, headline earnings per share reflect an improvement of 22%.

*In line with the decision taken at the half year to return to shareholders an increasing percentage of profits in the form of higher cash dividends, the annual dividend cover for 2004 has been reduced to 2,5 times.*

*keeping our feet firmly on the ground*



*Our array of outstanding consumer brands gives us the opportunity to reach consumers across the breadth of South African society and beyond our borders.*

In line with the decision taken at the half year to return to shareholders an increasing percentage of profits in the form of higher cash dividends, the annual dividend cover for 2004 has been reduced to 2,5 times (2003: 2,7). The company has therefore declared a final dividend of 270 cents per share which, together with the interim dividend of 100 cents, brings the full year dividend to 370 cents per share. This represents an increase of 28% on the previous year's total dividend.

In last year's review I indicated that our efforts would be concentrated on maintaining Tiger's long-term track record of delivering consistent real growth in earnings for its shareholders. These results are particularly pleasing in that they not only keep us on track with this record of over 20 years, they improve on it.

The prior year acquisitions of Enterprise Foods, Robertsons Homecare, the Parke-Med generics business and the Citro-Soda and Vidaylin brands, have materially contributed to these results. All have been successfully integrated into our operations in a way that gives us renewed confidence in further pursuing this avenue of growth.

#### **HEALTHCARE**

A key event during the year has been the introduction of new regulations in the Healthcare Sector which incorporate the principle of single exit pricing for scheduled medicines. This has been a challenging period for all involved.

In anticipation of this, we accelerated our development of affordable generics with the objective of bringing clear cost benefits to consumers. Effective cost containment measures have enabled us to limit price

increases over the past few years and in many cases prices have actually reduced. Volumes have improved as a result, further contributing to overhead recoveries. Development work is continuing in this important area, and we are confident of the new product pipeline going forward.

A key challenge facing the industry is the development of a Healthcare Charter during the coming year, and we welcome the opportunity to work with the Department of Health and other members of the industry on this important project.

#### **BRANDS**

Our array of outstanding consumer brands gives us the opportunity to reach consumers across the breadth of South African society and beyond our borders. Nowhere is this more evident than in our Food operations where the depth of professional marketing

***Undoubtedly the most significant event for Tiger this past year has been the Spar unbundling.***

talent and innovative capabilities supports our strong market position. Once again Tiger Brands gained the top three places, and five out of the top ten, in the food sector in a recent comprehensive survey of brands in South Africa conducted by Markinor – Sunday Times. *Tastic*, *Ace* and *Koo* occupied the first three positions respectively. In addition, *Koo* emerged as the fifth most admired South African brand overall.

#### **CORPORATE ACTIVITY**

Undoubtedly the most significant event for Tiger this past year has been the Spar unbundling, especially given that Spar had been an important part of Tiger for over twenty-five years. However, it was clear that Spar was no longer core to Tiger and was capable of operating as a separate, independent business. Indeed, our responsibilities to our other major customers also had to be carefully considered. Our view was that an unbundling would benefit all concerned by allowing both Tiger and Spar to concentrate on their core activities while at the same unlocking value for our shareholders.

Spar's proven distribution and logistical capabilities, strong management team, its core competency of managing voluntary trading groups, combined with a successful track record, together provide an ideal platform from which to grow the business in the future. I would like to take this opportunity of wishing Peter Hughes and his team, and all the staff of Spar, every success in the years ahead in what will be a new and exciting chapter in the life of Spar.

It is our intention to continue developing opportunities for further value creation. To this end we have embarked on a share buy-back programme and will be examining the progressive lowering of our dividend cover as and when appropriate.

#### **TRANSFORMATION**

The Transformation Committee, established last year under the chairmanship of Chris Nissen, who is an independent non-executive director of the Board, is making good progress on a number of important broad-based empowerment fronts.

Procurement is a vital area of opportunity for empowerment and here we are developing a much clearer understanding of our supplier base, communicating our policies to them and developing the means to verify, on a reliable basis, their BEE status. We are simultaneously developing our capability to identify Black suppliers, assist existing suppliers to transform, or where possible and appropriate, develop new Black suppliers. This last aspect is of particular interest since we are finding that it may well provide opportunities for enterprise development within our own employee base.

Training strategies are being developed both to integrate transformation into our corporate thinking and to contribute to our employment equity goals for which clear guidelines have been set.

A further aspect to which the Transformation Committee is giving attention is broad-based share

***The underlying strength of Tiger's business and its diverse array of powerful brands, are expected to contribute to real earnings growth in the year ahead.***

ownership. As indicated last year, we have set ourselves a target for black ownership in Tiger Brands of 25% by 2010, with a minimum of 10% allocated to direct ownership and the balance to indirect ownership.

Scorecards have been developed to monitor progress in all these areas and while we have a good record in this regard, as is evidenced by being placed first in our sector and twelfth overall in the recent Financial Mail – Empowerdex Survey on BEE, I am confident that there is more we can do, much more that we can deliver on.

**CORPORATE SOCIAL RESPONSIBILITY**

Complementing these activities is our social responsibility programme where our objective is to improve the lives of those whose potential to enter the active economy may not be so immediate or apparent. We believe that an important measure of our worth as a company lies in the way we treat those in need. Under the *Unite Against Hunger* banner, Tiger Brands has pioneered an innovative approach to social investment programmes, partnering with community-based organisations, like-minded corporations and popular personalities to deliver food relief to almost 100 000 people every month. Although only launched in May 2003, *Unite Against Hunger* and Tiger Brands are

inextricably linked and plans are in place to enhance this initiative's capacity to effect real change still further.

Beneficiaries include African Children's Feeding Scheme and Heartbeat. The African Children's Feeding Scheme feeds approximately 14 000 children per day and provides monthly food parcels for some 1 000 families. Heartbeat provides support for orphaned and vulnerable children.

**PROSPECTS**

This coming year should see continued domestic growth with the underlying trend in consumer sentiment expected to remain positive. A further positive factor is the growing emergent black consumer base which is contributing to an ever increasing proportion of total consumer spend. The economically active section of the population (earning more than R4 000 per annum) has increased by some five million people over the last decade, reflecting an average annual compound growth rate of 10%. This is well ahead of the average growth rate in the total population over the same period.

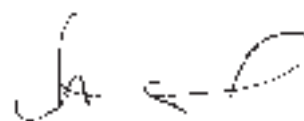
These trends bode well for Tiger which should benefit from continuing expansion of the economy in 2005.

The underlying strength of Tiger's business and its diverse array of powerful brands, together with the ongoing focus on innovation and operating efficiencies, are expected to contribute to real earnings growth in the year ahead.

**APPRECIATION**

I would like to welcome Santie Botha as a newly appointed independent non-executive director of the company. Her extensive marketing background will prove invaluable to Tiger and I look forward to her participation and contribution in the years ahead.

My thanks go out to my co-directors, the management and staff of Tiger Brands for their dedication and commitment over this past year. Finally, I would like to express my appreciation to our shareholders, customers, suppliers and other business associates for their ongoing support of the company.



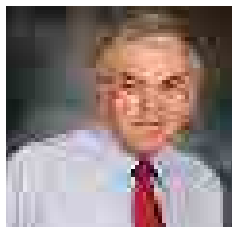
**ROBBIE WILLIAMS** – *Chairman*

directorate

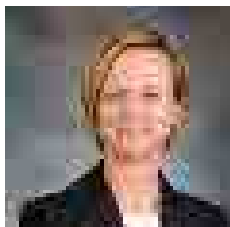
**INDEPENDENT NON-EXECUTIVE DIRECTORS**



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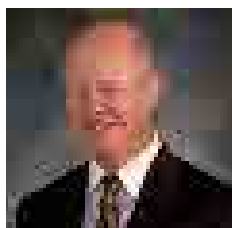
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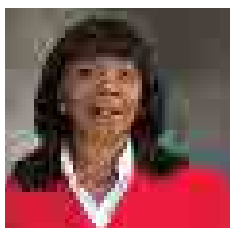
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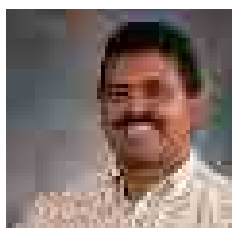
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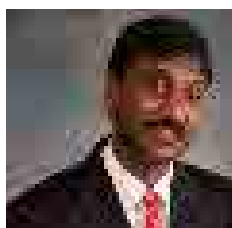
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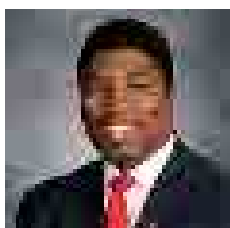
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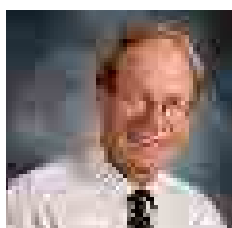
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1. **Robert Albert Williams (64) BA, LLB Chairman**  
Date appointed to the board: 1 January 1984. Chairman of Illovo Sugar Ltd. Directorships include FirstRand Ltd, Nampak Ltd, Oceana Group Ltd and Mutual & Federal Insurance Company Ltd.
2. **Barry Hilton Adams (68) CA(SA)**  
Date appointed to the board: 17 February 1992. Former Country Managing Partner of Arthur Andersen. Directorships include Hanover Re-insurance Group Africa Ltd.
3. **Susan Louise Botha (40) BEcon (Hons)**  
Date appointed to the board: 18 August 2004. Executive director of MTN Group Ltd.
4. **Douglas Denoon Balharrie Band (60) BCom, CA(SA)**  
Date appointed to the board: 18 May 2000. Directorships include Standard Bank Group Ltd, Stanlib Ltd, MTN Group Ltd, Bidvest Group Ltd, Supersport International Holdings Ltd and Business Against Crime South Africa.
5. **Brian Patrick Connellan (64) CA(SA)**  
Date appointed to the board: 2 August 1993. Directorships include Sasol Ltd, Reunert Ltd, Nampak Ltd, ABSA Group Ltd, Illovo Sugar Ltd and Oceana Group Ltd.
6. **Ursula Patricia Thelma Johnson (50) BA (Mass Communications), USA**  
Date appointed to the board: 1 February 2002. Managing Director of Network International (Pty) Ltd. Director of SA Civil Society Initiative and SA International Women's Forum.
7. **Andrew Christoffel Nissen (46) BA (Hons), MA**  
Date appointed to the board: 18 May 2000. Director of Standard Bank Group Ltd, Randgold and Exploration Company Ltd and Boschendal Ltd.
8. **Gopalan Neethianandan Padayachee (50) MB.ChB, MMED (Comm, Health), DTM & M.DPM, DOH, DHSM, FRSM, MIPH**  
Date appointed to the board: 1 February 2002. Faculty Dean and Professor of Public Health, University of Cape Town. Previously Chief Executive Officer of the Greater Johannesburg Metropolitan Council. Positions include Chairperson of the Medical Schemes Council of South Africa, Fellow of the Royal Society of Health, Member of the International HIV/AIDS Care Resource Group, Harvard AIDS Institute, President of the International Institute of Traumatology and Crisis Intervention and Member of Health Professions Council of South Africa and Medicines Control Council of South Africa.
9. **Bhekokuhle Lindinkosi Sibiya (47) BAdmin, MBA**  
Date appointed to the board: 14 March 2003. Chief Executive of Business Unity South Africa, Chairman of Brait South Africa and director of Famous Brands.
10. **Jan Louis van den Berg (68) BCom**  
Date appointed to the board: 1 July 1990. Chairman of Astral Foods Ltd and Member of Eskom Pension Fund Strategic Investment Committee.
11. **Leonard Carel van Vught (61) BSc (Hons), BCom**  
Date appointed to the board: 12 March 2003. Formerly Chief Executive of AECl Ltd, director of AECl Ltd and Impala Platinum Holdings Ltd.

#### AUDIT COMMITTEE

B H Adams (Chairman)  
B P Connellan  
R A Williams  
J L van den Berg

#### NOMINATION/ REMUNERATION COMMITTEE

D D B Band (Chairman)  
B H Adams  
L C van Vught  
R A Williams

#### RISK COMMITTEE\*\*

G N Padayachee (Chairman)  
G T Anderson  
N P Doyle  
I W M Isdale  
C F H Vaux

#### TRANSFORMATION COMMITTEE

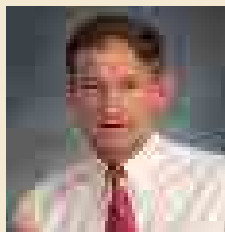
A C Nissen (Chairman)  
B L Sibiya  
N Dennis  
J L de Jager  
K A Ntshingila  
N G Brimacombe  
G T Anderson  
M Rood  
M Chibabhai

*\*All non-executive directors are considered to be independent in terms of the provisions of the Code of Corporate Practice and Conduct (King II).*

*\*\*The risk committee reports to the audit committee. It is chaired by a non-executive director and its remaining members are from management.*

†British

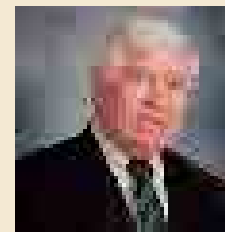
#### EXECUTIVE DIRECTORS



1.



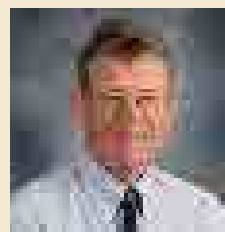
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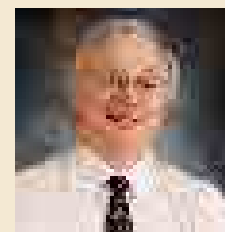
3.



4.



5.



6.

**1. Nicholas Dennis (57)† BCom (Hons)**

Date appointed to the board: 4 May 1983. Director of Nedcor Ltd and Oceana Group Limited.

**2. Martin Haydn Franklin (53) CA(SA)**

Date appointed to the board: 7 November 1989.

**3. James Hamish McBain† (64) BSc**

Date appointed to the board: 1 October 1987.

**4. Michael Christian Norris (57) BSc (Ind Chem)**

Date appointed to the board: 1 September 2000.

**5. Roy Vaughan Smither (59) CA(SA)**

Date appointed to the board: 18 November 1998.

**6. Clive Frederick Harold Vaux (53) CA(SA)**

Date appointed to the board: 16 February 2000.



from our chief executive officer

## **the focus for 2004 has centred on innovation, cost containment and improved operating efficiencies**



### **OVERVIEW OF RESULTS**

The year under review was one of excellent progress for Tiger Brands, in which trading conditions were characterised by a low inflationary environment, the stabilisation of the South African rand that had appreciated strongly in the previous year and price deflation in our maize business.

These circumstances normally give rise to margin pressure and, accordingly, the focus for 2004 has centred on innovation, cost containment and improved operating efficiencies.

Revenue from continuing operations, inclusive of Spar, increased by 11% to R25,2 billion. Good revenue growth in Regulated Healthcare and Consumer Healthcare was achieved. In addition revenue growth was influenced by Spar's acquisition of Nelspruit Wholesalers (Pty) Limited in November

2003 and by Enterprise Foods (Pty) Limited being consolidated as a wholly-owned subsidiary for the full year under review, following Tiger Brands' acquisition of the remaining 50% shareholding in May 2003.

The focus on cost containment and operating efficiencies resulted in operating income increasing by 24%, with the operating margin widening from 8,3% in 2003 to 9,3% in 2004. Excluding Spar and after adjusting for intra-group sales, the operating margin from continuing operations improved to 13,9% (2003: 12,1%).

Exports (excluding fishing) returned a small profit of R15,0 million after recording a loss of R78,2 million in the previous year. The ability of exports to compete internationally has been affected by the strength of the rand and, as a result, it has been

*We are committed to a Transformation process within Tiger Brands, which is founded on our four core values of respect, teamwork, action-orientation and imagination.*

*keeping an ear to the ground*



necessary over the past year to review structures and efficiencies in order to improve the company's international competitiveness.

Cash generation for the year was strong, with cash available from operations increasing by R892,6 million to R2,1 billion. This was primarily achieved through an improvement of R451,4 million in total operating income and through a reduction of R169,0 million in working capital requirements. In 2003 an additional amount of R372,4 million was invested in working capital. After accounting for financing costs, tax, dividend payments and investing activities, there was a net cash inflow of R672,0 million compared to an outflow of R513,7 million in 2003.

Cash generation has always been a key strength of Tiger Brands and this has enabled the company to embark on a general repurchase of its shares during 2004. A total number of 2 616 118 shares were repurchased at an aggregate cost of R236,3 million, equivalent to 1,6% of the shares in issue. In addition, the company has announced its intention to follow a progressive dividend policy in terms of which its dividend cover levels will, subject to cash requirements, be steadily reduced over time. Consistent with this decision, the total dividend for the year was increased by 28%, translating to a dividend cover ratio of 2,5 times (2003: 2,7 times).

The income from associates of R40,1 million was well below the prior year figure of

R92,7 million. However, the figures are not strictly comparable as a result of the change in status of Enterprise Foods from an equity accounted associate to a fully consolidated subsidiary with effect from 1 May 2003.

Although Chilean based associate Empresas Carozzi performed well at an operating level, the after tax profits were below the previous year as a result of certain operations paying a full tax rate in 2004, whereas profits were partially sheltered from tax in 2003 due to the existence of assessed losses.

C & T Malt continued to experience extremely difficult trading conditions, with the results from normal trading activities being well below the previous year. As a result of difficult fishing conditions, associate

*The headline earnings per share showed excellent growth in 2004, and we believe that we are making good progress in our strategic imperative of unlocking shareholder value.*

company Namfish (34,5% owned by Sea Harvest) incurred an increased loss for the year.

These results translated to an overall increase in headline earnings per share of 19%. On a pro-forma basis, after excluding the results of Spar from both 2003 and 2004, headline earnings per share reflect an improvement of 22%. A pro-forma income statement, excluding Spar, is presented as part of the financial review on page 76 of the annual report.

#### **2004 PERFORMANCE**

2004 brought with it many and varied challenges, which I am pleased to say our businesses approached in a professional manner.

#### **FMCG DOMESTIC FOOD**

In a low inflationary climate, with 2% selling price increases, and in the face of increased competition, the **Grocery** business notched up a strong performance in the local market, assisted by real growth and market share gains. Overall performance of the category, however, was inhibited by the Out of Home business and the impact of the strong rand on exports. While the pasta category

was adversely affected by the high price of durum wheat and a proliferation of cheap imports during 2004, the recent absorption of this business into the Grocery category should provide synergies, cost benefits and an improved performance going forward.

In the **Perishables** category, the Enterprise brand enjoyed significant market share growth in both value and volume terms across all product categories, while the DairyBelle cheese and fresh milk operations achieved satisfactory results despite being challenged by the strength of the Rand and an oversupply of milk.

As a direct result of the significant improvement in the Rand US\$ exchange rate, the performance of the **Snacks & Treats** category has been materially affected by the unprecedented levels of imported sugar confectionery – mainly from Brazil – flowing into the local market. This situation has been further exacerbated by apparent customs duty evasion.

The Grains division performed extremely well, with the rice category growing in volume by in excess of 10%. Albany exhibited both volume and market

*The priority for the new year is to build our robust pipeline of new products in the Regulated Healthcare area.*

share growth, while the success of the new Jungle Energy Crunch product range continues unabated. The upgrade of the sorghum plant has been completed, and we anticipate good growth in the sorghum-based products.

2004 has been a year of investment in the establishment of the Out of Home division, which focuses on the catering and institutional markets. We will be exploring various opportunities to establish Tiger Brands as a leading supplier to end users in this market.

#### **HEALTHCARE**

In a year of significant disruption, during which the legislative changes affecting the pharmaceutical industry, including single exit pricing, were introduced, the **Regulated Healthcare** business maintained its leadership position in the total private branded pharmaceutical market. It is also a leading manufacturer of generic medicines and achieved significant growth in 2004

driven by the success of new products such as Adco Simvastatin and Adco Zolpidem.

The Parke-Med business, which was acquired in the latter part of 2003, has been successfully integrated into the company.

This acquisition, combined with strong internal organic growth of our products, has now made Adcock Ingram the leading cardiovascular medicine company in South Africa in terms of units dispensed.

The priority for the new year is to build our robust pipeline of new products in the Regulated Healthcare area.

Innovation accounted for some 20% of total revenue for the **Hospital Products** business, which has also successfully expanded into the wound care and ostomy markets. Through various innovations to meet specific customer needs, the hospital products business is well positioned for growth in the year ahead.

The successful integration of the Robertsons Homecare business and Abbott consumer brands, as well as the introduction of exciting

innovations, contributed to a strong performance from our **Consumer Healthcare** division.

#### **FISHING**

Abnormally high landings of small hake in South Africa resulted in prices for fish products reducing significantly. Combined with the effects of a strong rand, overall results for Sea Harvest as well as Oceana, were negatively affected.

#### **SPAR**

Spar produced an admirable performance in a year characterised by tough trading conditions and a high level of competitive activity. An 18% increase in revenue translated to a 20% growth in operating income, partly influenced by the acquisition of Nelspruit Wholesalers in November 2003.

The R70 million extension to the North Rand distribution centre was commissioned early in the year. As a consequence, the centre is well placed to take advantage of growth

opportunities in 2005, particularly in the fresh and perishable products area.

The landmark event of 2004 epitomising our desire to unlock shareholder value, was the unbundling of Spar and the simultaneous listing of Spar on the JSE Securities Exchange as a separate independent entity. The listing took place on 18 October 2004, subsequent to the 2004 financial year-end. Spar has been an important component of Tiger Brands for over 25 years and we wish Spar every success as an independently listed company and as a valued customer.

#### **SUPPLY CHAIN MANAGEMENT**

Increased emphasis has been placed on the purchasing activities in order to realise synergies that exist across the Tiger basket. As part of our preferential procurement policy, where appropriate, group spend will be proactively directed towards Black-owned and Black-empowered suppliers.

#### **ORGANISATIONAL EFFECTIVENESS**

The Organisational Effectiveness function is responsible for the recruitment, development and

training of employees, as well as the administrative functions for all employees over the entire spectrum of businesses.

Exciting initiatives taking place will be the role out of the 'Graduate Recruitment Programme' to attract young Black graduates to Tiger, as well as the 'Coaching for Superior Performance Programme', which will be aimed at growing the business acumen of our existing employees.

#### **THE WAY FORWARD**

In the year 2000, Tiger Brands unveiled its 'Vision 2004' blueprint for the business. It is now appropriate to give an assessment of how we have done as well as a brief overview of our latest in achieving that vision, vision statement, 'Towards 2010!'

Over the period of 2000 to 2004, our core businesses have grown and been honed; the outstanding minority stakes in underlying subsidiaries have been purchased, acquisitions made in key growth areas, whilst our non-core interests have been systematically disposed of. In addition, Astral Foods Limited, which comprised the

group's agri-poultry interests, was unbundled out of Tiger Brands and more recently, in October 2004, 100% of the shares in The Spar Group Ltd were unbundled, with Tiger Brands shareholders receiving one share in Spar for every share held in Tiger Brands Limited.

Our long-term strategic vision is 'to be the world's most admired branded food and healthcare company in emerging markets'. The corporate actions, which have taken place over the period 2000 to 2004, culminating in the unbundling of Spar, have successfully aligned the group with its long term vision.

We can assess the progress we have made to date in the achievement of our Vision by measuring our success in the following critical areas:

Our ability to attract, retain and develop the best people.

Building a culture of innovation.

The achievement of superior financial performance.

The following is a brief overview of the progress made in terms of the above, in pursuit of our Vision:

#### **PEOPLE**

People continue to be a key focus area. This is assisted through various initiatives which have been implemented such as Talent Management and Succession Planning, Performance Management, Leadership Development and our own Graduate Development programmes. With regards to training, the Tiger Manufacturing Academy offers competency based manufacturing programmes that provide development opportunities from shop floor to management level. We have 75 learners graduating in December 2004, and another 65 learners due to graduate in June 2005.

We are committed to a Transformation process within Tiger Brands, which is founded on our four core values of respect, teamwork, action-orientation and imagination. Our desire is that Tiger Brands

will reflect the diverse face of South Africa, and with this in mind we are actively driving employment equity and enterprise development, with each individual business taking the responsibility to identify potential opportunities for personal growth and development.

#### **BUILDING A CULTURE OF INNOVATION**

Our objective is to build innovation capability in both 'product' and 'process'. Many examples of successful innovation exist within our businesses and brands. 2004 has seen wonderful innovative thinking in some of our core brands such as the 'squeeze' bottle for All Gold, Jungle entering the cold breakfast market with 'Jungle Energy Crunch', the launch of the Tastic "Nature's" range of value added brown rice products, the introduction of Albany's 'Best of Both' bread product, Elizabeth Anne's 'Natural Baby' and the relaunch of the Jeyes range of sanitary cleaners.

Adcock Ingram continues to be a leader in the field of generic medicines through the

'Adco' brand. The hospital products business has successfully pioneered and implemented a streamlined home delivery service for kidney dialysis patients.

#### **SUPERIOR FINANCIAL PERFORMANCE**

Tiger has delivered consistently in this regard over the past 20 years with our shareholders having achieved, on average, real compound growth in earnings of some 4.7% per annum over this period. The headline earnings per share showed excellent growth in 2004, and we believe that we are making good progress in our strategic imperative of unlocking shareholder value. Our focus on margin enhancement and asset management was a particular achievement in 2004, enabling Tiger to comfortably exceed its weighted average cost of capital and thereby creating further positive EVA for our shareholders.

Initiatives such as the Spar unbundling, the share buy-back programme, as well as the adoption of a progressive dividend policy, are part of the overall objective of enhancing shareholder value. By unbundling Spar, we have taken a decisive step

towards becoming a focused and synergized food and healthcare business. The continued identification of synergies leading to greater efficiencies will provide a platform for our quest to drive profitable top line growth. Synergistic opportunities between food and healthcare to be pursued where appropriate.

#### **TOWARDS 2010!**

Our updated vision, 'Towards 2010!', is aligned to our long-term strategic vision, which is 'to be the world's most admired branded food and healthcare company in emerging markets'. 'Towards 2010!' is an enhancement of 'Vision 2004' and will be underpinned by the following focus areas:

Organic growth and innovation of the core brands;

Acquisitions in both food and healthcare;

Focus on International Market Development; and on opportunities offered by the 'Out of Home' market segment;

Continuous Improvement Programme.

We have yet to capitalise on developing our International Market Division (IMD). In order to

create the necessary focus we have recently appointed a senior executive to head up this division. Our desire is to create strong brands in selected markets through exports from South Africa. 2004 has been a year of investment in our Out of Home team, with initial successes being achieved in the franchise restaurant, independent restaurant and airline catering sectors.

A key building block underpinning the updated vision, is our desire to foster a culture of 'continuous improvement' within Tiger Brands. This initiative is focused on efficiency gains in order to improve business performance, which in turn will lead to enhanced profitability.

Our leadership team will continue to focus on building the corporate blueprint which is founded on our core values of respect, teamwork, an action orientation and imagination.

Going forward we have set strategies in place to deal with the challenges of a low inflationary environment and believe that with the strength of our business leaders, we are well placed to lead Tiger into the future. We intend to continue to embrace the 'entrepreneurial' spirit that has epitomised Tiger in the past. By encouraging innovative and calculated risk-taking, we believe that we are laying the foundations for continued organic growth, innovation and continuous improvement.

## APPRECIATION

All that remains is for me to express my appreciation to our chairman, our board of directors, and to each and every one of our people – thank you very much!



**NICK DENNIS** – Chief Executive Officer

# Domestic Food



## OVERVIEW

Domestic food includes the grains, groceries, snacks & treats and perishables businesses. These businesses generally performed well against a backdrop of increased competition. Operating income increased by 29% on revenue growth of 8%.

## GRAINS

This category includes maize and wheat milling, rice, bakeries, Jungle Oats, pulses and sorghum beverages.

Grains overall increased operating income by 31% on a revenue decline of 4%.

## MAIZE AND WHEAT MILLING

Wheat milling experienced a good year with improved industrial demand from both in-house and third party bakeries. The international price of wheat has softened as a result of adequate supply, with no immediate expectation of significant price increases.

The maize industry has fragmented over the period, with the volatile and low procurement price of maize, coupled with low industry entry barriers, seeing the competitive set increase with the entry of multiple small millers. The enhanced competitive rivalry and price deflation has resulted in a testing year.

Cost containment in the milling business has been very successful with various continuous improvement initiatives resulting in substantial savings. During 2005 increased investment will take place to further enhance efficiencies in the milling operations.

## MAYNARDS – A BRAND SUCCESS STORY . . .

*In July this year, Snacks and Treats embarked on the creation of a new mega-brand in sweets by consolidating six brands in gums, jellies,*

*beans and chews into the Maynard's brand.*

*The re-launch has seen the rejuvenation of the brand's essence and the establishment of a catchy pay-off line of 'Life is Fruity'.*





*ALL GOLD'S strategy in 2004 was to*

*Rejuvenate the base business.*

*Restore consumer value.*

*Re-establish the functional superiority of  
the brand in minds of consumers.*

*Innovate for growth within new and  
existing product categories.*



## *All Gold Brand Renewal . . .*

### KEY INITIATIVES INCLUDED

*An internal marketing campaign which raised awareness and loyalty of the All Gold brand with our employees*

*The highly successful "Bennie campaign" with the single minded message of "We care about one thing, cramming 36 tomatoes into every bottle of All Gold Tomato Sauce."*

*Joint promotions with other relevant brands within the Tiger stable, ie Sea Harvest.*

*The launch of All Gold Tomato Sauce in a Squeeze format.*

*All Gold canned soups were revamped and relaunched in time for Winter 2004.*

### OVERALL, THE FOCUS ON ALL GOLD THIS YEAR HAS RESULTED IN

*Volumetric and Value growths for the overall brand.*

*Steady market share gains in both volume and value for All Gold Tomato Sauce to the highest levels yet.*

*All Gold being Awarded the No 1 SA Icon Brand in the TGI (Target Group Index) survey in Finance Week (June 2004).*

*All Gold achieving the No 10 position for food brands in SA in the Top Brands survey conducted by Markinor and the Sunday Times (2004).*



# Domestic Food *continued*

*The rice business has achieved a very successful year.*



## BAKERIES

The success of the current strategy to focus on product differentiation continued during the year under review. Volume and market share growth was satisfactory, largely as a result of the Albany “Superior” loaf. The drive on further innovation has led to the launch of the Albany BOB (Best of Both) product, which is a white bread, which has the preferred attributes of a white loaf, combined with the nutritional value of brown bread.

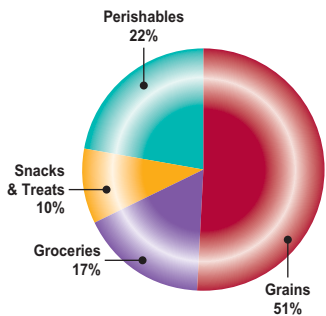
The growth in the bakeries business has led to capacity constraints. To alleviate these constraints, a bakery in

the West Rand, which has been mothballed, will be recommissioned during the forthcoming year. To entrench and further advance the differentiation of the Superior loaf, research into new technology continues. A range of technologies, which are currently under investigation, will ultimately further enhance the quality of the product.

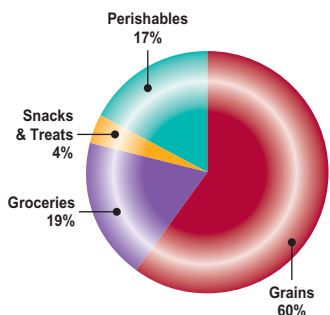
Whilst all bakeries are profitable and cash positive, rationalisation opportunities will continue to be explored. Cost containment in the bakeries is a key focus area, with cost levels being well below inflation in the past year.

## RICE

The rice business has experienced a very successful year. Market growth has been in excess of 10% indicating growth in the popularity of rice as a preferred carbohydrate, which has had a direct and positive impact on Tastic. Advantageous procurement positions as a result of strategic relationships with suppliers continue, while inbound logistics costs have been managed to acceptable levels.



**REVENUE CONTRIBUTION TO DOMESTIC FOOD**



**OPERATING INCOME CONTRIBUTION TO DOMESTIC FOOD**



The growth in the rice business was supported by innovation through a new segmentation model. New launches include the “Nature’s” range and flavoured rices, with ‘ready to eat’ solutions also being launched.

Notwithstanding the volume increase, the rice business has managed costs effectively through its effective logistics solutions.

**SORGHUM**

The upgrade of the cereals plant in Potchefstroom has been completed with very satisfactory results in product quality and yield achievements. This upgrade has enabled the business to enhance its Morvite brand resulting in another good year for growth. The cereals plant is ready to launch further innovative products in the new year.

Sorghum based beer products continue to perform well in a declining market.

**JUNGLE OATS**

The oats business has enhanced market share in the hot breakfast market as a result of focused shopper activities over the peak selling period in winter,

combined with a consolidation of the range of products under the Jungle brand, with the new packaging design resulting in a better shelf impact.

The success of Jungle Energy Crunch, an innovative ready to eat cereal product, continues with further market growth achieved. The success of this product is seen as a direct outcome of a superior product in differentiated packaging and marketed under a strong brand. Various innovation projects are under way to position Jungle as a brand leader in the total breakfast category.

Cost management in the business has resulted in major cost reduction initiatives being successfully implemented.

**PULSES**

The pulses business, which is involved in ingredients such as lentils and beans marketed under the Lion brand, is primarily a trading business reliant on effective procurement with adequate volume throughput to reduce unit costs.

This has been successfully implemented during 2004, resulting in a marked improvement in the profitability of the category.

## Domestic Food *continued*

*A strong performance was achieved in the local market with operating income increasing by 25%.*



*KOO, a brand established in 1940, has remained relevant and continues to partner with Moms in the creation of Family Soul moments. KOO has for three years in a row (2002 – 2004) been voted the 3rd best food brand judged according to consumer awareness.*

### GROCERIES

Koo, All Gold, Colmans, Fatti's and Moni's and Black Cat are among the renowned brands in the groceries business, which competes in the canned fruit and vegetables, spreads, pasta and condiments/ingredients markets. The pasta business has recently been integrated into the groceries business.

A strong performance was achieved in the local market with operating income increasing by 25%. This result was characterised by real growth accompanied by market share gains, albeit in a climate of low inflation and increased competition. Key factors that contributed to this performance included a highly focused innovation and brand investment programme as well as rigorous cost management. The latter has resulted in improved utilization of assets and a reduction in working capital.

The pasta business was adversely impacted by the high price of durum wheat and a proliferation of cheap imports, however, with the absorption of the pasta business into the Groceries operation we are confident future synergies and cost benefits will be achieved. With ongoing cost reduction, competitive pricing and focused brand investment geared to revenue growth, pasta is expected to improve market share and enhance the performance of the Fatti's and Moni's brand in 2005.

Highlights during the year have included the successful defensive strategy against a formidable international competitor, resulting in not only strong volume growth of 13% in All Gold tomato sauce but also increased market share. The success of the strategy also contributed to total market growth of some 5%.

The acquisition of the Carmel brand in the second half of the year has provided the critical mass to compete effectively in a growth market and offers opportunities for synergies.

Innovation included the launch of the Squeeze pack formats for All Gold tomato sauce and Black Cat peanut butter. The new All Gold multi-purpose sauces offer a variety of uses to the consumer, while the new variants of Koo Chakalaka and the introduction of a range of Koo instant hot meals contributed to the performance of the Koo brand.

Astute raw material purchasing, improved manufacturing efficiencies and volume growth contributed to extensive savings and improved margin performance. Capital expenditure of R7 million was invested in a new effluent purification system at the Musina tomato paste facility.

Particular attention is being given to organic growth by building consumer value propositions, focusing on cost containment, leveraging synergies across the Tiger Brands Group and rationalisation of unproductive assets and SKU'S.



## Brand Innovation . . .



*The Albany Superior "Best of Both" bread has wheat fibre added that ensures the bread has the delicious taste and look of Albany white bread with the goodness and nutrition of Albany brown bread.*

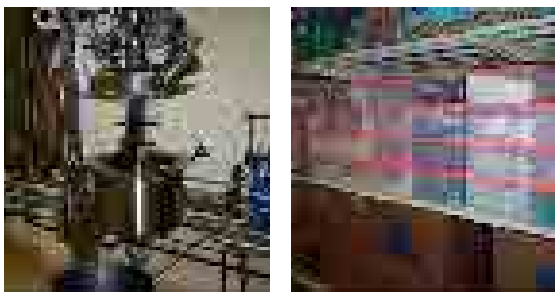
***Children** just love the taste and texture of white bread and don't enjoy eating brown or wholewheat bread, because it has "bits" in them.*

***Mothers** however believe brown and wholewheat bread to be healthier and more nutritious. Mothers can be assured that they can now provide their families with a healthy and enjoyable bread option.*



## Domestic Food *continued*

*The cornerstone of our snacks and treats business continues to be innovation.*



### SNACKS & TREATS

The cornerstone of the Snacks & Treats business continues to be innovation, with an average of 2,5 innovations being brought to market every month. The results were sharply down, with operating income falling 63% compared to the previous year.

The strong performance of the Chocolate and Occasions category was more than offset by the impact of the improvement in the rand US\$ exchange rate on the Sweets category, which resulted in unprecedented levels of imported sugar confectionery – mainly from Brazil – flowing into the local market. This situation was further compounded by apparent customs duty evasion. The resultant volume decline necessitated a significant cost reduction and right sizing programme. This regrettably led to staff losses and a once off retrenchment cost of R19 million, which was expensed in the period.

An initiative to underpin our leading market position in the sweets segment included the consolidation of various product offerings under two main brands being Maynards and Sparkles. This is expected to improve the efficiency of the marketing investment spent on these brands. The value offerings of the core brands of Smoothies and Fizz Pops were addressed, and this is expected to lead to improved performances.



### BEACON INNOVATION

*The new Product Development Centre at Beacon's Jacobs plant is a living expression of innovation in action. The centre is fully equipped to produce all products on a smaller scale, while freeing up our people to be more innovative as well as facilitate 'speed to market'.*

*The new Beacon Product Development Centre was officially opened by His Majesty King Goodwill Zwelithini*

The Chocolate category enjoyed a significantly improved performance driven by high innovation levels, which were favourably received by the market. These included the launch of the 120 g Beacon slab, the full annualised effect of the Black Cat bar, and the launch of the Bliss bar.





*Perishables achieved a 154% increase in operating income, partly influenced by the full year consolidation of Enterprise for the first time.*

The impact and extent of competition from imported products is not expected to decline in the near future and consequently, top line growth will be constrained in the next financial year. The effect of cost reduction programmes, however, is expected to result in a real growth in operating income in the year ahead.

#### **PERISHABLES**

The Perishables category comprises the value added meat products business, trading as Enterprise Foods, as well as the DairyBelle cheese and fresh milk operations.

Perishables achieved a 154% increase in operating income, partly influenced by the full year consolidation of Enterprise for the first time.

#### **VALUE ADDED MEAT PRODUCTS**

The Enterprise brand enjoyed significant value and volume market share growth across all product categories, with particularly good growth in polony and Vienna volumes. A significant driver of enhanced profitability was the reduction in raw material prices as a result of lower maize pricing and rand strength.

2004 saw the relaunch of the Enterprise brand together with television commercials focusing on the 'Best Quality Ingredients', thus reinforcing the strong heritage the brand enjoys with consumers.

The scope of Enterprise has been broadened beyond Chilled Processed Meats and Canned Meat products to encompass Value Added Meat Products, thereby stimulating innovation and offering considerable growth potential. This category delivered a very strong result based on a strategic focus of profitable top line growth through cost containment and continuous improvement initiatives.

New product innovation extended the Like-it-Lean brand into the Sliced and Shaved Meats category, as well as into the Spreads category with three new product offerings described as 'reduced fat' liver spreads.

The Enterprise Foods business continues to lead a highly competitive chilled prepared meats market with a flexible and innovative approach to product development and brand building. With a wide range of products, Enterprise caters for a broad spectrum of market segments thus fulfilling the needs of various consumer sectors. The strength of this stalwart brand lies in its reputation for high quality, uncompromising taste, good value and a wide product range, all of which have contributed to its position of market leader.



## Domestic Food *continued*



Through innovation and an additional focus in 2005 on market opportunities in Africa as well as the 'Out of Home' channel, Enterprise is expected to deliver profitable growth in the new year.

### DAIRY

The DairyBelle cheese and fresh milk operations achieved satisfactory results, with profit contribution marginally ahead of the previous year, despite being challenged by the strength of the rand and an oversupply of commodities. The cheese results for the first six months were below expectations on account of adverse market conditions, predominantly in the bulk cheese sector. The full year however, reflected the successful implementation of strategy with the sales mix shifting towards value added products and short life (fresh) products.



Growing consumer awareness contributed to the successful launch of several product innovations, which included the 'So Smooth' range of yoghurts, 'Melters' and 'Singles' – being cheese in individually wrapped slice format – plus mozzarella slices and extensions to the Easy Slice range.

With further product innovation and ongoing brand communication, the dairy business is expected to deliver satisfactory results in 2005.

*Significant resource has been put into place to establish Tiger Brands as a leading supplier to end-users with several research studies being commissioned to better understand end-user and patron needs.*

#### **OUT OF HOME**

Tiger Brands has identified the Out of Home market – comprising industrial manufacturers, accommodation establishments, restaurants and contract caterers, with more than 25 000 end users in total – as a potential area for growth. 2004 has therefore been a year of investment into the Out of Home market, with initial successes being achieved in the Franchise Restaurant, Independent Restaurant and Airline Catering sectors.

Significant resource has been put into place to establish Tiger Brands as a leading supplier to end-users with several research studies being commissioned to better understand end-user and patron needs. A major review of the current route to market has also been undertaken and will involve aligning Tiger with key Distributor partners within the industry by actively engaging Chefs, Restaurant Owners/Managers and Food and Beverage Managers.

The Out of Home market offers significant opportunity for consumers to interact with our brands, and the All Gold Tomato Sauce 'on-table' programme has proved very effective.

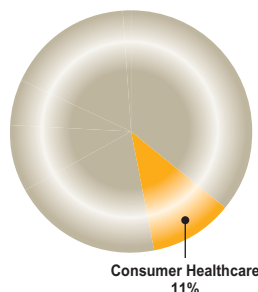
Tiger Brands has become a Patron of the South African Chef's Association.

2004 has been a year of mixed results, with significant improvements in the Food Service channel partly offset by disappointing sales of industrial tomato paste, which has been adversely affected by Chinese imports.

Tiger Brands has recognised that demand drivers within the Out of Home market are significantly different to those within Retail and Wholesale, and is actively building a focused business to address these drivers. With a relatively small share of market currently, there is significant room for growth into 2005 and beyond.



## Consumer Healthcare



2004 CONTRIBUTION TO GROUP OPERATING INCOME

This business comprises OTC Medicines, and the Home, Baby and Personal care categories.

### PERFORMANCE

The successful integration of the Robertsons Homecare business and Abbott consumer brands, as well as innovation, contributed to a strong performance with revenue and operating income growths of 17% and 20% respectively.

### OTC MEDICINES

This category showed a significant recovery in the second quarter which was driven primarily by an increased focus on core brands. Bioplus, Citro Soda and Compral were important contributors to the revenue growth of 11%. Bioplus doubled its equity in value terms as a result of innovation and entry to new markets with the introduction of Bioplus chews and energy drinks.

Operating income, which increased by 16%, was impacted by the implementation of single exit pricing (SEP), which resulted in de-stocking in the trade and consumers' subsequent confusion regarding prices. Aggressive competition from generics and housebrands as well as the increased credibility of complementary medicines, impacted on the performance of Panado, the flagship brand within this category. Subsequent to the year-end, the Ministry of Health has excluded Schedule 0 products from the SEP legislation.

New introductions during the year included Compral Powders, Panado Paediatric Syrup in a strawberry flavour and Panado Medi-Sip – to treat symptoms of colds and flu. Sinustop (anti-histamine) was relaunched at the end of the year.

### HEMOCARE

The effective synergisation of this business into the Consumer Healthcare structure has resulted in operating income growth of 25%. Innovation and demand for key brands in growth markets contributed to the revenue increase of 27% in this category.



*Airoma Imagine has set  
new standards in terms of  
packaging design and  
fragrance quality.*

*Airoma has been South Africa's leading aerosol air-freshener  
for over 30 years!*



## *Airoma Imagine . . .*

### **GOOD . . .**

*When Tiger Brands acquired the Airoma brand, the brand was losing share rapidly and already lost its market leader status against its multi national competitors: Glade & Airwick Haze.*

*Research conducted in March 2003 pointed to the following insights relating to the "old" packaging:*

*Fragrances should be natural and effective.*

*Airoma brand name has strong equity, but the pack designs were old fashioned and did not fit Airoma's confident, lively brand personality.*

*The use of air fresheners is not limited to the toilet, but used wherever the air needs to be enhanced.*

### **BETTER . . .**

*Based on the above findings, the brand team re-launched the Airoma core range with the strategy to: "Get out of the Toilet and into the Home". The new range is characterised by:*

***Attractive, modern packaging that can be placed in the toilet and elsewhere in the home.***

***Fragrances that are long lasting and effective at odour removal.***

***A large variety of fragrance choice – the new range has two extra fragrances: Fruity Delight & Strawberry Indulgence.***

***Airoma offers consumers the best quality at the best price and is affordable to most.***

*The new pack designs have been a great success with Airoma regaining its market leadership in volume terms.*

### **BEST . . .**

*In line with the strategy to take Airoma into the home, a range extension was launched in February 2004 under the sub-brand "Imagine".*

*Airoma Imagine has set new standards in terms of packaging design and fragrance quality. It is positioned as a home enhancer that uses the highest quality fine fragrance to create an environment that helps people to escape from their hectic lives to the quiet pleasure of nature.*



## Consumer Healthcare *continued*

*Innovation enhanced the performance of the Elizabeth Anne's range with the extension of the brand into the Natural Baby and Mother Love ranges.*



Innovation included Doom Fresh, the first fragranced insecticide and an odourless variant of FastKill. A major relaunch, including new packaging and variants, revitalised Airoma, which subsequently regained its position as market leader in the airfreshener category.

Rationalisation and innovation benefited the performance of the Jeyes brand, which is the market leader in the sanitary cleaner sector.

Capital expenditure of R13 million was invested in the relocation of the aerosol factory to the Isando site, which will provide further synergies and cost-savings going forward.

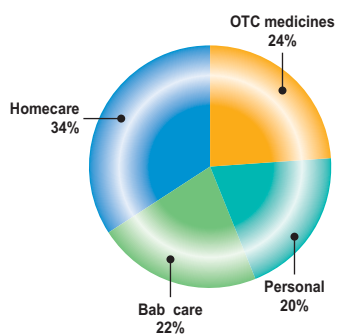
### **BABY CARE**

Innovation in the Purity and Elizabeth Anne's brands contributed to revenue and operating income increases of 24% and 45% respectively.

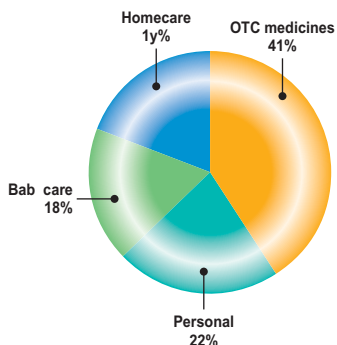
The new Purity Cream of Maize Baby's Soft Porridge more than doubled revenue in 2004, while other innovations included the launch of the Purity Toddler Soft Muesli and the Purity Flavours of the World range of 3rd food jars.

Innovation enhanced the performance of the Elizabeth Anne's range with the extension of the brand into the Natural Baby and Mother Love ranges. New variants in baby healthcare brands included Phipps in a new flavour and Telament Gripe Water.

Vidaylin, which was added to Babycare portfolio as a result of the Abbotts' acquisition, recorded strong growth.



**REVENUE CONTRIBUTION TO CONSUMER HEALTHCARE**



**OPERATING INCOME CONTRIBUTION TO CONSUMER HEALTHCARE**



*The new Purity Cream of Maize Baby's Soft Porridge more than doubled revenue in 2004.*



#### PERSONAL CARE

Aggressive competition by global players, and the implementation of SEP which affected the performance of Ingram's Camphor Cream, impacted on revenue and operating income in this category. Operating income increased 8% on a revenue increase of 2%.

A new strategic focus, with a particular emphasis on core brands, together with the repeal of SEP for Schedule 0 products, is expected to bring benefits in 2005.

The new Ingram's Skin Renew and Lemon Lite nourishing ranges contributed positively to the performance, while innovations such as Mousse Shimmer (a 'first' to market) and Mousse bath additives, are expected to enhance performance going forward.

#### WRITING INSTRUMENTS

Despite competition from parallel imports, Max Frank, importers and distributors of the Artline and Uni-Ball range of writing instruments, recorded volume growth, with the strong Rand contributing further to income growth.

Investment in innovation and brand development, together with a focus on synergies and cost savings, are expected to contribute to a strong performance by Consumer Healthcare in 2005.

## Brand Innovation . . .



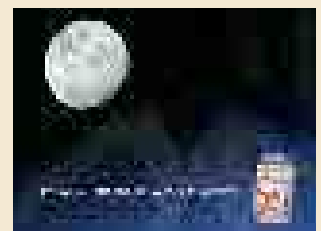
#### PURITY

*The Purity brand was developed 50 years ago by a Capetonian, Don Thompson, a pharmacist with a good knowledge of baby nutrition. Now, many years later, jarred baby food offering optimum nutrition is synonymous with Purity.*

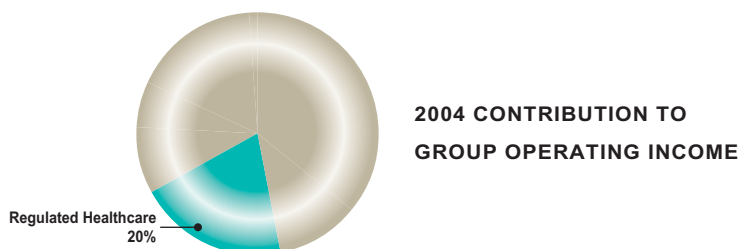
*A clear understanding of consumer needs has allowed the Purity brand to innovate accordingly and sales from innovation now*

*account for around 26% of turnover. Recent innovations include Purity Cream of Maize, Baby's Soft Porridge (which currently holds the Number one position in the Infant Cereals market) as well as Flavours of the World, Toddler Soft Muesli, flavoured Cream of Maize and new Fruit & Vegetable juices.*

*Purity is the leading Jarred Baby Food brand in the country and the company is positioned in the market as the 'baby feeding experts'.*



## Regulated Healthcare



The Regulated Healthcare business comprises the branded prescription and generic medicines categories. This business has maintained its leadership position in the total private market and is a leading participant in the growing generic medicines market.

### PERFORMANCE

Organic growth and the addition of 18 new products to an existing overhead base, provided good leverage, flowing through to enhanced profitability.

Creative marketing strategies reversed a declining trend of the flagship brand, Myprodol, into a growth pattern which contributed to the strong performance of this business.

Efforts directed towards low cost manufacture, cost containment and the benefit of higher volumes, particularly in the generics category, contributed to operating income growth.

Adco Generics and Propan Zurich increased their share of the growing generics market. The ongoing investment in brand development has resulted in good growth of major brands following the implementation of 'single exit price' legislation.

### PRESCRIPTION MEDICINES

#### CARDIOVASCULAR

The acquisition of the Parke-Med business has positioned Adcock Ingram as a key player in the cardiovascular market with a comprehensive range of cost-effective generics. Dapamax and Zetomax are listed in the top ten cardiovascular products in the country, in terms of volume.

A continuing professional education programme based on disease management has empowered community pharmacists to assist patients suffering from chronic disorders through medication compliance and management.





**PAIN AND RESPIRATORY**

Creative brand awareness marketing strategies have accelerated volume and value growth of market leader, Myprodol, which recorded growths of 20% in volume and 6% in value against a background of two price reductions during the year. New product introductions included Mizollen for the treatment of allergic rhinitis.

**DIABETES**

The diabetes market has been identified as a growth opportunity. Metforal, an affordable treatment for type 2 diabetes mellitus, is a new addition to the portfolio.

**DERMATOLOGY**

Acnetane, a new generic for the treatment of severe acne, exceeded expectations and is on track to becoming a significant contributor to the performance of the dermatology category.



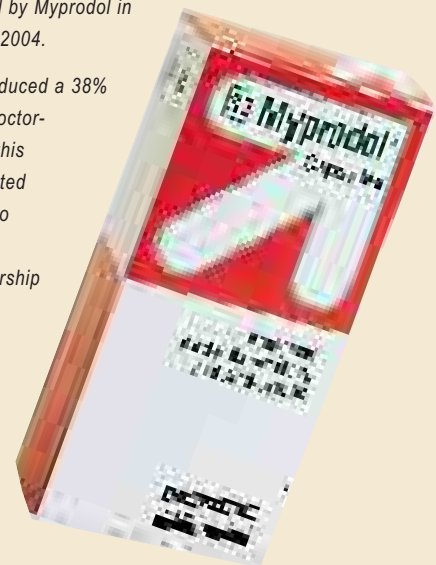
*The business has maintained its leadership position in the total private market and is a leading participant in the growing generic medicines market.*

**Brand Strategy . . .**

**MYPRODOL**

*Sales force commitment, strong branding and creative advertising strategies reversed the revenue decline experienced by Myprodol in 2003 into positive growth in 2004.*

*Sales force commitment produced a 38% increase in the number of doctor-generated prescriptions for this flagship brand in the Regulated Healthcare category and also contributed to the brand maintaining its market leadership position in the total pharmaceutical market rankings.*



# Regulated Healthcare *continued*

*An eye-catching corporate campaign promoted Adco Generics to healthcare professionals and consumers.*



### FEMININE HEALTH

This portfolio benefited from the addition of Urispas – an established product in the market – which was transferred to this portfolio by the international principal, Shire Pharmaceuticals.

### CENTRAL NERVOUS SYSTEM

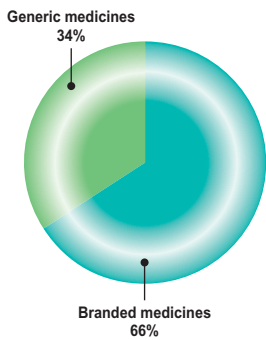
Talomil, an anti-depressant, was successfully launched into the CNS market.

### GENERIC MEDICINES

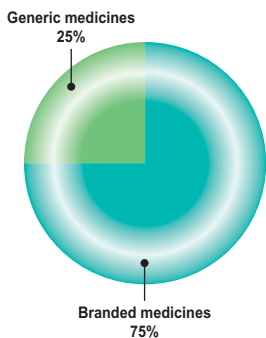
This category achieved 37% growth in revenue and an operating income increase of 59%. The successful introduction of affordable generics, which have contributed to lower medicine costs, and an eye-catching corporate campaign, which promoted Adco Generics to healthcare professionals and consumers, have paid dividends.

Adco Simvastatin, a cholesterol lowering agent, provided savings in excess of R100 million to healthcare funders. Adco Simvastatin holds second position to the original product, by value, in its market. A cost-effective and hard-hitting cholesterol awareness television campaign, under the Adco banner, was a feature of the promotional material.

Adco-Zolpidem (for sleep disorders), Adco-Amoclav BD (antibiotic) and Scopex syrup (for cramps) were among the new product launches. Adco-Omeprazole (for the treatment of ulcers and reflux), Adco-Sociale (complementary medicine) and Adco-Cetirizine (anti-histamine), launched towards the end of the year, are expected to contribute to strong growth in 2005.



**REVENUE CONTRIBUTION TO REGULATED HEALTHCARE**



**OPERATING INCOME CONTRIBUTION TO REGULATED HEALTHCARE**



Effective brand-building strategies have maintained the growth momentum of Adco-Dol – one of the most successful non-prescription analgesics in the Adco range.



*New strategies have been implemented by the Prescription Medicines and OTC categories to maintain competitiveness in a challenging environment.*

## PROSPECTS

New strategies have been implemented by the Prescription Medicines and OTC categories to maintain competitiveness in a challenging environment. These include a significant investment in brand awareness, sales force training, continuing professional education and the development of strategic relationships with customers, managed healthcare and international principals.

The ever-increasing focus on cost containment is expected to further strengthen the generics market. Adco Generics and Propan Zurich are well positioned to capitalise on market growth with a balanced portfolio of products and new product introductions in major markets.

Priority attention will continue to be given to maintaining a robust pipeline of new products and to new business development to fuel growth.

Astute raw material sourcing, low cost manufacture and the benefit of higher volumes will help to drive down costs and maintain price competitiveness.

## Brand Innovation . . .

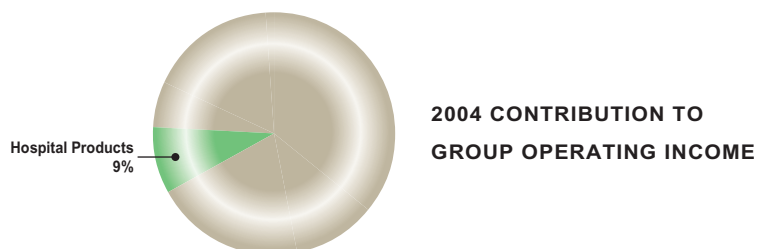


## GENERIC MEDICINES

*The Generics category outstripped market growth. A host of successful new product introductions contributed to this performance and reduced medicine costs for the patient. One such product, Adco Simvastatin, provided savings in excess of R100 million to healthcare funders. Adco Simvastatin holds the second position in the cholesterol lowering market in both value and volume terms.*



## Hospital Products



2004 was another year of solid growth driven by continuing innovation and the flawless execution of strategy.

Adcock Ingram Critical Care provides a comprehensive range of life-saving and life-sustaining products used in hospitals, clinics, blood transfusion centres, kidney dialysis units, and laboratories, as well as by patients at home.

### PERFORMANCE

The Hospital Products business achieved real growth in revenue in an extremely competitive environment, although intense competition from cheap imports in the intravenous solutions market impacted on overall performance. Operating income growth of 19% was achieved as a result of innovation – which accounted for some 20% of revenue – an improved product mix and a focus on cost-containment.

### MEDICINE DELIVERY

The enduring relationship with Baxter International of the USA – a world leader in hospital products – is a major contributor to the innovation drive. This drive focuses on increasing market share through the provision of products and systems that will improve efficiencies, safety and cost-effectiveness for users and health professionals to add value to the business.

The infusion pumps business recorded good growth and increased market share. New technology and accessories such as needlefree disposables and the introduction of the Flo Gard GSP syringe pump contributed to this performance.

The expansion into the wound care and ostomy market has been most successful with the ConvaTec range marketed and distributed under licence from BMS.

The range of nebulising solutions has been extended with the introduction of Sabax Nebrafen single dose ampoules, which are prescribed for the treatment of reversible airways obstruction, which occurs in respiratory diseases such as bronchial asthma, chronic bronchitis and emphysema.

*Working closely with Baxter International, dialysis patients have the flexibility to travel globally, and have their fluid delivered to most countries around the world, to an address of their choice.*

*The X-treme Renal team who formulated a planned approach to dialysis and transplantation.*



## **Brand Renewal . . .**

### **INTEGRATED KIDNEY AND TRANSPLANTATION THERAPIES**

*“Togetherness”, “we care”, and “we make a difference”, were the ‘buzz’ phrases adopted by the X-treme Renal team, while formulating a planned approach to facilitate moving ahead during a time of much change in the dialysis and transplantation environment.*

*Adcock Ingram embarked on a pioneering project by involving the drivers and their assistants of the Cargo Planning delivery vehicles to help identify problem areas and streamline the home delivery service of their renal dialysis products.*

*The drivers attended a workshop and received training to empower them to identify when patients were not dialysing regularly. A form was designed to assist the drivers to count stock at each patient’s home. The van drivers are highly motivated and are building relationships with the patients.*



*Working closely with Baxter International, dialysis patients have the flexibility to travel globally, and have their fluid delivered to most countries around the world, to an address of their choice.*

*The programme, pioneered in Gauteng, has also been rolled out in Durban and Cape Town.*



## Hospital Products *continued*

*The Hospital Products business achieved real growth in revenue in an extremely competitive environment.*

New generic, Sabax Cefoxitin, an injectible broad spectrum antibiotic was launched, and has provided significant cost savings.

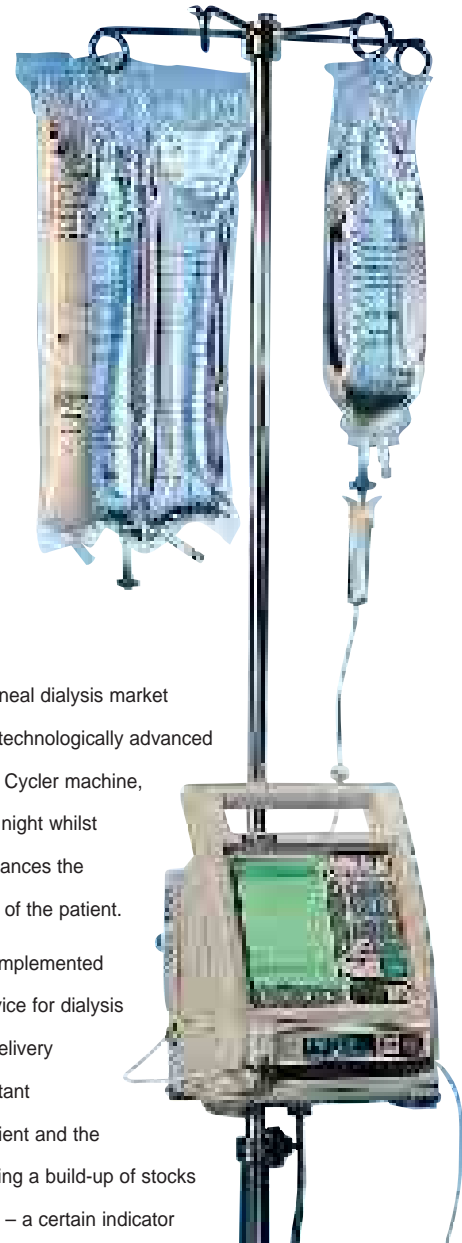
### **KIDNEY DIALYSIS AND TRANSPLANTATION THERAPIES**

The division's franchise in the peritoneal dialysis market has been strengthened through the technologically advanced Automatic Peritoneal Dialysis (APD) Cycler machine, which enables patients to dialyse at night whilst asleep. This dialysis technology enhances the lifestyle and workplace performance of the patient.

A pioneering programme has been implemented to streamline the home delivery service for dialysis patients. Drivers and assistants of delivery vehicles were identified as an important communication link between the patient and the hospital to alert hospital staff regarding a build-up of stocks of disposables at the patient's home – a certain indicator of non-compliance – which could compromise patient health.

This programme was piloted successfully in Gauteng and is being extended to other regions.

Prograf, the anti-rejection drug used post-transplantation, recorded strong growth.





*Acquisitions in the Hospital Products market and cost-containment, are key strategies to protect margins and maintain revenue growth.*

#### **TRANSFUSION THERAPIES**

A sustained marketing and customer support programme has increased the use of the safer filtered blood components in the private sector. This programme is being extended to the public sector.

#### **MEDICAL DIAGNOSTICS**

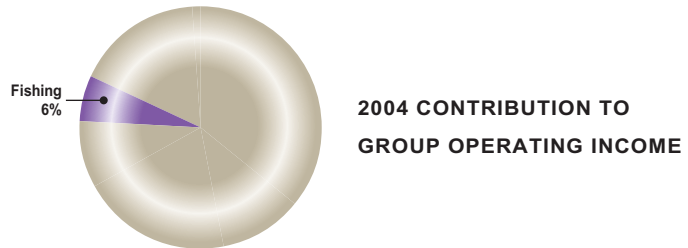
The rapid tests for malaria, pregnancy and HIV, together with molecular biology products for DNA analysis, recorded strong growth.

#### **PROSPECTS**

Innovation to meet specific customer needs, expansion into new sectors in the Hospital market through acquisitions, and cost-containment, are key strategies to protect margins and maintain revenue growth in the face of new pricing legislation and the intensely competitive market conditions.

The way forward for this division will include, extending affordable integrated renal therapy, maximising the benefits of the Baxter alliance in the IV systems and medicine delivery areas, a drive to grow market share in transfusion filters, as well as acquiring new products from new principals and the realisation of savings from manufacturing efficiencies.

# Fishing



## PERFORMANCE

The Tiger Brands fishing businesses, which comprise a 74% holding in Sea Harvest, and an effective 41% holding in Oceana, recorded disappointing results. These were negatively impacted by poor fishing conditions and the strength of the rand.

Abnormally high landings of small hake by the industry resulted in prices for small fish products being significantly reduced. New technology and a change in trawling strategy during the second half of the year enabled Sea Harvest to reduce the percentage of small fish caught, although it resulted in a higher catch cost per ton.

Oceana, a diversified fishing group which is separately listed on the JSE Securities Exchange, showed a decline in headline earnings per share of 21%. Whilst the commercial cold storage and fish meal operations recorded excellent performances, the divisions engaged in fishing for pilchard, anchovy, horse mackerel, squid and lobster faced a combination of erratic fishing conditions and weak international prices.

## SEA HARVEST (effective holding 74%)

The company continued modernising its operating assets, thereby improving its capacity to add value and enhance the quality of its catches. Investments were made in improving the temperature regime of the Saldanha factory and enhancing the capacity to add non-fish ingredients. The wet fish trawler purchased at a final cost of R47 million in the previous financial year, was successfully introduced to the South African fisheries in December 2003. The vessel recorded higher catch rates and a lower percentage of small fish compared to the existing fleet.

Demand for Sea Harvest products has remained stable on both the local and export markets. However, the strong rand put downward pressure on realisations in the export market with a knock-on effect in the domestic market. Prices of poultry, and other proteins, remained extremely competitive, resulting in volume pressure. Overall the domestic retail market declined 3% in volume. Price increases in foreign currency terms were achieved for many of the value added products on which the company focuses, however, these were not sufficient to compensate for the currency movement.





*Sea Harvest is determined to inject new life into the South African frozen fish category.*



## *Sea Harvest Brand Renewal . . .*

### **SEA HARVEST STORY**

*Sea Harvest has reinvented itself from a primarily production-driven organisation to a consumer-driven company that can proudly make the claim – ‘We See Fish Differently’.*



*‘Splash’, an iconic and captivating penguin has been welcomed aboard as Sea Harvest’s brand ambassador who stars in its television advertising campaign and in-store support activities.*

*Sea Harvest’s new product development specialists have taken note of consumer eating trends, and have introduced many adventurous flavour and convenience innovations.*

*Sea Harvest is determined to inject new life into the South African frozen fish category, which for some time has been in decline. Committed to excellence, driven by innovation and with the consumer always at heart, it’s confident of realising its ambitions.*

# Fishing continued

*New technology and a change in trawling strategy, enabled Sea Harvest to reduce the percentage of small fish caught.*



SeaVuna, the company's East-coast-based 50/50 joint venture with the black empowerment company Vuna Fishing, recorded reduced but satisfactory results. The lower incidence of small fish on the East coast and a firm market for SeaVuna's sole catches softened the negative impact of the stronger rand on its results.

The company finalised the disposal of its 51% interest in Marine Growers – an abalone farm situated near the Coega harbour development – as environmental studies had indicated that the farm could not co-exist with the harbour development.

The uncertainty regarding the quota allocation for the four year period from 2002 to 2005, was finally resolved with the Constitutional Court ruling in favour of the allocation made by the Minister of Environmental Affairs and Tourism. Transformation is recognised as a vital factor in the allocation of longer-term rights effective from 2006.

Transformation targets set for 2004 have all been achieved, with particular success being achieved in developing black business partners on the West coast in the fields of healthcare, transport, engineering, stevedoring and laundry services.

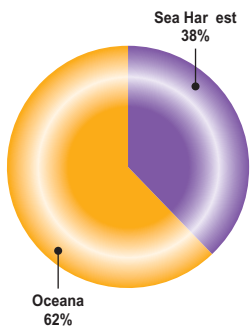
### **OCEANA (effective holding 41%)**

Oceana Group Limited is a separately listed entity on the JSE Securities Exchange. Although there were improvements in pilchard landings, lobster, squid and tuna catches, these were outweighed by inconsistent hake catching, vessel breakdowns in mid-water, pelagic fishing as well as poor production yields in the pilchard canning plant as a result of a low quality fish.

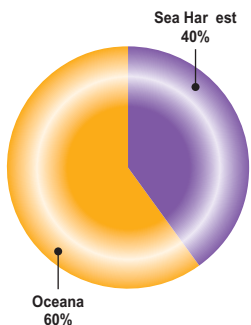
Two major achievements during the year were the acquisition of the Glenryck UK canned fish business for R72,5 million, giving entry into new markets and opportunities for product variants, as well as the commissioning of the steri fruit facility in Durban (R61,5 million), to enhance the group's position in fruit exports, particularly those to the Far East.

The thrust of embedding transformation and empowerment in the group continued successfully.

Prospects for an increase in Oceana's headline earnings per share in 2005 will be largely dependent on the exchange rate.



**REVENUE CONTRIBUTION TO FISHING**



**OPERATING INCOME CONTRIBUTION TO FISHING**

# Spar

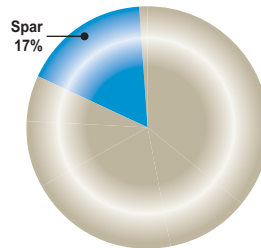
*We wish Spar every success as an independently listed company and as a valued customer.*



Tiger Brands' association with the Spar group began in 1978 when Tiger acquired a 30% equity interest in Spar. The company became a wholly owned subsidiary of Tiger Brands in 1988, however, the Spar board has historically enjoyed high levels of autonomy in running the business.

Tiger Brands has, from a strategic perspective, been refocusing on its core activities over the past six years, which has included the disposal of non-core businesses and the acquisition of outstanding minority shareholdings in certain of its subsidiaries.

On 13 May 2004 Tiger Brands announced that, as part of its ongoing focus on its core activities, and in order to unlock shareholder value, it intended to unbundle its entire shareholding in Spar. The Tiger Brands board believes that, by allowing investors to attribute appropriate individual share price ratings to both Tiger Brands and Spar, the unbundling should



**2004 CONTRIBUTION TO GROUP OPERATING INCOME**

unlock shareholder value by reducing the discount at which Tiger Brands shares trade relative to the value of its underlying assets.

Spar was listed as a separate entity on the JSE Securities Exchange on 18 October 2004, and, in terms of the unbundling, Tiger Brands shareholders received one Spar share for every Tiger Brands share held on the record date of the unbundling.

#### **PERFORMANCE**

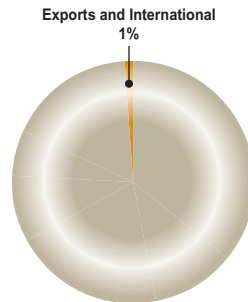
2004 was a year marked by two major issues for the Spar group; the low inflation rate for food products as well as the acquisition of Nelspruit Wholesalers (Pty) Limited. With revenue for the year attributable to existing operations (excluding Nelspruit Wholesalers) showing an increase of 11%, real growth was in the order of 8,5%, which was ahead of market growth and in line with the growth achieved in prior years. When one includes the acquisition of Nelspruit Wholesalers, revenue for the year (excluding discontinued operations), increased by 20%. By the end of July 2004, Spar's market share against the major chain stores – for the previous 12 months – had increased from 25,7% to 25,9%.

41 new Spar stores were opened during the year under review, with 33 new TOPS stores and 45 new Build it stores also being launched. TOPS and Build it both reached the '100 store' milestone, and extensive upgrades took place at 125 Spar stores. Over 360 stores are now making use of the Category Management programme, which has resulted in enhanced product ranges, improved stock control and better 'in store' merchandising. A further initiative making a positive impact is the extensive customer care programme running under the banner of "Let's Attract".

During the year, additional focus was put into improving the "Fresh Line" range of products. Improving the fresh and take-out food offerings remains a key focus area for 2005.



## Exports and International



2004 CONTRIBUTION TO GROUP OPERATING INCOME

### ASSOCIATES

#### EMPRESAS CAROZZI (effective holding 24%,

Empresas Carozzi is one of the leading companies in the Chilean food industry, with manufacturing, marketing and distribution activities in Chile, Peru and Argentina. Through its focused strategy of product innovation and brand reinforcement, Carozzi continues to be market leader in most of the market sectors in which it operates.

During 2004, the Chilean economy benefited from improved commodity prices – particularly copper – and is therefore likely to register real GDP growth of approximately 5%. In addition, the rate of inflation is not expected to exceed 2%. Although this environment has enabled Carozzi to perform well relative to 2003, the translations of Peso profits into Rands has been negatively impacted by the strength of the Rand.

#### CHILE

During the year under review, Carozzi acquired a competitor pasta business (Parma), thus increasing its already significant pasta market share to 49%. This acquisition has enabled Carozzi to consolidate its leading position in the pasta market in Chile and more specifically in the “value for money” segment of the market.

The confectionery category has also produced a satisfactory result, particularly in sugar confectionery, with a number of innovative launches meeting with consumer approval.

The biscuit category continues to make good progress and newly designed packaging has had a positive reception from the market.

The powdered soft drink and dessert category has witnessed a substantial turn-around, although opportunities remain for further margin improvement.





*Carozzi continues to be market leader in most of the market sectors in which it operates.*



## **Exports and International** *continued*

### ***The malt industry worldwide continues to face pricing pressures from the global breweries, particularly in the United States and Canada.***

The tomato paste and fruit puree/pulp business, known as Agrozzi, has also performed exceptionally well, supported by substantial volume growth. This division exports in excess of 95% of its products and it is now a significant contributor to the group's profits.

#### **PERU**

Carozzi's subsidiary in Peru, known as Molitalia, has made an improved contribution to the group's profits. The company's focus over recent years has been to grow its market share in pasta, biscuits and confectionery. It has achieved this goal and will now concentrate on improving operating margins.

#### **ARGENTINA**

Carozzi owns a small confectionery business in Argentina known as Bonafide Golosinas. Although this company has performed well, given the economic circumstances in Argentina, its lack of critical mass results in its contribution to group profits not being meaningful.

#### **C&T MALT (effective holding 50%)**

The malt industry worldwide continues to face pricing pressures from the global breweries, particularly in the United States and Canada. As a result of this, C&T Malt's operating margin remains at an unsatisfactory level. The 2004 results have also been negatively impacted by significant retrenchment costs incurred in downsizing the malting business in the United Kingdom.

In view of the above circumstances, Tiger Brands has impaired its investment in C & T Malt by an amount of R159 million.

A significant focus on cutting costs, improving productivity and the quality of malt across the group is, however, beginning to bear fruit and the results of the past three months are much improved in relation to those in the same period the previous year. In addition, the efforts in broadening the customer base to include a greater number of small to mid-sized breweries, is gaining an encouraging momentum. Efforts to increase exports of malt to developing countries where the per capita consumption of beer is increasing, are also underway.

#### **NAMIBIAN FISHING INDUSTRIES (Namfish – 35% held)**

Namibian fishing company Namfish, a 35% associate of Sea Harvest, reported extremely disappointing results. The restructuring of Namfish, including the reduction of its gearing, remains a priority.

#### **NATIONAL FOOD HOLDINGS LIMITED (27% held)**

Tiger Brands hold a 27% interest in National Food Holdings, a company listed on the Zimbabwean Stock Exchange. National Foods is involved in flour and maize milling, the prepacking, marketing and distribution of dry groceries, manufacturing of stockfeeds and vitamin and mineral stockfeed premixes, edible oats, baker's fats, malt and polywoven bags. National Foods has performed well under difficult circumstances with a key area of attention being the tight management of working capital, with particular focus on cash management in the high inflationary environment of Zimbabwe. The challenges facing National Foods are primarily the ability to source local crops and the difficulties of being able to import raw materials when required to do so, in view of the restricted access to foreign currency in Zimbabwe.

*The strength of the Rand once again played a key role in the profitability of the export business and had a serious impact on the year's results.*

#### **DATLABS (PVT) LIMITED (100% held)**

Datlabs is a wholly-owned subsidiary based in Bulawayo, Zimbabwe. Datlabs is involved in the manufacture and distribution of hospital products, OTC pharmaceutical products, ethical and consumer products. Datlabs performed well in 2004, achieving a profit improvement in line with the high levels of inflation in Zimbabwe.

The strong brands owned by Datlabs have assisted in this performance, and the management and staff are to be complimented for their commitment in achieving these results under the difficult economic circumstances prevailing in Zimbabwe.

#### **EXPORTS**

The strength of the Rand once again played a key role in the profitability of the export business and had a serious impact on the year's results, with significant losses being incurred in the first six months of the 2004 financial year. In order to address these losses, the export operations within Tiger Brands have been merged, with unprofitable business either

being discontinued or contracts being renegotiated. In addition, strict cost controls were implemented with the result that by June 2004 – whilst the Rand was still strengthening – the International Market Development business had returned to profit. It is expected that this profitability will continue in the new financial year and that the business will make a meaningful contribution to the results of Tiger Brands in 2005. The business continues to make a substantial contribution to the recovery of fixed costs within the respective Tiger Brands production units.

#### **FOOD**

Tiger Brands is the leading South African exporter of branded choice deciduous canned fruit under the Gold Reef and Silver Leaf labels. The products are exported primarily to the Far East and Europe.

Deciduous fruit exports were adversely impacted by the strong Rand in 2004, but this was offset by the increase in selling prices in US Dollars and Euros, aided by poor crops in the European Union.



## **Exports and International** *continued*

***The ongoing strategy is to focus on appropriate partnerships in selected emerging markets.***

During the year, there was an extensive focus on cost reduction across all operations, as well as on improvements in productivity. Capital projects to improve competitiveness by reducing costs, were completed in 2004 and the full benefits will be derived in 2005.

The strategy of producing and marketing choice branded products for the quality conscious market continued and a moderate growth in sales volumes was achieved. Tiger's exports remain focused on selected high margin markets, although some successes have been achieved in identifying and marketing canned fruit in new markets.

The industry continues to work closely with Government and other regulatory bodies. The focus of these discussions is primarily on market access and numerous submissions have been made to assist Government in negotiating reduced tariff barriers for South African canned fruit.

The confectionery category recorded lower sales and increased losses due to the stronger Rand and prices that were fixed in US Dollars. Prices have been renegotiated resulting in the business returning to profitability in the last quarter of the 2004 financial year. Growth is expected in the Middle East and Africa.

Despite the challenging market conditions, the business has been turned around and good progress has been made in creating demand for selected brands in various African markets including Angola, Mozambique, Kenya, Zambia and Uganda.

### **HEALTHCARE AND HOMECARE**

The Homecare product range continues to do well in our African markets notwithstanding the negative impact of the Rand. Multilingual labelling has been introduced to increase sales in French and Portuguese speaking African countries.

The focus remains on Southern and East African markets, as well as the Indian Ocean Islands, with strong sales growth being experienced in these markets. Markets that are showing strong growth are Mozambique, Malawi, Kenya, Uganda and Mauritius.

Considerable success has been achieved in Angola through the Personal Care range that was launched last year, and the market continues to show strong growth.

Further opportunities offering growth potential have been identified and, as a result, improved profitability is anticipated in 2005.

### **INTERNATIONAL MARKET DEVELOPMENT STRATEGY**

The ongoing strategy of the International Market Development business is to focus on appropriate partnerships in selected emerging markets and to build our brands within these markets. The business will continue to develop distribution channels in those regions through which our products will be marketed and sold. Part of the strategy going forward is to seek potential acquisitions in order to increase market share and overcome barriers to entry. The strength of the Rand, freight costs and import duties and taxes, make it difficult to compete in some of our key focus regions. As a consequence, we are investigating various possibilities, including the 'multi-sourcing' of products from alternate sources.

# Sustainability Report



*sensitivity to our communities and our environment*

reporting on our corporate sustainability

## Developing human capital

### ASHTON SOUP KITCHEN

The Ashton fruit processing facility is in operation from mid November to April each year. The employment opportunities in the area revolve around the fruit harvesting months, when the local factory employs in excess of 3000 seasonal or temporary workers.

The winter months therefore tend to be very difficult for the local people, as there are few employment options.

With the founding of the first workers forum in the late 1900's, a request was made for a school soup kitchen. This project has been a wonderful local success and feeds approximately 3500 people each day. In 1978 there were four schools / crèches involved in the project, with 1991 children being fed. This number has now increased to 11 schools / crèches feeding 3687 children.

Tiger Brands provides products, and handles recipe planning, purchasing and distribution for the project.



### ORGANISATIONAL EFFECTIVENESS

The Organisational Effectiveness function is underpinned by the desire to 'attract, retain and develop' high potential individuals. This portfolio is responsible for the recruitment, development and administration of employees group-wide, including the facilitation and project management of organisational initiatives, business team development strategies and organisational restructuring and integrations.

### HRD (HUMAN RESOURCE DEVELOPMENT)

**Performance Management** scorecards, aligned to the business strategy, are developed for each business unit. These scorecards form the basis for measuring the outputs of specific teams, and are essential in the development of Individual Performance Agreements, against which individual performance is measured.

A Tiger Brands Succession audit was conducted in 2002, and highlighted the strategic need for an integrated **Talent Management** system, to underpin our strategy of wishing to attract and retain highly talented individuals. Talent Management is not job specific but is focused on keeping the leadership pipeline filled with high-performing people based on measurable performance standards and leadership competencies while ensuring that affirmative candidates are developed. The second formal 360 degree **Leadership Assessment** review was conducted during May 2004. The results of the assessment have been extensively discussed with the participants and areas of potential development have been identified and will be monitored in future assessments.

A further commitment to our "Attract and Retain" strategy has been realised in the role out of the **Graduate Development Programme** for young black graduates. Business management graduates will be

*The Organisational Effectiveness function is underpinned by the desire to 'attract, retain and develop' high potential individuals.*

sourced and selected from leading universities and placed in junior positions with clearly determined learning paths, while being supported and mentored by specific coaches within the organisation.

The **Tiger Manufacturing Academy (TMA)** remains the centrepiece of our technical skills development strategy and offers competency based manufacturing programmes that provide development opportunities from shop floor to management level. This unique concept of lifelong learning, supports the objective of Tiger Brands being seen as a learning organisation.

The TMA consists of a comprehensive but focused learning pathway, that provides structured learning programmes and qualifications, which are designed to empower

manufacturing employees with skills that are specific to manufacturing and generic to the management disciplines. While all programmes and qualifications afford national recognition, they have been developed to provide the specific skills required by the manufacturing employees within Tiger Brands. In order to ensure its future sustainability, the TMA will be opened to other companies in similar industries in order to assist in building a national competence.

Significant improvements in workplace performance have resulted in the promotion of a number of learners into middle and senior management levels since their enrolment on the TMA.

The TMA currently has the following learners enrolled:

170 learners	National Certificate in First Line Management programme
151 learners	National Diploma in Manufacturing Management programme
559 learners	Core skills programme.

Tiger Brands fully supports the National Skills Development initiative of uplifting the Literacy and Numeracy levels of employees. The **Adult Basic Education and Training Programme (ABET)**, has been in place at all manufacturing sites since 2001 and currently 644 learners are participating in programmes across the various ABET levels.

To date 116 learners have achieved their **International Computer Driver's Licences** and 700 others are on track to complete theirs by December 2004.



*Tiger Brands is continuously striving to achieve the reputation of being an employer of choice.*

#### **WORKPLACE DEVELOPMENT PROGRAMME**

The **Workplace Development Programme** is a key initiative within manufacturing, and aims to create a culture of continuous improvement on the shop floor. A better understanding of business processes is created amongst all employees, which together with a structured and daily communication session, ensures that all employees are involved and able to make a meaningful contribution to the performance of the operation.

The **20 Keys** improvement programme is introduced once the discipline of the daily shift meetings is firmly entrenched. This programme provides managers and employees with the tools and techniques necessary to continuously improve manufacturing processes, reduce waste and enhance productivity. Managers, supervisors and team leaders are also provided with the necessary training to ensure that they support the entire process, which ensures the long-term sustainability of the project.

#### **RECRUITMENT**

Tiger Brands is continuously striving to achieve the reputation of being an employer of choice. Internally, we are committed to ensuring that we have a selection of talented individuals that meets both the social

transformation initiatives as well as the talent management objectives.

#### **EMPLOYEE RELATIONS**

In the event that redundancies occur, the Employee Relations function plays a critical role in ensuring that these business re-organisations are conducted in accordance with legislative requirements and giving due consideration to business imperatives as well as the rights of employees.

#### **REMUNERATION AND BENEFITS**

2004 has proved extremely challenging in the areas of remuneration and benefits. A large-scale job evaluation project is nearing completion, and further refinements have been made to employee benefits scheme rules, targets and qualifying criteria. The implementation of a standardised payroll system, together with the intended application of an electronic Human Resources system (e-HR) will further refine the remuneration and benefits systems.

There are several, differently structured retirement funds throughout the company with all Defined Benefit Funds being closed to new membership. The Pension Funds Second Amendment Act, 2001, which became effective on 7 December 2001, requires all retirement



***Staff members are encouraged to determine their HIV status, and thereafter have the opportunity to confidentially register with an external service provider.***

funds to apportion any surplus, should any surplus exist, at the surplus apportionment date of each fund. The retirement funds across the company have, in all cases, begun upon this exercise.

The Tiger Brands Medical Scheme is proving to be a true benefit for employees and consistently offers highly competitive benefits at a very market related cost. The Scheme recently announced a zero percent increase in contributions for the year commencing 1 October 2004, whilst the increase in healthcare bonus contributions resulted in an effective overall increase of one percent.

The Fund, however, still managed to increase the 2005 routine care allowances for "out of hospital" medical expenditure by an inflation matching five percent.

#### **HIV/AIDS**

Tiger Brands has introduced a wellness management programme, which is available to all employees. Staff members are encouraged to determine their HIV status, and thereafter have the opportunity to confidentially register with an external service provider. The benefits

provided by the service provider include individual counselling, regular monitoring and access to immune boosting supplements.

The objective of this programme is to extend both the 'workspan' as well as the 'lifespan' of the employee, thus being of mutual benefit to our people as well as to the company. Our desire through this holistic approach is to present HIV/AIDS in the same light as any other chronic disease. We are aiming through this programme, to extend and enhance quality of life for those suffering from this disease, from the current anticipated lifespan of 10 – 12 years (from the date of infection), up to more than 30 years. Although this is an ambitious target, we believe that through the correct lifestyle, nutrition and counselling, we will be well placed to support our employees through this process. Presentations have been held at all sites to raise levels of awareness amongst all staff members.

#### **OCCUPATIONAL HEALTH & SAFETY**

Profiles with regard to possible risk exposure have been completed at all the manufacturing sites, with favourable results being recorded.

Where appropriate, the profiles are used as a framework for the risk management plans per site, in addition to the group risk standards against which all operations are benchmarked. A pleasing improvement in assessment scores has been noted across all operations. A high degree of vigilance is maintained in this area of risk exposure, and governance processes have been further tightened with regard to audit recommendations and reporting to the board risk subcommittee.

The revised Occupational Health & Safety system has been successfully applied across the group. Particular attention is being given to awareness and training to extract the benefits of improvement in this area. Regular reporting and audits against the new standards are taking place in a culture of continuous improvement, with pleasing results. Accountability is now fully decentralised at manufacturing or administrative level.

#### **TRANSFORMATION**

The Transformation process within Tiger Brands is founded on our four core values of respect, teamwork, an action-orientation and imagination.

*It is imperative to ensure that we reflect the diversity of our customers and consumers at all management levels.*

Black Economic Empowerment is one of the pillars reinforcing our Transformation Plan, together with Employment Equity and Corporate Social Investment.

It is imperative to ensure that we reflect the diversity of our customers and consumers at all management levels. To this end we have introduced a focused and co-ordinated initiative to ensure that we are equipped as an organisation to meet the employment equity targets we have set for September 2006.

The Transformation Committee is chaired by a Tiger Brands non-executive board member, and is well on its ways to playing a pivotal role in the total Transformation process.

#### **BLACK ECONOMIC EMPOWERMENT**

Tiger Brands is committed to the imperative of employment equity and black economic empowerment. We endeavour to embrace diversity in every possible way so as to realise the full potential of our organisation. In addition, each individual business is encouraged to identify opportunities for such empowerment to take place.

As one of the largest buyers of goods and services in the industries in which it operates, Tiger Brands has a unique opportunity and responsibility to leverage its purchasing power in support of BEE initiatives. BEE

procurement must accord with sound commercial principles and must be achieved without any reduction in value, quality, standards and service levels. The company's Code of Ethics is an important underlying principle of this policy.

#### **EMPLOYMENT EQUITY**

Tiger Brands recognises the vital importance of meeting the challenge of fully implementing employment equity in the fabric of its business. Success in meeting this challenge will maximise future opportunities. Top management are committed to driving EE as a key business strategy, in order to provide the company with a competitive advantage in the markets in which we operate. Progress in this key area is monitored at board level.

Tiger Brands is committed to the meaningful and sustainable implementation of EE strategies to ensure that:

- our workforce is representative of the demographics of the wider South African labour market;
- equal opportunities and fair treatment are enjoyed by all employees; and
- measures are implemented to redress the previous employment disparities experienced by those from designated groups.

***In 2004, South Africans ranked Tiger Brands among other major blue-chip organisations for its capacity to address community needs through feeding schemes and Unite Against Hunger.***

**CORPORATE SOCIAL INVESTMENT**

As Africa's largest branded food and healthcare company, Tiger Brands remains at the forefront of the fight against hunger, providing crucial food relief to thousands of families on a monthly basis, under the banner of '*Unite Against Hunger*'. The Corporate Social Investment budget is determined through a set formula linked to 1% of post-tax profits. More than R14 million was allocated to this budget for the 2004 financial year. In addition, many of the different businesses within Tiger Brands are involved in their local communities, with projects specific to those communities.

Every day, approximately 2,2 million South Africans go to bed hungry. Tiger Brands recognised that the extent of hunger within the South African environment, was such that it is too great a problem for any single individual or organisation to address. Accordingly, *Unite Against Hunger* was created and registered as a section 21 (not-for-profit) company, enabling other corporate leaders, celebrities and ordinary consumers to contribute to a worthy cause.

Through an integrated programme combining strategic partnerships, fund-raising events and the involvement of Tiger's various brand marketing teams, *Unite Against Hunger* channels all contributions received through the African Children's Feeding Scheme, Heartbeat, Rotary International and a rural schools distribution network, reaching more than 100 000 children per month.

In 2004, South Africans ranked Tiger Brands among other major blue-chip organisations for its capacity to address community needs through feeding schemes and *Unite Against Hunger* ('Corporate Care-Check').

While crisis food relief remains a central pillar to *Unite Against Hunger's* cause, ways in which to make a more holistic contribution to the well-being of beneficiaries are being explored, with the organisation, Heartbeat, being used as a pilot model. (The government, and in particular, the Department of Social Services, has recognised the Heartbeat model as being one of 'best practice' which can be used by others as an example to emulate.)

Based in five provinces, Heartbeat's 85 staff members support 4 370 orphaned and vulnerable children living mainly in child or granny-headed households. The Heartbeat model involves setting up a local infrastructure in order to help these children remain together as family units in the homes and communities they know while being supported by their immediate community. Heartbeat provides practical day-to-day assistance, crèche facilities and after-school activities, while Tiger Brands donates monthly food parcels to each household.

The African Children's Feeding Scheme provides nourishment for over 16 000 children per day, and 1 000 families per month in the greater Gauteng region.

*Unite Against Hunger* is hoping to harness such positive progress by evolving extensions to its core theme, with the aim of promoting more balanced, fulfilled lifestyles.

**THE SEA HARVEST FOUNDATION**

The Sea Harvest Foundation bursary programme is in its seventh year of operation and has granted funds to 35 students from



## MUSINA WATER PROJECT

*The Musina Tomato Paste Factory currently disposes of approximately 292 000 cubic metres of water annually under a permit of irrigation from the Department of Water Affairs. In order to comply with all the appropriate legislation and in line with the Tiger Brands Environmental policy to contribute to a sustainable environment, a decision has been made to build a wastewater treatment facility at this manufacturing unit.*

*The aim of the project is to purify the wastewater to "General Standard", whereby the water is purified to such an extent that it can be returned to the water source without any detrimental effect to the environment.*

*On completion of the project, it is anticipated that as much as 50% of the purified wastewater could be recycled and re-used in the factory. The remaining water will either be returned to the water source or used by local farmers. The project is scheduled for completion in April 2006, and will cost in the region of R9 million.*



previously disadvantaged communities in the West Coast. This programme has in a short space of time produced both a doctor and a lawyer among its graduates.

During the year, a number of baby cots were donated to an organisation which looks after the children of working mothers, 95% of which are Sea Harvest employees. Assistance was also provided to a local Hospice which assists with home-based care for terminally ill patients.

The importance of talent development at all levels within the local Sea Harvest community has been recognised, and to this end, funds have been allocated to 13 local schools, the Saldanha Rugby Club (comprising of local fishermen), as well as the West Coast Business Centre which assists with the training and accreditation of the local SMMEs.

## HEALTHCARE

Considerable attention has been given to the further development of corporate social investment in the healthcare field and several initiatives are also under review for implementation in 2005.

2004 marked the second year of the Adcock Ingram mentoring project at the Faculty of Pharmacy, Rhodes

University. This project facilitated socialisation of first year students to both the university and the professional pharmacy environment and was developmental for the second and third year students who were selected as mentors.

Cause related marketing campaigns resulted in donations to two organisations. The annual Elizabeth Anne's campaign that raises funds for the Avril Elizabeth Home is a fine example of cause related marketing. This enduring partnership has resulted in contributions totalling R1,5 million to the Avril Elizabeth Home over a 12-year period. The campaign has been beneficial to both the home and the brand as evidenced in the performance of the brand during the campaign period and has been a contributing factor to market share gains achieved by Elizabeth Anne's. The 2004 campaign involved five major customers whose efforts all contributed to this success.

In another initiative, Adco Generics linked a promotion to the Cotlands Home for the second consecutive year.

## ENVIRONMENTAL REPORT

Environmental awareness and responsibility is integral to the company's operations. This extends beyond the immediate proximity of our plants, and includes sensitivity to our products and their packaging, air

*Tiger Brands continues to play a leading role together with appropriate authorities in order to improve the current climate of ineffective regulatory compliance and enforcement in the food industry.*

quality, energy conservation, waste, and water conservation. The formal environmental policy, in existence for a number of years, ensures that impact assessments are routinely completed for new projects. Furthermore, an environmental risk management standards framework has been developed against which all operations will be audited. Most notable projects in this reporting period include effluent treatment plants for wastewater streams at two major processing plants. The group will continue to uphold its record of meeting and exceeding high standards.

**FOOD SAFETY & QUALITY SYSTEMS**

The group food safety and quality policy has been expanded into a strategy underpinned by operational standards based on GMP and HACCP where appropriate. Each manufacturing unit, depot or warehouse is audited at least once annually in addition to continuous tracking of consumer complaints or other adverse event reporting against world-class benchmarks. A pleasing improvement in quality scores and complaint trends has been noted. Eight sites are now HACCP approved, by the SABS, up from

four sites in 2003. A major project to improve traceability from supplier to customer has been initiated in anticipation of heightened food safety concerns.

The regulatory environment area for food and food control is a busy one with many new and diverse regulations proposed or being effected. Tiger Brands continues to play a leading role, together with appropriate authorities, in order to improve the current climate of ineffective regulatory compliance and enforcement in the food industry.

**HEALTHCARE QUALITY & SAFETY SYSTEMS**

Adcock Ingram Healthcare has a comprehensively designed and implemented quality management system, which is fully documented, effectively controlled and adequately staffed. This provides the assurance that products have the necessary quality, safety and efficacy, comply with the requirements of the regulatory authorities and are fit for their intended use.

The above is achieved by means of clearly defined and validated production processes,

comprehensive standard operating procedures and instructions, appropriately trained personnel, adequate premises and space, suitable equipment and services, correct materials, containers and labels, suitable storage and transport, a comprehensive quality assurance system, a structured quality control department, regular self audits as well as an appropriate system for handling of product complaints and recalls.

All safety aspects are handled in compliance with the Occupational Health & Safety Act and other legislation. This involves all levels of personnel and is achieved through correct training, audits by Alexander Forbes and the appropriate environmental monitoring.



corporate governance

## **“Tiger Brands is committed to the principles of openness, integrity and accountability.”**

Tiger Brands is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders and supports the code of corporate practices and conduct as recommended by the King II report on corporate governance.

The primary objective of any system of corporate governance is to ensure that directors and managers, to whom the running of corporations has been entrusted by the shareholders, carry out their responsibilities faithfully and effectively, placing the interests of the corporation and society ahead of their own. This process is facilitated through the establishment of appropriate reporting and control structures within the organisation.

### **ETHICS**

Directors and employees are required to observe the principles of the Tiger Brands Code of Ethics to ensure that business practices are conducted in a manner which is beyond reproach. Copies of the Code of Ethics are available on request from the Company Secretary.

### **FINANCIAL STATEMENTS**

The directors of Tiger Brands are responsible for preparing financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and results of the operations of the company and the Group. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with Statements of South African Auditing Standards

and reporting their findings thereon. The auditors' report is set out on page 35.

The annual financial statements contained on pages 74, 75, 87, 88 and 90 to 132 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. They are based on appropriate accounting policies and are supported by reasonable and prudent judgements and estimates.

The directors have no reason to believe that the Group's operations will not continue as going concerns in the year ahead, other than where closures or discontinuations are anticipated, in which case provision is made to reduce the carrying cost of the relevant assets to net realisable value.

### **AUDIT COMMITTEE**

The company has an audit committee which operates under an approved charter and is chaired by an independent non-executive director.

The remaining members of the committee are all independent non-executive directors.

Divisional audit committees are also in place which are responsible to the audit committee of the company. The respective audit committees review the effectiveness of internal control in the Group with reference to the findings of both the internal and external auditors. Other areas covered include the review of important accounting issues, including specific disclosures in the financial statements and a review of the major audit recommendations. In addition, the audit committee

## *Remuneration policy is formulated to attract, retain and motivate top-quality people in the best interests of shareholders.*

reviews the work of the risk committee (see below), which has been established as a subcommittee of the audit committee. The external auditors have unrestricted access to the audit committee.

### **RISK COMMITTEE**

The board has established a risk committee which committee operates under an approved charter and is chaired by an independent non-executive director.

The other members of the committee comprise four members of the company's senior management. When required, independent risk management specialists or other specialists are invited to attend committee meetings and provide input.

The risk committee has met four times during the financial year under review. In terms of the risk committee's mandate, the committee monitors the effectiveness of the company's risk management process. The process incorporates formalised systems of risk identification, assessment, control and monitoring. The committee reports on its deliberations to the board through the audit committee.

The company's key strategic risks have been identified and documented by the board. The responsibility for each of the key identified risks has been assigned to an appropriate member of the senior management team. A systematic risk

assessment and management process is being rolled out at operational level in order to identify all material operational risks. In conducting the risk assessments, relevant risk categories are considered, including brand risks, product risks, legislative issues, people risks, competitive forces, information technology issues, insurable perils and financial risks.

At operational level, the Group runs a number of risk control initiatives including safety management, security, fire defence, food safety, environmental management and quality management. Each of these functions includes processes for the identification of risk, the implementation of risk mitigation, and compliance with relevant legislation. Risks are monitored and reported upon at operational management meetings. The company has systems of incident reporting at operational level that allows for exception reporting to management.

### **INTERNAL CONTROL**

The Group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. The Group has largely outsourced its

internal audit function to KPMG Inc., Registered Accountants and Auditors. KPMG are not involved in any of the statutory audits of the Group. This internal audit function operates under the direction of the Group audit committee, which approves the scope of the work to be performed. Significant findings are reported to both executive management and the relevant divisional audit committees. Corrective action is taken to address internal control deficiencies identified in the execution of the work. Nothing has come to the attention of the directors, or to the attention of the auditors, that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.

### **RISK CONTROL**

The Group has comprehensive risk and loss control procedures in place, which form an integral part of a sophisticated self-insurance programme. The layered structure of the programme allows the Group to obtain very competitive rates while still protecting Group companies from major losses through appropriate local and offshore reinsurance.

### **DIRECTORATE AND EXECUTIVE MANAGEMENT**

The board of directors of Tiger Brands includes independent non-executive directors who are chosen for their business acumen and skills. The chairman of Tiger Brands acts in a non-executive capacity and is independent. New appointees to the board are appropriately familiarised with the company's businesses through an induction programme.

*The salaries of the executive directors are subject to annual review and benchmarked against external market data.*

The board of the company meets regularly and monitors the performance of executive management. It addresses a range of key issues and ensures that debate on matters of policy, strategy and performance is critical, informed and constructive.

All directors of Tiger Brands Limited have access to the advice and services of the company secretary and, in appropriate circumstances, may, at the company's expense, seek independent professional advice concerning its affairs.

#### **DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION**

##### **(I) REMUNERATION COMMITTEE**

The Remuneration Committee ("the Committee") has been delegated by the Board with the responsibility for determining the remuneration of the executive directors and other senior management members, as well as approving all grants of share options under the Tiger Brands (1985) Share Option Scheme. The Committee comprises four independent non-executive directors. (Refer to page 13 of the Annual Report.) The Chairman of the Committee is obliged to report to the Board on the Committee's deliberations.

##### **(II) REMUNERATION POLICY**

Remuneration policy is formulated to attract, retain and motivate top-quality people in the best interests of shareholders, and is based upon the following principles:

- Remuneration arrangements will be designed to support Tiger Brands' business strategy, vision and to conform to best practices.

- Total rewards will be set at levels that are competitive within the context of the relevant areas of responsibility and the industries in which the company operates.
- Total incentive based rewards are earned through the attainment of demanding targets consistent with shareholders' growth expectations.

##### **(III) COMPOSITION OF EXECUTIVE REMUNERATION**

The remuneration of executive directors is determined on a total cost to company basis. The remuneration packages comprise an annual salary, incentive bonus plan, participation in the Tiger Brands (1985) Share Option Scheme, other benefits including retirement provision, group life, health and disability insurance, and a car allowance scheme. These are dealt with in more detail below:

##### • **Annual salaries**

The salaries of the executive directors are subject to annual review and benchmarked against external market data taking into account the size of the company, its market sector and business complexity. Individual performance and overall responsibility are also taken into consideration. Subject to individual performance considerations, it is the intention to set guaranteed (non-variable) pay at above median levels of remuneration as reflected by an appropriate external executive salary survey.

##### • **Incentive bonus plan**

The executive directors participate in an annual bonus plan, which is based on the achievement of short-term

## *Revision of a formal succession plan for senior and executive management is undertaken in October each year.*

performance targets. These targets are based on overall group financial performance as well as the attainment of agreed strategic and personal objectives. For 2004, the non-financial element of the bonus was based entirely on the achievement of agreed transformation targets which incorporated employment equity targets at both junior and senior levels of management. The financial performance element is based on growth in profits as measured by headline earnings per share, and the return on net assets employed, with growth in headline earnings per share carrying a higher weighting. Measures and targets are reviewed annually by the Committee.

Incentive bonuses paid to executive directors in respect of 2004 are outlined on page 68.

The incentive scheme for 2004 was capped at 125% of annual basic remuneration, with 80% of the incentive bonus being based on the company's financial performance (headline earnings per share and return on net assets) and the remaining 20% (subject to minimum financial performance criteria being achieved) based on the achievement of specific transformation targets as reflected in the corporate transformation scorecard. The bonuses accruing to executive directors in respect of 2004 equated to, in aggregate, 96,2% of annual basic remuneration.

The profit incentive scheme for 2005 is identical to the 2004 scheme, with 80% of the bonus being based on financial performance criteria and 20%

being based on transformation criteria as reflected in the transformation scorecard which has been approved by the Transformation Committee. In addition, personal objectives have been agreed for each executive director and performance against these objectives will be taken into account in the final bonus determination.

Payment of the maximum bonus of 125% of annual basic remuneration (capped amount) is subject to the achievement of a minimum increase of 32% in headline earnings per share for 2005 and the attainment of all transformation targets included in the transformation scorecard.

### ● **Share option scheme**

The Committee gives consideration to making grants of share options to executive directors on an annual basis. Options were last granted to the executive directors (Messrs N Dennis, M H Franklin, M C Norris, R V Smither and C F H Vaux) with effect from 29 January 2004. The annual value of shares over which options are granted is determined by reference to a multiple of annual package, inclusive of benefits. This figure is then reduced by the value of share options granted in the preceding five years and further adjusted to take into account individual performance. The individual multiples applied, in respect of the January 2004 allocation, ranged between one and nine times (before adjustments).

Share options are exercisable in tranches of one third each after three, four and five years from the

date of grant, with the proviso that all options must be exercised within 10 years from the date of grant.

Details of options over shares in Tiger Brands Limited held by directors as at 30 September 2004, together with options exercised during the year, are set out in Note 22.5 on pages 113 and 115.

In addition to holding options over shares in Tiger Brands Limited, the executive directors also hold options over shares in Astral Foods Limited. These options were originally created as part of the Astral Foods unbundling transaction, to ensure that Tiger option holders were treated on a consistent basis with Tiger shareholders following the distribution of Tiger's investment in Astral Foods during April 2001.

Details of options over shares in Astral Foods Limited held by directors as at 30 September 2004, together with options exercised during the year, are set out in Note 22.5 on page 116.

Subsequent to the year-end, The Spar Group Limited was unbundled and separately listed on the JSE Securities Exchange. Holders of Tiger Brands options received one option in The Spar Group Limited for each Tiger Brands option held. The price of a Spar option was determined by reference to the relative average prices of the shares of the Company and The Spar Group Limited for the first five trading days following upon the unbundling. The price of each Tiger option was accordingly reduced by 18,88112% and the exercise price of the options in The Spar Group Limited was determined as 18,88112% of the original price at which the options in the Company were granted.

**Revision of a formal succession plan for senior and executive management is undertaken in October each year and thereafter discussed by the Remuneration Committee.**

• **Retirement benefits**

During the year, the group made contributions for the executive directors to an umbrella retirement scheme operated by Alexander Forbes and, in respect of one director, to the Tiger Brands Management Provident Fund. Both schemes are defined contribution retirement plans, with the company contributing 14% of gross pensionable salary for fund credit purposes. In addition, contributions were made in respect of two executive directors to deferred compensation schemes.

Details of contributions made in the year ended 30 September 2004 on behalf of executive directors are set out in the table on page 68.

• **Other benefits**

The executive directors enjoy various other benefits including medical aid cover, permanent health insurance, death in service and funeral benefits, and a car allowance. Post-retirement death benefits are also provided in respect of certain directors. Club subscriptions are paid in respect of certain directors.

The total value of other benefits is set out in the table on page 68.

• **Deemed interest**

Certain directors have the benefit of low interest loans from the Tiger Brands Share Trust in order to finance the purchase of ordinary shares in the company in terms of the Tiger Brands (1985) Share Purchase Scheme.

Details of the deemed interest benefit relating to these loans, in respect of the year ended 30 September 2004, are set out in the table on page 68.

**(IV) DIRECTORS' EMPLOYMENT AGREEMENTS**

Messrs N Dennis, M H Franklin, J H McBain, M C Norris and R V Smither have employment agreements with the company. In addition, Mr I W M Isdale has an employment agreement with the company in respect of his services as company secretary. The employment agreements are subject to a notice period of not less than three months to be given by either party.

The company may elect to pay the executive directors (or company secretary) a cash sum in lieu of notice of termination.

In the event of such termination of employment creating an obligation on the employer to pay severance pay to the executive director (or company secretary) in terms of the Labour Relations Act, 1995 or the Basic Conditions of Employment Act, 1997, then the severance package shall be equal to a multiple of the relevant individual's monthly remuneration, such multiple ranging between 20 months and 44 months. However, the multiple is limited to the number of months that remain from the termination date to the date on which the relevant individual would have reached his normal retirement age. This payment is calculated by reference to the relevant individual's pensionable remuneration plus the value of medical aid, group life and permanent health insurance benefits. In addition, a fixed amount is payable by the company to compensate certain executive directors for the loss of benefits arising in terms of the company's post-retirement death benefit scheme.

The execution dates of the current employment agreements are shown in the table below:

<b>Name</b>	<b>Contract date</b>
N Dennis	18 June 1999
M H Franklin	14 June 1999
J H McBain	7 September 1999
M C Norris	12 February 2001
R V Smither	21 June 1999
I W M Isdale	15 June 1999

**(V) SUCCESSION PLANNING**

Revision of a formal succession plan for senior and executive management is undertaken in October each year and thereafter discussed by the Remuneration Committee. The objective is to ensure that immediate succession is in place but also to develop a pool of persons with potential for development and future placement. This includes managers at lower levels.

**(VI) NON-EXECUTIVE DIRECTORS' FEES**

The remuneration of the non-executive directors is approved by the shareholders in terms of the company's Articles of Association. In terms of the company's Articles of Association, non-executive directors who perform services outside the scope of the ordinary duties of a director may be paid additional remuneration, the reasonable maximum of which is fixed by a disinterested quorum of directors.

For the year ended 30 September 2004, each non-executive director, other than the Chairman, was paid an annual fee of R100 000 for his/her general board duties. The Chairman of the board received emoluments amounting to R1 773 330 in respect of his services as Chairman of the company. These include the value of a fully expensed company car.

The Chairman of the Audit Committee received an additional fee of R75 000 in respect of these duties plus a further R25 000 as a member of the Remuneration Committee. The Chairman of the Remuneration Committee received an additional fee of R50 000.

Two non-executive directors received an additional fee of R35 000 each for serving on the Audit Committee, whilst another non-executive director received an additional fee of R25 000 for his services as a member of the Remuneration Committee.

An additional fee of R50 000 per annum was payable to the Chairman of the Risk Committee.

An additional fee of R50 000 per annum was payable to the Chairman of the Transformation Committee.

Fees paid to non-executive directors for the year ended 30 September 2004 are set out in the table on page 68.

The Board, based on the recommendation of the Remuneration Committee, which in turn considered the recommendation of management, has determined that shareholders be requested to approve that the fee payable to non-executive directors be increased to R125 000 per annum. The proposed increase was based on the recommendation of management which took into account surveys conducted into fees payable to non-executive directors in similar sized companies, the increased responsibilities placed on non-executive directors in terms of corporate governance practice and the fact that the fee was last reviewed in February 2003.

It has been agreed by the Board that for the year commencing 1 October 2004, the emoluments paid to the Chairman in respect of his services as Chairman of the company, which include the value of a fully expensed company car, will remain unchanged. The fee payable to the Chairman of the audit committee will be R100 000, and the members of the audit committee will receive a fee of R50 000. The chairman of the Remuneration Committee will receive a fee of R65 000 with the chairmen of the Risk and Transformation Committees each receiving R60 000. Non-executive directors who are members of the Remuneration and Transformation Committees will receive R35 000. It is intended that these fees be reviewed on an annual basis.

(VII) (a) TABLE OF DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

(all figures are stated in rand thousands)

Name	Fees	Basic salary	Bonus	Other benefits	Retirement fund contributions	Deemed interest	Total 2004
<b>Executive directors</b>							
N Dennis (CEO)		3 876	4 184	307	952	593	9 912
M H Franklin (note 1)		1 805	1 950	363	395	391	4 904
J H McBain		993	613	160	227	—	1 993
M C Norris		1 732	2 005	296	415	15	4 463
R V Smither (note 1)		1 691	1 789	358	365	—	4 203
C F H Vaux		1 511	1 648	174	336	—	3 669
<b>Total A</b>							<b>29 144</b>
<b>Non-executive directors</b>							
R A Williams (Chairman)	1 773						1 773
B H Adams	200						200
D D B Band	150						150
S L Botha (note 2) (Appointed 18.08.2004)	12						12
B P Connellan	135						135
U P T Johnson	100						100
A C Nissen	150						150
G N Padayachee	150						150
B L Sibiyi	125						125
J L van den Berg	135						135
L C van Vught	125						125
<b>Total B</b>							<b>3 055</b>
<b>Total A + B</b>							<b>32 199</b>

**Note 1** Included in other benefits are 25 year Long Service Awards in respect of Messrs M H Franklin and R V Smither.

**Note 2** Director's fees paid to MTN Group Management Services.

**(b) TABLE OF DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003**

(all figures are stated in rand thousands)

Name	Fees	Basic salary	Bonus	Other benefits	Retirement fund contributions	Deemed interest	Total 2003
<b>Executive directors</b>							
N Dennis (CEO) – (note 1)		3 374	—	4 757	859	1 076	10 066
M H Franklin		1 648	—	204	365	415	2 632
J H McBain		875	—	201	212	—	1 288
M C Norris		1 534	—	300	375	59	2 268
R V Smither		1 509	—	205	337	—	2 051
C F H Vaux		1 379	—	186	308	—	1 873
<b>Total A</b>							<b>20 178</b>
<b>Non-executive directors</b>							
R A Williams (Chairman)	1 650						1 650
B H Adams	200						200
D D B Band	150						150
B P Connellan	135						135
D E Cooper	40						40
U P T Johnson	100						100
A C Nissen	150						150
G N Padayachee	150						150
B L Sibiya	55						55
I B Skosana (note 2)	35						35
J L van den Berg	135						135
L C van Vught	81						81
<b>Total B</b>							<b>2 881</b>
<b>Total A + B</b>							<b>23 059</b>

**Note 1** Included in other benefits is an amount of R4 437 000 paid to N Dennis arising from an undertaking given by the Company at the time of the impending unbundling of C G Smith Limited, Tiger's former holding company. The undertaking to pay this amount was given in order to secure N Dennis' continued employment with Tiger Brands Limited for a minimum period of three years from 10 November 1999, in anticipation of the unbundling of C G Smith Limited in February 2000.

**Note 2** Director's fees paid to Absa Bank Limited.

### MANAGEMENT REPORTING

There are comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all operating units and categories. Individual operational, functional and category budgets are approved by the relevant company executives, while the Group budget is reviewed by the directors of the company. Monthly results and the financial status of operating units are reported against approved budgets and compared to the prior year. Profit projections and cash flow forecasts are updated monthly, while working capital and cash/borrowing levels are monitored on an ongoing basis.

### PLANNING PROCESS

In line with its mission to build a world-class business, the overall strategy for Tiger Brands is clearly focused. Annual business, category growth and brand plans are compiled at the appropriate level, with detailed action plans and allocated responsibilities. Progress is reviewed regularly.



## MEETING SCHEDULE

### Board meetings 2004

Director's name	11/2003	02/2004	03/2004	05/2004	08/2004	09/2004
R A Williams ( <i>Chairman</i> )	Y	A	Y	Y	Y	Y
N Dennis	Y	Y	Y	Y	Y	Y
B H Adams	Y	Y	Y	Y	Y	Y
D D Band	Y	Y	Y	Y	Y	Y
S L Botha	N/A	N/A	N/A	N/A	N/A	Y
B P Connellan	Y	Y	Y	Y	Y	Y
M H Franklin	Y	Y	Y	Y	Y	Y
J H McBain	Y	Y	Y	Y	Y	A
A C Nissen	Y	Y	A	Y	A	Y
M C Norris	Y	Y	Y	Y	A	Y
R V Smither	Y	Y	Y	Y	Y	Y
J L van den Berg	Y	Y	Y	A	Y	Y
C F H Vaux	Y	Y	Y	Y	Y	Y
U P T Johnson	Y	Y	Y	Y	Y	Y
G N Padayachee	Y	Y	Y	Y	A	A
L C van Vught	Y	Y	Y	Y	Y	Y
B L Sibiya	Y	Y	Y	Y	Y	A

### Audit Committee meetings 2004

Director's name	11/2003	05/2004	09/2004
B H Adams ( <i>Chairman</i> )	Y	Y	Y
J L van den Berg	Y	A	Y
R A Williams	Y	Y	Y
B P Connellan	Y	Y	Y

### Remuneration Committee meetings 2004

Director's name	11/2003	02/2004	05/2004	09/2004
D D B Band ( <i>Chairman</i> )	Y	Y	Y	Y
B H Adams	Y	Y	Y	Y
L C van Vught	Y	Y	Y	Y
R A Williams	Y	Y	Y	Y

### Transformation Committee meetings 2004

Director's name	11/2003	02/2004	04/2004	08/2004
A C Nissen ( <i>Chairman</i> )	A	Y	Y	Y
N Dennis	Y	Y	Y	Y
B L Sibiya	Y	A	Y	Y

(A = Apology) (Y = Attendance)

(VII) (a) TABLE OF DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

(all figures are stated in rand thousands)

Name	Fees	Basic salary	Bonus	Other benefits	Retirement fund contributions	Deemed interest	Total 2004
<b>Executive directors</b>							
N Dennis (CEO)		3 876	4 184	307	952	593	9 912
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<b>Total A</b>							<b>29 144</b>
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U P T Johnson	100						100
A C Nissen	150						150
G N Padayachee	150						150
B L Sibiyi	125						125
J L van den Berg	135						135
L C van Vught	125						125
<b>Total B</b>							<b>3 055</b>
<b>Total A + B</b>							<b>32 199</b>

**Note 1** Included in other benefits are 25 year Long Service Awards in respect of Messrs M H Franklin and R V Smither.

**Note 2** Director's fees paid to MTN Group Management Services.

**(b) TABLE OF DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003**

(all figures are stated in rand thousands)

Name	Fees	Basic salary	Bonus	Other benefits	Retirement fund contributions	Deemed interest	Total 2003
<b>Executive directors</b>							
N Dennis (CEO) – (note 1)		3 374	—	4 757	859	1 076	10 066
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J H McBain		875	—	201	212	—	1 288
M C Norris		1 534	—	300	375	59	2 268
R V Smither		1 509	—	205	337	—	2 051
C F H Vaux		1 379	—	186	308	—	1 873
<b>Total A</b>							<b>20 178</b>
<b>Non-executive directors</b>							
R A Williams (Chairman)	1 650						1 650
B H Adams	200						200
D D B Band	150						150
B P Connellan	135						135
D E Cooper	40						40
U P T Johnson	100						100
A C Nissen	150						150
G N Padayachee	150						150
B L Sibiyi	55						55
I B Skosana (note 2)	35						35
J L van den Berg	135						135
L C van Vught	81						81
<b>Total B</b>							<b>2 881</b>
<b>Total A + B</b>							<b>23 059</b>

**Note 1** Included in other benefits is an amount of R4 437 000 paid to N Dennis arising from an undertaking given by the Company at the time of the impending unbundling of C G Smith Limited, Tiger's former holding company. The undertaking to pay this amount was given in order to secure N Dennis' continued employment with Tiger Brands Limited for a minimum period of three years from 10 November 1999, in anticipation of the unbundling of C G Smith Limited in February 2000.

**Note 2** Director's fees paid to Absa Bank Limited.

### MANAGEMENT REPORTING

There are comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all operating units and categories. Individual operational, functional and category budgets are approved by the relevant company executives, while the Group budget is reviewed by the directors of the company. Monthly results and the financial status of operating units are reported against approved budgets and compared to the prior year. Profit projections and cash flow forecasts are updated monthly, while working capital and cash/borrowing levels are monitored on an ongoing basis.

### PLANNING PROCESS

In line with its mission to build a world-class business, the overall strategy for Tiger Brands is clearly focused. Annual business, category growth and brand plans are compiled at the appropriate level, with detailed action plans and allocated responsibilities. Progress is reviewed regularly.



## MEETING SCHEDULE

### Board meetings 2004

Director's name	11/2003	02/2004	03/2004	05/2004	08/2004	09/2004
R A Williams ( <i>Chairman</i> )	Y	A	Y	Y	Y	Y
N Dennis	Y	Y	Y	Y	Y	Y
B H Adams	Y	Y	Y	Y	Y	Y
D D Band	Y	Y	Y	Y	Y	Y
S L Botha	N/A	N/A	N/A	N/A	N/A	Y
B P Connellan	Y	Y	Y	Y	Y	Y
M H Franklin	Y	Y	Y	Y	Y	Y
J H McBain	Y	Y	Y	Y	Y	A
A C Nissen	Y	Y	A	Y	A	Y
M C Norris	Y	Y	Y	Y	A	Y
R V Smither	Y	Y	Y	Y	Y	Y
J L van den Berg	Y	Y	Y	A	Y	Y
C F H Vaux	Y	Y	Y	Y	Y	Y
U P T Johnson	Y	Y	Y	Y	Y	Y
G N Padayachee	Y	Y	Y	Y	A	A
L C van Vught	Y	Y	Y	Y	Y	Y
B L Sibiya	Y	Y	Y	Y	Y	A

### Audit Committee meetings 2004

Director's name	11/2003	05/2004	09/2004
B H Adams ( <i>Chairman</i> )	Y	Y	Y
J L van den Berg	Y	A	Y
R A Williams	Y	Y	Y
B P Connellan	Y	Y	Y

### Remuneration Committee meetings 2004

Director's name	11/2003	02/2004	05/2004	09/2004
D D B Band ( <i>Chairman</i> )	Y	Y	Y	Y
B H Adams	Y	Y	Y	Y
L C van Vught	Y	Y	Y	Y
R A Williams	Y	Y	Y	Y

### Transformation Committee meetings 2004

Director's name	11/2003	02/2004	04/2004	08/2004
A C Nissen ( <i>Chairman</i> )	A	Y	Y	Y
N Dennis	Y	Y	Y	Y
B L Sibiya	Y	A	Y	Y

(A = Apology) (Y = Attendance)

*value added statement* for the year ended 30 September 2004

Value added is a measure of the wealth the group has been able to create. The following statement shows how this wealth has been distributed.

	2004		2003	
	Rm	%	Rm	%
Revenue	25 421,5		23 039,1	
Less: Net cost of products and services	20 479,6		18 688,2	
Value added	4 941,9		4 350,9	
Add: Income from investments and associates	448,0		657,7	
<b>Wealth created</b>	<b>5 389,9</b>		<b>5 008,6</b>	
<i>Applied to:</i>				
Employees				
Salaries, wages and other benefits	2 301,9	42,7	2 064,3	41,2
Providers of capital	1 114,5	20,7	1 225,8	24,6
Interest on borrowings	579,9	10,8	734,9	14,7
Outside and preference shareholders	13,1	0,2	6,0	0,3
Dividends to ordinary shareholders	521,5	9,7	484,9	9,6
Government				
Taxation (see note 1)	707,6	13,1	660,8	13,2
Retained in the group (see note 2)	1 265,9	23,5	1 057,7	21,0
	<b>5 389,9</b>	<b>100,0</b>	<b>5 008,6</b>	<b>100,0</b>

*value added statement* for the year ended 30 September 2004 (continued)

	2004 Rm	2003 Rm
<b>Note 1</b>		
Income taxation	603,3	559,0
Regional service council levies	39,5	43,0
Skills development levy	8,4	5,2
Rates and taxes paid to local authorities	29,6	24,3
Customs duties, import surcharges and excise taxes	27,0	30,0
Gross contribution to central and local government	707,8	661,5
Less: Government cash grants and subsidies	0,2	0,7
	<b>707,6</b>	<b>660,8</b>

The payments to government exclude taxation deducted from employees' remuneration of R269,9 million (2003: R282,7 million), net VAT of R138,4 million (2003: R135,5 million), excise duty on revenue and UIF payments.

**Note 2**

Retained in the group excludes goodwill and trademarks written off.

	2004	2003	2002	2001	2000*
<b>Trend of value added</b> (Rm)					
Employees	2 301,9	2 064,3	1 805,6	1 695,2	2 032,7
Providers of capital	1 114,5	1 225,8	1 078,8	1 175,4	1 091,7
Government	707,6	660,8	582,3	415,5	504,5
Retained in the group	1 265,9	1 057,7	1 314,6	890,5	954,8
	<b>5 389,9</b>	<b>5 008,6</b>	<b>4 781,3</b>	<b>4 176,6</b>	<b>4 583,7</b>

\*Pre Agri-Poultry unbundling.

segment report

(Rands in millions)	Revenue		Operating income <sup>1</sup>		Depreciation and amortisation	
	2004	2003 <sup>2</sup>	2004	2003 <sup>2</sup>	2004	2003 <sup>2</sup>
<b>FMCG – DOMESTIC</b>	<b>10 073,9</b>	9 276,5	<b>1 123,6</b>	886,3	<b>138,1</b>	135,2
<b>Domestic Food</b>	<b>8 821,7</b>	8 203,3	<b>859,8</b>	666,9	<b>115,6</b>	107,2
Grains	<b>4 538,4</b>	4 740,1	<b>512,6</b>	391,3	<b>45,0</b>	44,6
– Milling and baking <sup>3</sup>	<b>3 475,3</b>	3 753,8	<b>338,9</b>	259,6	<b>43,0</b>	40,4
– Other grains <sup>4</sup>	<b>1 063,1</b>	986,3	<b>173,7</b>	131,7	<b>2,0</b>	4,2
Groceries	<b>1 469,3</b>	1 337,4	<b>163,9</b>	130,7	<b>23,4</b>	23,1
Snacks and treats	<b>868,8</b>	865,3	<b>32,0</b>	85,4	<b>18,3</b>	18,3
Perishables	<b>1 945,2</b>	1 260,5	<b>151,3</b>	59,5	<b>28,9</b>	21,2
<b>Consumer Healthcare</b>	<b>1 252,2</b>	1 073,2	<b>263,8</b>	219,4	<b>22,5</b>	28,0
OTC medicines	<b>302,8</b>	271,9	<b>109,2</b>	93,8	<b>4,2</b>	5,0
Personal	<b>247,2</b>	242,3	<b>56,8</b>	52,5	<b>1,4</b>	3,3
Babycare	<b>281,4</b>	226,5	<b>46,5</b>	32,0	<b>0,5</b>	0,5
Homecare	<b>420,8</b>	332,5	<b>51,3</b>	41,1	<b>16,4</b>	19,2
<b>REGULATED HEALTHCARE</b>	<b>1 103,2</b>	911,3	<b>467,1</b>	389,4	<b>13,8</b>	10,4
Branded medicines	<b>729,6</b>	639,5	<b>350,1</b>	315,8	<b>10,1</b>	6,9
Generic medicines	<b>373,6</b>	271,8	<b>117,0</b>	73,6	<b>3,7</b>	3,5
<b>HOSPITAL PRODUCTS</b>	<b>638,4</b>	617,2	<b>209,6</b>	175,5	<b>18,0</b>	6,6
<b>EXPORTS</b>	<b>604,3</b>	621,1	<b>15,0</b>	(78,2)		
<b>FISHING<sup>5</sup></b>	<b>1 627,9</b>	1 703,9	<b>150,8</b>	219,1	<b>67,6</b>	62,0
<b>Other<sup>6</sup></b>	<b>—</b>	2,5	<b>(16,1)</b>	(2,9)	<b>19,3</b>	20,3
	<b>14 047,7</b>	13 132,5	<b>1 950,0</b>	1 589,2	<b>256,8</b>	234,5
Less: Intragroup revenue	<b>859,6</b>	545,5				
Continuing operations	<b>13 188,1</b>	12 587,0	<b>1 950,0</b>	1 589,2	<b>256,8</b>	234,5
Spar	<b>11 985,2</b>	10 121,1	<b>417,2</b>	346,4	<b>54,0</b>	45,5
Discontinued operations	<b>248,2</b>	331,0	<b>2,4</b>	(17,4)		
	<b>25 421,5</b>	23 039,1	<b>2 369,6</b>	1 918,2	<b>310,8</b>	280,0

Notes

1. Operating income is stated before amortisation of intangible assets.
2. Restated due to change in segments.
3. Comprises maize milling, wheat milling and baking, sorghum beverages and malt based breakfast cereals.
4. Comprises rice and oat based breakfast cereals.
5. Includes fishing exports.
6. Other includes the corporate office and international investments.

	Total assets		Accounts payable, provisions, accruals and taxation		Capital expenditure	
	2004	2003 <sup>1</sup>	2004	2003 <sup>1</sup>	2004	2003 <sup>1</sup>
(Rands in millions)						
<b>FMCG – DOMESTIC</b>	<b>5 259,1</b>	5 211,4	<b>2 029,1</b>	1 905,4	<b>172,2</b>	75,9
<b>Domestic Food</b>	<b>3 973,6</b>	3 900,2	<b>1 831,2</b>	1 717,9	<b>142,9</b>	63,7
Grains	<b>1 812,2</b>	1 714,1	<b>843,2</b>	835,9	<b>39,7</b>	26,6
– Milling and baking <sup>2</sup>	<b>1 473,8</b>	1 393,5	<b>711,6</b>	651,2	<b>38,5</b>	25,8
– Other grains <sup>3</sup>	<b>338,4</b>	320,6	<b>131,6</b>	184,7	<b>1,2</b>	0,8
Groceries	<b>1 015,8</b>	1 058,7	<b>485,9</b>	409,1	<b>46,4</b>	22,9
Snacks and treats	<b>393,0</b>	438,0	<b>172,7</b>	169,7	<b>22,6</b>	8,1
Perishables	<b>752,6</b>	689,4	<b>329,4</b>	303,2	<b>34,2</b>	6,1
<b>Consumer Healthcare</b>	<b>1 285,5</b>	1 311,2	<b>197,9</b>	187,5	<b>29,3</b>	12,2
OTC medicines	<b>305,4</b>	290,9	<b>58,7</b>	43,2	<b>4,1</b>	2,7
Personal	<b>220,8</b>	230,8	<b>47,9</b>	44,5	<b>3,3</b>	2,6
Babycare	<b>147,4</b>	153,8	<b>17,8</b>	16,4	<b>16,2</b>	1,0
Homecare	<b>611,9</b>	635,7	<b>73,5</b>	83,4	<b>5,7</b>	5,9
<b>REGULATED HEALTHCARE</b>	<b>1 337,1</b>	998,7	<b>222,7</b>	135,6	<b>20,1</b>	9,2
Branded medicines	<b>877,2</b>	649,2	<b>146,2</b>	64,4	<b>18,1</b>	6,0
Generic medicines	<b>459,9</b>	349,5	<b>76,5</b>	71,2	<b>2,0</b>	3,2
<b>HOSPITAL PRODUCTS</b>	<b>694,5</b>	670,4	<b>143,5</b>	174,5	<b>5,5</b>	6,2
<b>EXPORTS</b>	<b>223,3</b>	207,0	<b>25,3</b>	22,1		
<b>FISHING</b>	<b>1 260,9</b>	1 108,9	<b>293,0</b>	268,8	<b>129,0</b>	107,5
<b>Other<sup>4</sup></b>	<b>1 035,4</b>	979,3	<b>411,8</b>	422,9	<b>76,4</b>	56,9
Continuing operations	<b>9 810,3</b>	9 175,7	<b>3 125,4</b>	2 929,3	<b>403,2</b>	255,7
<b>Spar</b>	<b>2 180,0</b>	1 779,9	<b>1 291,1</b>	1 106,4	<b>51,7</b>	108,0
	<b>11 990,3</b>	10 955,6	<b>4 416,5</b>	4 035,7	<b>454,9</b>	363,7
<b>Notes</b>						
1. Restated due to change in segments.						
2. Comprises maize milling, wheat milling and baking, sorghum beverages and malt based breakfast cereals.						
3. Comprises rice and oat based breakfast cereals.						
4. Other includes the corporate office and international investments						
5. Reconciliation of total assets:						
Total assets per balance sheets	<b>12 257,4</b>	11 201,5				
Income taxation asset included in accounts receivable	<b>(60,3)</b>	(51,6)				
Deferred taxation asset	<b>(206,8)</b>	(194,3)				
	<b>11 990,3</b>	10 955,6				

## group financial review

### Operating results

Group revenue increased by 10% to R25,4 billion. Excluding acquisitions (in 2003 and 2004), group revenue increased by 3%. Total operating income increased by 24% over the prior year with the resultant operating margin improving to 9,3% (2003: 8,3%). After adjusting for acquisitions, total operating income increased by 15%, substantially above the comparable revenue increase of 3%. Net financing costs of R211,0 million were marginally lower than the previous year.

The effective tax rate, excluding abnormal items, was 30% (2003: 32%).

Headline earnings of R1 553,8 million were 19% higher than last year.

The key operating indicators for the group are outlined below:

	2004	2003
Operating margin (%)	9,3	8,3
Asset turnover (times)	6,8	7,5
Return on average net assets employed (%)	63,5	62,5

### Spar unbundling and pro-forma results excluding Spar

On 8 October 2004 the shareholders of Tiger Brands Limited approved the unbundling of The Spar Group Limited.

The abridged pro-forma income statements below reflect the Group's results excluding The Spar Group Limited for the years ended 30 September 2004 and 2003. Details of The Spar Group Limited are set out in note 35 on pages 128 and 129.

(Rands in millions)	2004	2003
<b>Revenue</b>	<b>14 294,9</b>	13 463,5
<b>Operating income before amortisation of intangibles</b>	<b>1 952,4</b>	1 571,8
Amortisation of intangibles	(27,1)	(19,5)
<b>Operating income before abnormal items</b>	<b>1 925,3</b>	1 552,3
Abnormal items	(135,2)	12,4
<b>Results of operating activities</b>	<b>1 790,1</b>	1 564,7
Income from investments	39,0	48,7
Net financing costs	(219,9)	(240,6)
<b>Profit before taxation</b>	<b>1 609,2</b>	1 372,8
Income tax expense	(526,1)	(431,0)
<b>Net profit after tax</b>	<b>1 083,1</b>	941,8
Income from associates	40,1	92,7
Minority interest	(19,1)	(28,1)
Dividend on preference shares	—	(0,1)
<b>Net profit for the year</b>	<b>1 104,1</b>	1 006,3
<b>Headline earnings per ordinary share (cents)</b>	<b>757,7</b>	622,3
<b>Performance</b>		
Return on average net assets employed (%)	55%	53%
Operating margin (%) – continuing operations	13,9%	12,1%
Effective tax rate – before abnormal items (%)	30%	32%
Working capital per R1 turnover (cents)	18,7	20,4

### Asset management\*

The decline in the asset turn from 8 to 7 was largely the result of the acquisition of Nelspruit Wholesalers and an increase in working capital requirements because of this acquisition.

### Financing\*

	2004	2003
The key financing ratios for the group are:		
Net debt to equity (%)	34	55
Total liabilities to total shareholders' funds (%)	177	209
Current ratio	1,2	1,4
Net interest cover (times)	11,2	8,9
Cash flow to net liabilities (%)	35	19
Cash generated from operations (R millions)	2 898,3	1 916,8

The debt maturity profile of long-term borrowings requires repayment of R1 340,3 million in 2005 (refer note 27.5 to the annual financial statements).

This will largely be financed from investments maturing in April 2005.

### Inflation

Details of the group's performance after discounting for the cumulative effect of inflation are outlined on page 89. The effect of inflation is constantly monitored and factored into future plans in order to meet the group objective of creating shareholder wealth in real terms.

### Financial objectives\*

In order to optimise the group's primary financial objective of creating shareholder wealth through achieving real earnings growth, significant emphasis is placed on the management of specific indicators, some of which have been reflected earlier. The table below outlines a number of factors which impacted upon the 2004 results:

	2004	2003
Return on average net assets employed (%)	63,5	62,5
Performance factors		
The improvement is reflective of the increase in the operating margin from 8.3 to 9.3 and notwithstanding the acquisition of Nelspruit Wholesalers which increased the average net assets by R132,2 million.		
Net debt to equity (%)	34	55
Performance factors		
The reduction was largely due to a R484,4 million reduction in net debt as a result of significant cash generation by the operations.		
Cash flow to net liabilities (%)	35	19
Performance factors		
This improvement has been driven by improved working capital management, increased profitability and lower interest expenses.		

\*Includes Spar

five-year review

(Rands in millions)	2004	2003 <sup>3</sup>	2002	2001 <sup>1</sup>	2000 <sup>2</sup>	2000
<b>Consolidated income statements</b>						
Revenue	25 422	23 039	20 182	16 840	16 246	18 149
Profit before taxation and abnormal items	2 158	1 728	1 792	1 305	1 247	1 393
Abnormal items	(124)	16	18	(41)	(54)	(52)
Profit before taxation	2 034	1 744	1 810	1 264	1 193	1 341
Income tax expense	659	549	578	386	344	391
Net profit after taxation	1 375	1 195	1 232	878	849	950
Income from associates	40	93	177	122	100	99
Net profit of the group	1 415	1 288	1 409	1 000	949	1 049
Minority interest	19	28	49	31	90	91
Profit attributable to ordinary shareholders	1 396	1 260	1 360	969	859	958
<b>Consolidated balance sheets</b>						
Property, plant and equipment, goodwill, intangible assets and investments	4 794	4 355	3 832	3 492	3 267	3 619
Deferred taxation asset	207	194	278	238	132	145
Current assets	7 257	6 652	6 409	6 083	5 081	5 625
Total assets	12 258	11 201	10 519	9 813	8 480	9 389
Ordinary shareholders' interest	4 052	3 331	2 728	1 709	636	894
Preference and minority interest	132	125	122	99	120	120
Deferred taxation liability	493	373	294	207	174	250
Provision for post-retirement medical aid	417	400	360	322		
Long-term borrowings	1 276	2 232	2 355	2 800	3 062	3 064
Current liabilities	5 888	4 740	4 660	4 676	4 488	5 061
Total equity and liabilities	12 258	11 201	10 519	9 813	8 480	9 389
<b>Consolidated cash flow</b>						
Cash operating profit after interest and taxation	1 879	1 512	1 694	1 148	1 079	1 204
Working capital changes	169	(372)	(438)	(24)	(160)	(184)
Dividends received	22	37	52	43	48	47
Cash available from operations	2 070	1 177	1 308	1 167	967	1 067
Dividends paid	(534)	(501)	(387)	(391)	(319)	(345)
Net cash inflow from operating activities	1 536	676	921	776	648	722
Net cash (outflow)/inflow from investing activities	(864)	(1 190)	(333)	75	(4 600)	(4 798)
Net cash inflow/(outflow) before financing activities	672	(514)	588	851	(3 952)	(4 076)
Net cash (outflow)/inflow from financing activities	(435)	(69)	(916)	(126)	3 005	3 041
Net increase/(decrease) in cash and cash equivalents	237	(583)	(328)	725	(947)	(1 035)

**NOTE**

1. Restated due to change in accounting policies.
2. Pro forma – excluding the unbundled Agri-Poultry interests.
3. AC133 adopted 1 October 2002. In terms of AC133 prior year numbers were not restated.

## *definitions*

### ***Headline earnings per share***

Headline earnings divided by the weighted average number of ordinary shares in issue during the year.

### ***Dividend cover***

Headline earnings divided by the total ordinary dividend for the year comprising the interim dividend paid and final dividend declared post-year-end.

### ***Net worth per ordinary share***

Interest of ordinary shareholders adjusted for the excess of the directors' valuation of unlisted investments and associates (notes 13 and 14 to the financial statements) over their carrying values divided by the number of ordinary shares in issue at the year-end.

### ***Asset turnover***

Revenue divided by the average of net assets, excluding cash resources, short-term and long-term borrowings, taxation, shareholders for dividends and the carrying value of investments at the beginning and end of the financial year.

### ***Working capital per R1 000 revenue***

The average of inventory and receivables less payables, excluding shareholders for dividends and taxation at the beginning and end of the financial year divided by revenue (R'000).

### ***Operating margin***

Operating profit as a percentage of revenue.

### ***Effective taxation rate***

Taxation charge in the income statement excluding taxation on abnormal items as a percentage of profit before taxation and abnormal items.

### ***Return on average net assets employed***

Operating profit as a percentage of the average of net assets, excluding cash resources, short-term and long-term borrowings, taxation, shareholders for dividends and the carrying value of investments at the beginning and end of the financial year.

### ***Current ratio***

Ratio of current assets to current liabilities.

## *definitions*

### ***Net interest cover***

Operating profit and dividend income divided by net interest paid.

### ***Net funding***

Capital and reserves and interest of outside shareholders and long and short-term borrowings net of cash.

### ***Total liabilities***

Long-term borrowings and current liabilities.

### ***Cash flow to net liabilities***

Cash generated from operations after interest and taxation as a percentage of long-term borrowings and current liabilities less cash resources.

### ***Dividend yield***

Dividend per share as a percentage of year-end market price per share.

### ***Earnings yield***

Headline earnings per share as a percentage of year-end market price per share.

### ***Price : Earnings ratio***

Year-end market price per share as a multiple of headline earnings per share.

### ***Net debt : Equity ratio***

Total borrowings less cash resources and cash equivalents as a percentage of total shareholders' funds including minorities' interest.

summary of ratios and statistics

	2004	2003 <sup>3</sup>	2002	2001 <sup>1</sup>	2000 <sup>2</sup>	2000
<b>Ordinary share performance</b>						
Number of ordinary shares upon which headline earnings per share is based (000)	167 567	167 106	166 331	165 758	165 563	165 563
Headline earnings per ordinary share (cents)	927	778	817	600	543	602
Dividends per ordinary share (cents) <sup>4</sup>	370	290	290	213	192	213
Dividend cover (times) <sup>4</sup>	2,5	2,7	2,8	2,8	2,8	2,8
Net worth per ordinary share (cents)	2 447	1 989	1 863	1 396	678	834
<b>Profitability and asset management</b>						
Asset turnover (times)	6,8	7,5	8,0	6,5	6,2	5,9
Working capital per R1 000 revenue (R)	74	72	57	56	57	56
Operating margin (%)	9,3	8,3	10,1	9,9	9,4	9,5
Effective taxation rate (%)	30	32	31	30	29	29
Return on average net assets	63,5	62,5	80,3	64,3	58,7	55,5
<b>Financing</b>						
Current ratio	1,2	1,4	1,4	1,3	1,1	1,1
Net interest cover (times)	11	9	8	4	5	5
Net debt to net funding	25	36	35	53	79	75
Percentage total liabilities to total shareholders' funds	177	209	269	443	998	801
Cash flow to net liabilities (%)	35	19	24	21	15	15
<b>Employee statistics</b>						
Number of employees at year-end	20 499	20 078	18 753	20 237	20 503	25 037
– permanent	15 090	16 932	15 952	16 379	n/a	n/a
– seasonal	5 409	3 146	2 801	3 858	n/a	n/a
Revenue per employee (R)	1 240 158	1 147 480	1 076 195	832 164	792 396	738 563
Value added per employee (R)	241 080	216 700	222 130	179 187	n/a	162 747
Operating profit per employee (R)	115 596	95 537	108 393	82 300	74 643	68 547
<b>Stock exchange statistics</b>						
Market price per share (cents)						
– year-end	9 801	6 850	7 250	5 820	n/a	5 650
– highest	9 900	7 900	7 450	6 800	n/a	8 320
– lowest	6 850	5 720	5 600	4 930	n/a	5 030
Number of transactions	39 619	34 907	30 506	31 364	n/a	32 214
Number of shares traded (000)	100 450	96 572	81 541	80 107	n/a	75 337
Value of shares traded (Rm)	8 570	6 485	5 271	4 059	n/a	4 801
Number of shares traded as a percentage of total issued shares	59,5	57,7	48,9	48,3	n/a	45,5
Dividend yield at year-end (%)	3,8	4,2	4,0	3,7	n/a	3,8
Earnings yield at year-end (%)	9,5	11,4	11,3	10,3	n/a	10,7
Price earnings ratio at year-end	11	9	9	10	n/a	9
Market capitalisation at year-end (Rm) (net of treasury shares)	16 284	11 471	12 092	9 659	n/a	9 359
Market capitalisation to shareholders' equity at year-end (times)	4,0	3,4	4,4	5,6	n/a	10,5

**NOTE**

1. Restated due to change in accounting policies.
2. Pro forma – excluding the unbundled Agri-Poultry interests.
3. AC133 adopted 1 October 2002. In terms of AC133 prior year numbers were not restated.
4. Based on the sum of the interim dividend paid in the current year and the final dividend declared post-year-end.

*analysis of ordinary shareholders*

**Holders of beneficial interests in Tiger Brands' shares, exceeding 2%:**

Public Investment Commissioners (ZA)	18 519 717	10,97%
Investment Solutions (ZA)	6 313 970	3,74%
First National Trust (ZA)	4 798 217	2,84%
Momentum Life Assurance (ZA)	4 656 656	2,76%
Simlend Main Account (ZA)	3 715 168	2,20%
Transnet Pensioen Fonds (ZA)	3 483 014	2,06%
Emerging Markets Growth Fund (US)	3 415 000	2,02%

**Fund Managers holding in excess of 5% of Tiger Brands' shares:**

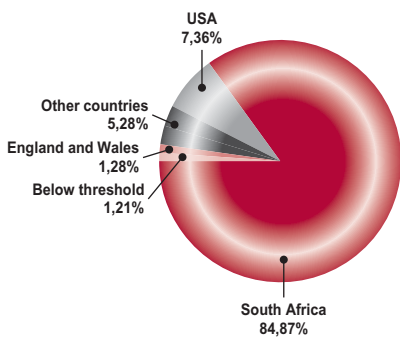
Allan Gray Investment Council	35 041 264	20,76%
RMB Asset Management	19 620 863	11,63%
Coronation Fund Managers	14 919 618	8,84%
Old Mutual Asset Managers	14 067 799	8,34%
Sanlam Investment Management	11 873 315	7,04%

**Non-public holders of Tiger Brands' ordinary shares:**

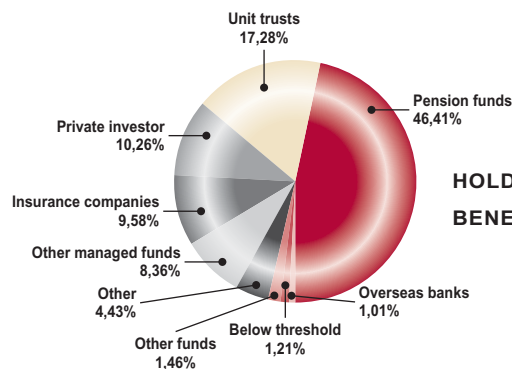
Tiger Food Brands Limited	2 616 118	1,55%
Directors	396 226	0,24%
<b>Total non-public holdings</b>	<b>3 012 344</b>	<b>1,79%</b>

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Total number of non-public shareholders	6
Total number of public shareholders	10 944
<b>Total number of shareholders</b>	<b>10 950</b>



**GEOGRAPHIC HOLDINGS BY MANAGER**



**HOLDINGS BY BENEFICIAL OWNER**

*shareholders' diary*

<b>Financial year-end</b>	30 September		
<b>Annual general meeting</b>	February		
<hr/>			
<b>Reports and accounts</b>			
Interim report for the half-year ending 31 March	May		
Announcement of annual results	November		
Annual financial statements	December		
<hr/>			
<b>Dividends</b>	<b>Declaration</b>		<b>Payment</b>
Ordinary shares			
Interim dividend	May		July
Final dividend	November		January
<hr/>			

## *responsibility for annual financial statements*

The directors of Tiger Brands Limited are responsible for the integrity of the annual financial statements of the company and consolidated subsidiaries and the objectivity of other information presented in the annual report.

The fulfilment of this responsibility is discharged through the establishment and maintenance of sound management and accounting systems, the maintenance of an organisation structure which provides for delegation of authority and establishes clear responsibility, together with the constant communication and review of operations' performance measured against approved plans and budgets.

Management and employees operate in terms of a code of ethics approved by the board. The code requires compliance with all applicable laws and maintenance of the highest integrity in the conduct of all aspects of the business.

The annual financial statements, prepared in terms of South African Statements of Generally Accepted Accounting Practice, are examined by our auditors in conformity with Statements of South African Auditing Standards.

An audit committee of the board of directors, composed entirely of independent non-executive directors, meets periodically with our auditors and management to discuss internal accounting controls, auditing and financial reporting matters. The auditors have unrestricted access to the audit committee.

## *report of the independent auditors*

### **To the members of Tiger Brands Limited**

We have audited the annual financial statements and group annual financial statements of Tiger Brands Limited and its subsidiaries as at 30 September 2004, set out on pages 74, 75, 87, 88 and 90 to 132. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

### **Scope**

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement.

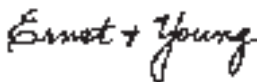
An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### **Audit opinion**

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the company and of the group at 30 September 2004, and the results of their operations and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.



**ERNST & YOUNG**

*Registered Accountants and Auditors*

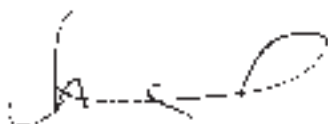
*Chartered Accountants (SA)*

Johannesburg

18 November 2004

*directors' approval*

The annual financial statements for the year ended 30 September 2004, which appear on pages 74, 75, 87, 88 and 90 to 132, which are in agreement with the books of account at that date, and the related group annual financial statements were approved by the board of directors on 18 November 2004 and signed on its behalf by:



**R A WILLIAMS**

*Chairman*

18 November 2004

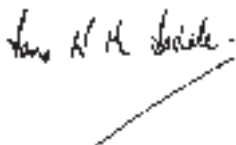


**N DENNIS**

*Chief Executive Officer*

*certificate by company secretary for the year ended 30 September 2004*

I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 268G(d) of the Companies Act, 1973, and that all such returns are true, correct and up to date.



**I W M ISDALE**

*Company Secretary*

18 November 2004

## statutory information

### Authorised and issued share capital

Details of the authorised and issued share capital are set out in notes 22 and 23 on pages 112 to 117 of the annual financial statements and in the statement of changes in equity on page 100.

During the year under review the number of shares in issue increased by 1 297 631 shares as a result of options exercised in terms of the Tiger Brands (1985) Share Option Scheme.

### Share purchase and share option schemes

#### Tiger Brands (1985) Share Purchase Scheme

During the year under review, loans were granted in respect of 42 700 ordinary shares acquired by employees in terms of the Tiger Brands (1985) Share Option Scheme; 130 400 shares were paid for in full and released to the employees concerned. 316 900 ordinary shares remain subject to the provisions of the Tiger Brands (1985) Share Purchase Scheme.

#### Tiger Brands (1985) Share Option Scheme

	2004	2003
Shares under option at beginning of year	7 283 700	6 299 760
Options granted	1 408 000	1 852 000
Options exercised subject to loans	(42 700)	(32 500)
Options exercised and paid in full	(1 254 931)	(695 610)
Options lapsed or cancelled	(539 051)	(139 950)
Shares under option at end of year	6 855 018	7 283 700
Options available for issue	5 128 766	5 997 715

Had these options been exercised at 30 September 2004, the dilution of earnings per share would not have been significant.

### Share option and share purchase schemes of quoted subsidiaries

Details of the share option and share purchase schemes of Oceana Group Limited are reflected in the annual financial statements of that company.

### Subsidiaries, associates and investments

Financial information concerning the principal subsidiaries, associates and investments of Tiger Brands Limited is set out in Annexures A to C of the annual financial statements. Details of joint ventures are given in note 34.

### Dividends

Details of dividends declared during the year are outlined in note 8 to the annual financial statements.

### Attributable interest

The attributable interest of the company in the profits and losses of its subsidiaries, joint ventures and associated companies is as follows:

	2004 Rm	2003 Rm
<b>Subsidiaries and joint ventures</b>		
Total income after taxation	1 418,6	1 114,9
Total losses after taxation	7,1	7,4
<b>Associate companies</b>		
Total income after taxation	56,8	99,2
Total losses after taxation	16,7	6,5

### Major shareholders

Details of the registered and beneficial shareholders of the company are outlined on page 82.

### Directors

In terms of the articles of association Messrs N Dennis, M C Norris, R V Smither, C F H Vaux and J L van den Berg retire at the annual general meeting of shareholders. These directors offer themselves for re-election. Ms S L Botha was appointed as a director in August 2004 and is obliged to retire in terms of the articles of association. Ms S L Botha offers herself for re-election.

The names of the directors who presently hold office are set out on pages 12 and 13 of this report.

No director holds 1% or more of the ordinary shares of the company. The directors beneficially hold, directly and indirectly, 396 226 ordinary shares in the company (2003: 449 159 shares). Details of the directors' shareholdings (direct and indirect) are reflected in the table below. The register of interests of directors and others in shares of the company is available to the members on request.

*statutory information* continued

Name of director	2004	2003
	Number of shares	
B H Adams	22 000	16 633
B P Connellan	12 127	12 127
N Dennis	213 201	259 801
M H Franklin	99 569	105 069
M C Norris	—	6 200
R A Williams	49 329	49 329
	<b>396 226</b>	<b>449 159</b>

**Share repurchase**

At the annual general meeting of shareholders held in February 2004, shareholders passed a special resolution authorising the company, or a subsidiary, to acquire the company's own ordinary shares. Pursuant to that approval, during the period to 30 September 2004 Tiger Food Brands Limited (a wholly owned subsidiary) acquired 2 616 118 ordinary shares of the company at an average price of R90,32 per share, for a total purchase price of R236,3 million.

**American Depository Receipt facility**

With effect from 9 September 1994 a sponsored American Depository Receipt (ADR) facility was established. This ADR facility is sponsored by the Bank of New York and details of the administrators are reflected under Administration on page 133.

**Resolutions**

No special resolutions (other than the special resolution referred to above relating to the repurchase of shares), the nature of which might be significant to members in their appreciation of the state of affairs of the group other than those referred to herein, were passed by the company or any subsidiary companies during the period covered by this report.

**Retirement funds**

Details in respect of the retirement funds of the group and its subsidiaries are set out on page 94 and in note 30 on pages 120 and 121.

**Insurance and risk management**

The group's practice regarding insurance includes an annual assessment, in conjunction with the group's insurance brokers, of the risk exposure relative to assets and possible liabilities arising from business transactions. In addition, the group's insurance programme is monitored by the Risk Committee which is chaired by an independent non-executive director of the Board. All risks are considered to be adequately covered, except for political risks in the case of which as much cover as is reasonably available has been arranged. Self-insurance programmes are in operation covering primary levels of risk at a cost more advantageous than open-market premiums. Regular risk management audits are conducted by the group's risk management consultants, whereby improvement areas are identified and resultant action plans implemented accordingly. Assets are insured at current replacement values.

**Events subsequent to the year end**

**Unbundling of The Spar Group Limited**

Subsequent to the year end, shareholders provided overwhelming support for the unbundling of The Spar Group Limited and its separate listing on the JSE Securities Exchange.

The Spar Group Limited was unbundled and its shares successfully listed on the JSE Securities Exchange on 18 October 2004.

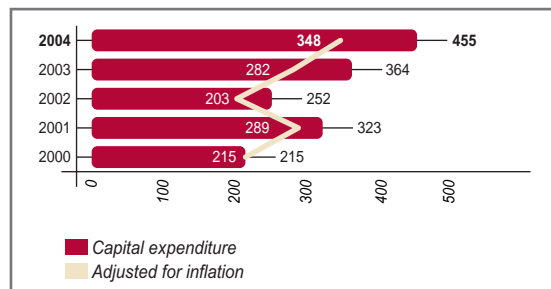
### effects of changing prices

The group has a diverse range of operations spread throughout South Africa as well as overseas. Many of these operations are affected by different inflation factors due to the varying nature of businesses, climatic conditions, geographical locations and business cycles. The diversity of these factors does not allow for meaningful inflation-adjusted statements to be prepared using a simple, standardised procedure.

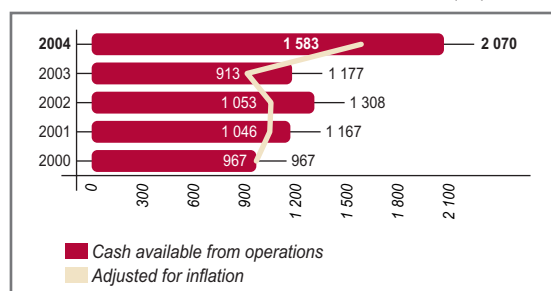
The effect of inflation is monitored by examination of cash flows inherent in operating results, budgets, plans and new projects, with emphasis concentrated towards the objective of the creation of shareholder wealth in real terms.

The following graphs show the extent to which certain key performance indicators compare when discounted by the movement in the Consumer Price Index.

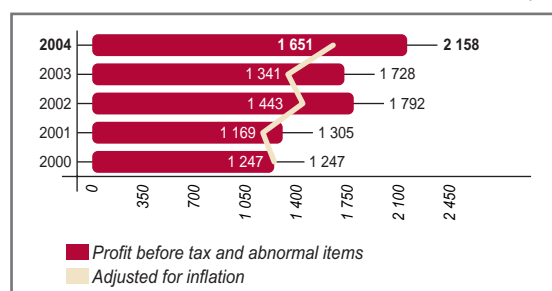
**CAPITAL EXPENDITURE (Rm)**



**CASH AVAILABLE FROM OPERATIONS (Rm)**



**PROFIT BEFORE TAX AND ABNORMAL ITEMS (Rm)**



## accounting policies

The annual financial statements are prepared in accordance with the requirements of South African Statements of Generally Accepted Accounting Practice. These policies are consistent, in all material respects, with those applied in the previous year, except for as disclosed in note 1 of these annual financial statements. The measurement basis used is the historical cost basis as modified by fair value adjustments of certain financial instruments. The annual financial statements are prepared on the going-concern basis.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiaries, which are defined as entities in which the group has the ability to exercise control over the entities' financial and operating policies, so as to obtain benefits from their activities. Where there are severe long-term restrictions that significantly impair the subsidiaries' ability to transfer funds to the company, the subsidiaries are not consolidated. Operating results of subsidiaries acquired during the reporting period are included from the effective date of acquisition. Operating results of subsidiaries disposed of during the reporting period are included to the effective date of disposal. Subsidiaries acquired with the intention of disposal within a short period of time are not consolidated.

No provision is made for any withholding taxes which would become payable should foreign subsidiaries distribute their retained income.

All intragroup transactions and balances are eliminated on consolidation.

The consolidated financial statements include the various share purchase trusts operated within the group.

### **Business segments**

The principal segments of the group have been identified by grouping of similar-type products. This basis is representative of the internal structure for management purposes. No geographical segments are reported as the group operates mainly in South Africa and the international operations do not meet the thresholds for reportable segments in terms of AC115.

Revenue reflects sales to third parties including arm's-length inter-segment revenue recorded at inter-segment pricing.

Operating income is stated before amortisation of intangible assets.

### **Property, plant and equipment, depreciation and amortisation**

Property, plant and equipment are stated at cost to the group less accumulated depreciation and accumulated impairment losses. Assets subject to finance lease agreements are capitalised at their fair value or, if lower, the present value of the minimum lease payments and the corresponding liabilities raised. Major improvements to existing property, plant and equipment are capitalised only when it increases the future economic benefits embodied in the asset.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items

of property, plant and equipment. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised.

Interest on funds expended on certain qualifying assets is capitalised up to the date that the assets are substantially complete.

Depreciation is calculated on the difference between the cost and residual value of assets over their estimated useful lives. The method and rates used are determined by conditions in the relevant industry.

Freehold land is not depreciated. All buildings are depreciated. Leasehold land and buildings are amortised over their lease periods. Other property, plant and equipment are depreciated on the straight-line basis over their anticipated useful lives that are:

Freehold buildings	– general purpose	40 years
	– specialised	20 – 50 years
Leasehold buildings		lease term
Vehicles and computer equipment		3 – 5 years
Plant, equipment and vessels		5 – 15 years
Capitalised leased assets		lease term

### **Goodwill and intangible assets**

Goodwill is the excess of the cost of the acquisition over the attributable fair value of the net assets of subsidiaries, joint ventures or associates at dates of acquisition. Goodwill acquired after 1 October 2000 is capitalised and amortised over its useful life on a straight-line basis. There is a rebuttable presumption that the useful life will not exceed 20 years.

Negative goodwill arising on an acquisition represents any excess of the fair value of the group's share of the identifiable net assets acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, it is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of the depreciable/amortisable assets. The balance of negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

Trademarks acquired after 1 October 2000 are capitalised and amortised over their useful lives on a straight-line basis varying between 10 and 20 years. There is a rebuttable presumption that the useful lives will not exceed 20 years.

Research expenditure is charged to operating income in the year in which it is incurred. Development expenditure is also charged to operating income in the year in which it is incurred, unless it relates to a definable product or process that is demonstrated to be technically and commercially feasible which the group has sufficient resources to bring to market and which are expected to result in future economic benefits, in which case it is capitalised on the balance sheet and subsequently amortised.

Capitalised development expenditure is shown at cost less accumulated amortisation and accumulated impairment losses. Capitalised development costs are amortised on a straight-line basis over their estimated useful lives. There is a rebuttable presumption that the useful lives will not exceed 20 years.

Technology, royalty and other costs, which are disclosed separately from research and development expenditure, are charged to operating income as incurred. These costs include technical licence fees and royalties paid to third parties where the payments are considered to be a contribution to the research and development activities of those parties.

At each balance sheet date, goodwill and intangible assets are reviewed for indications of impairment or changes in the useful lives and estimated future benefits. If such indications exist an analysis is performed to assess whether the carrying amounts are fully recoverable. An impairment charge is raised if the carrying amount exceeds the recoverable amount.

### **Investments**

Listed and unlisted investments, other than investments in associates, subsidiaries and joint ventures, are classified as available-for-sale.

Listed investments, unlisted investments and preference shares are initially measured at cost including transaction cost.

Listed investments are subsequently measured at fair value with fair value adjustments recognised as a separate component of equity. The fair value is determined by the market price of the various investments' shares at each reporting date.

Unlisted investments are subsequently measured at fair value with fair value adjustments recognised as a separate component of equity. If fair value cannot be reliably measured, the investment is carried at cost, subject to an impairment review at each balance sheet date. The fair value is determined using various valuation models applicable to the type of investment being fair valued. These valuations are done at each reporting date.

Preference shares are classified as held-to-maturity financial assets and are subsequently measured at amortised cost using effective interest rates.

When these investments are sold, collected, or otherwise disposed of, the cumulative gain or loss previously recognised in equity is recognised in net profit or loss for the period.

The company carries its investments in subsidiaries and associate companies at cost less accumulated impairment losses.

### **Loans and advances receivable**

Loans and advances receivable with a fixed maturity are initially measured at cost, including transaction cost, and are subsequently measured at amortised cost using the effective interest rate method.

Those that do not have a fixed maturity are measured at cost.

### **Cash and cash equivalents**

Cash and cash equivalents consists of cash on hand, cash in banks, short-term deposits, bank overdrafts and highly liquid investments.

### **Trade and other receivables**

Trade receivables, which generally have 30 – 60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The allowance raised is the amount needed to reduce the carrying value to the present value of expected future cash receipts. Bad debts are written off when identified. Where an amount is written off, recovery proceedings are nevertheless continued and credits are only recognised for amounts when actually recovered.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in first-out method.

The values of finished goods and partly processed goods include direct costs and, where appropriate, a portion of overhead expenditure. Consumables are written down with regard to their age, condition and utility.

Redundant and slow-moving inventories are identified and written down with regard to their realisable values.

### **Associated companies**

Associated companies are those entities which are not subsidiaries or joint ventures, in which the group has the ability to exercise a significant influence and holds a long-term equity interest.

Associated companies are accounted for on the equity method from their most recent audited financial statements; however, in certain instances unaudited financial statements are used. Equity accounted income which is included in the respective carrying values of the investments, represents the group's proportionate share of associated companies' post acquisition retained income after accounting for dividends payable by those associates. Any difference between the cost of acquisition and the group's share of the net identifiable assets at acquisition, fairly valued, is recognised and treated according to the group's accounting policy for goodwill or negative goodwill.

The group's proportionate share of the post acquisition retained equity income of associated companies is transferred to non-distributable reserves.

### **Joint ventures**

Joint ventures are those entities which are not subsidiaries, in which the group exercises joint control.

Joint ventures are accounted for on the proportionate consolidation method. The group's share of assets, liabilities, income and expenses and cash flows of joint ventures are included on a line-by-line basis in the annual

## accounting policies *continued*

financial statements. Any difference between the cost of acquisition and the group's share of the net identifiable assets at acquisition, fairly valued, is recognised and treated according to the group's accounting policy for goodwill or negative goodwill.

### **Impairment**

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, or goodwill or intangible assets amortised over a period exceeding 20 years, the recoverable amount is estimated at each balance sheet date.

In assessing value in use, the expected future cash flows from the assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase related clearly to the reversal of the effect of that specific event.

### **Accounts payable**

Trade payables are recognised and carried at the original invoice amount.

### **Provisions**

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Dividends and their related secondary taxation on companies (STC) are accrued in the period in which the dividend is declared.

### **Interest-bearing loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate

method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised, as well as through the amortisation process.

### **Leases**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee.

Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessor.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are charged against trading profit, on a systematic basis over the term of the lease.

### **Financial instruments**

Financial instruments recognised on the balance sheet include preference shares, investments, loans and accounts receivable, cash and cash equivalents, derivative instruments, accounts payable and interest-bearing borrowings.

Financial instruments are initially recognised when the group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at the fair value (including transaction costs) of the consideration given (in the case of an asset) or received (in the case of a liability).

Where the group can legally do so and the group intends to settle on a net basis or simultaneously, related positive and negative values of financial instruments are offset within the balance sheet totals.

Financial assets, or a portion of financial assets, are derecognised when the group loses control of the contractual rights that comprise the financial asset. The group loses such control if it realises the rights to benefits specified in the contract, the rights expire, or if the group surrenders those rights. Financial liabilities are derecognised when they are extinguished – that is, when the obligation specified in the contract is discharged, cancelled, or expires.

Where applicable, the group has adopted trade date accounting for "regular way" purchases or sales of financial assets. The trade date is the date that the group commits to purchase or sell an asset.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. At each balance sheet date financial assets are assessed for objective evidence of impairment. If any such evidence exists the recoverable amount is estimated and an impairment loss is recognised.

The subsequent measurement of financial instruments is dealt with under the different types of instruments included in the Accounting Policies.

### Derivative instruments

Derivative instruments are mainly used to manage operational exposures to commodity price, foreign exchange and interest rate risks.

Derivatives are classified and subsequently measured as follows:

- Commitments to buy or sell non-financial assets and liabilities that are intended to be settled by the group by making or taking delivery in the normal course of business, and for which there is no practice of settling net, are not accounted for as derivatives but accounted for as executory contracts, where the contracts:
  - a. are entered into and continue to meet the group's expected purchase, sale or usage requirements;
  - b. were designated for that purpose at their inception; and
  - c. are expected to be settled by physical delivery.
- Apart from the exceptions above, all derivatives are subsequently measured at fair value and are dealt with below.
- Fair value hedge accounting or cash flow hedge accounting is applied depending on the underlying exposure.
  - a. Fair value hedges occur due to the exposure to changes in the fair value of a recognised asset or liability, or an identified portion of such an asset or liability. To the extent the hedge requirements are met, the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised immediately in profit and loss. The gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in net profit or loss.
  - b. Cash flow hedges occur due to the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction and that (ii) will affect reported net profit or loss. To the extent the hedge requirements are met, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity. The gains or losses deferred in equity are recognised as part of the carrying amount of the asset or liability, if the hedged firm commitment or forecasted transaction results in the recognition of an asset or liability. For all other cash flow hedges, amounts that had been recognised directly in equity are included in net profit or loss in the same period or periods during which the hedged firm commitment or forecasted transaction affects net profit or loss.
- All other derivatives are subsequently measured at their estimated fair value, with the changes in estimated fair value at each reporting date being reported in the income statement in the period to which it relates.

The estimated fair values of derivatives are determined at discrete points in time based on the relevant market information. These estimates are calculated with reference to the market rates using industry standard valuation techniques.

### Revenue

Revenue comprises the selling value, excluding value-added tax, after deducting normal discounts, rebates and promotional allowances, of goods delivered and services rendered during the year and excludes internal revenue which is eliminated on consolidation. It is brought to account when delivery takes place to the customer.

### Interest income

Interest income is accrued on a time basis recognising the effective rate applicable on the underlying assets.

### Foreign currencies

#### Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Foreign currency monetary items are reported using the rate of exchange between the reporting currency and the foreign currency at the balance sheet date. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise.

#### Foreign entities

The majority of foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organisationally autonomous. Their reporting currencies are the respective local currencies. Annual financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in a translation reserve in equity.

Any goodwill or fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition of a foreign entity are recorded using the exchange rate at the effective date of the transaction. Exchange differences arising on a monetary item that, in substance, forms part of the company's net investment in a foreign entity, are classified as equity in the consolidated annual financial statements until the disposal of the net investment. Exchange differences on transactions which hedge the group's foreign investment, net of foreign borrowings, are taken directly to the translation reserve in equity.

On the disposal of a foreign entity, the cumulative amount of exchange rate differences that relate to the foreign entity are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

## *accounting policies* continued

### **Income taxes**

Income tax payable on profits, based on the applicable tax laws, is recognised as an expense in the period in which profits arise.

Deferred tax liabilities are recognised for temporary differences arising between the carrying amounts of assets and liabilities in the balance sheet and their amounts as measured for tax purposes, which will result in taxable amounts in future periods, unless the deferred tax liability arises from goodwill, for which amortisation is not deductible for tax purposes. Deferred tax assets are recognised for all temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised, unless the deferred tax asset arises from negative goodwill which is treated as deferred income. Neither a deferred tax asset or liability is recognised where it arises from a transaction, which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted rates.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same tax authority, and when the legal right to offset exists.

Where applicable, non-resident shareholders' taxation is provided in respect of foreign dividends receivable.

### **Retirement benefits**

A "liability" is recognised when an employee has provided service for employee benefits to be paid in the future, and an "expense" when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

### **Pension obligations**

The company and its subsidiaries sponsor defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered pension and provident funds. These funds are governed by the Pension Funds Act, 1956 (Act 24). The plans are funded by payments from employees and the respective companies. In respect of the defined contribution plans, the companies' contributions are established in terms of the rules governing those plans. In respect of the defined benefit plans, the companies' contributions are based on the recommendations of independent actuaries.

The accounting and disclosure of retirement obligations has been prepared in accordance with the principles and methods prescribed in terms of accounting statement AC116 (Revised). This statement requires an enterprise to recognise a "liability" when an employee has provided service for employee benefits to be paid in the future, and an "expense" when the

enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Within the company's group of subsidiaries, there are a total of twenty-four retirement plans, three of which are defined benefit pension funds, two are defined benefit provident funds, two are defined contribution pension funds and seventeen are defined contribution provident funds. There are a further eight schemes of insurance into which the company and its subsidiaries contribute. Certain companies within the group sponsor external death, funeral and disability benefit insurance policies. These insurance costs have been allowed for in the disclosures provided.

The portion of actuarial gains and losses recognised is the excess over the greater of:

- (a) 10% of the present value of the defined benefit obligations at the end of the previous reporting period (before deducting plan assets); and
- (b) 10% of the fair value of any plan assets at the same date,

divided by the expected average remaining working lives of the employees participating in the scheme.

In respect of the defined benefit plans, all actuarial gains and losses are spread over the average remaining service lives of employees.

In respect of the defined contribution plans, the pension accounting costs are assessed as the actual contributions paid by the companies in terms of the relevant funds' rules.

To the extent that there is uncertainty as to the entitlement of any surplus, no asset is recognised.

### **Post-retirement medical obligations**

The company provides post-retirement health-care benefits to certain of its retirees. The entitlement to post-retirement health-care benefits is based on the qualifying employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations of these obligations are carried out by independent qualified actuaries.

### **Equity participation plans**

The group provides equity participation plans in the form of share option plans. No expense is currently recognised in the income statement for such awards.

### **Treasury shares**

Shares in Tiger Brands Limited held by the Group are classified in shareholders' interest as treasury shares. These shares are treated as a deduction from the issued and weighted average numbers of shares and the cost price of the shares is deducted from share capital and premium in the balance sheet. Dividends received on treasury shares are eliminated on consolidation.

*cash flow statements* for the year ended 30 September 2004

(Rands in millions)	Notes	group		company	
		2004	2003 <sup>1</sup>	2004	2003
Cash operating income/(loss)	A	2 729,3	2 289,2	(7,5)	(17,6)
Working capital changes	B	169,0	(372,4)	42,9	(57,1)
Cash generated from/(utilised in) operations		2 898,3	1 916,8	35,4	(74,7)
Interest received and income from investments		407,9	565,0	154,1	234,1
Interest paid		(579,9)	(734,9)	(59,2)	(95,5)
Dividends received from associate companies and subsidiaries		21,6	36,8	580,7	397,2
Taxation paid	C	(678,5)	(606,9)	(89,2)	(90,5)
Cash available from operations		2 069,4	1 176,8	621,8	370,6
Dividends paid	D	(533,9)	(500,4)	(523,1)	(484,9)
Net cash inflow/(outflow) from operating activities		1 535,5	676,4	98,7	(114,3)
Purchase of property, plant, equipment and intangibles	E	(454,9)	(363,7)		
Proceeds from disposal of property, plant and equipment		63,6	72,7		
Cash cost of businesses acquired	F	(315,3)	(615,9)		
Proceeds from disposal of businesses	G	61,5	0,1		
Research, development and related expenditure		(72,4)	(84,6)		
Investments acquired		(180,4)	(107,9)	—	(147,4)
Proceeds from disposal of investments		10,9	46,3	315,3	103,7
Other inflows/(outflows)	H	23,5	(137,1)	(168,3)	57,5
Net cash (outflow)/inflow from investing activities		(863,5)	(1 190,1)	147,0	13,8
Net cash inflow/(outflow) before financing activities		672,0	(513,7)	245,7	(100,5)
(Decrease)/increase in shareholder funding	I	(179,7)	25,0	56,6	25,0
Long-term borrowings raised		455,1	44,1		
Long-term borrowings repaid		(262,0)	(156,1)		
Capitalised finance leases (repaid)/raised		(4,5)	16,1		
Short-term borrowings (repaid)/raised, net		(443,6)	1,8	298,7	(304,6)
Net cash (outflow)/inflow from financing activities		(434,7)	(69,1)	355,3	(279,6)
Net increase/(decrease) in cash and cash equivalents		237,3	(582,8)	601,0	(380,1)
Cash and cash equivalents at beginning of the year	J	965,6	1 554,9	357,1	737,2
Cash and cash equivalents at end of the year	K	1 202,9	972,1	958,1	357,1

<sup>1</sup>Comparatives have been restated.

notes to the cash flow statements for the year ended 30 September 2004

(Rands in millions)	group		company	
	2004	2003 <sup>1</sup>	2004	2003
<b>A. Cash operating income/(loss)</b>				
Operating income/(loss) before abnormal items	2 330,2	1 898,0	(7,5)	(17,5)
<i>Add back:</i>				
Depreciation and other non-cash items	309,8	274,1		(0,1)
Provision for post-retirement medical aid	16,9	32,5		
Research and development expenditure	72,4	84,6		
Cash operating income/(loss)	2 729,3	2 289,2	(7,5)	(17,6)
<b>B. Working capital changes</b>				
Increase in inventories	(47,1)	(186,4)		
Increase in accounts receivable	(190,2)	(192,4)	43,6	(71,1)
Increase in accounts payable	406,3	6,4	(0,7)	14,0
Working capital changes	169,0	(372,4)	42,9	(57,1)
<b>C. Taxation paid</b>				
Amounts payable at beginning of year, net	299,1	323,5	28,7	15,9
Per income statements	603,2	558,9	59,9	103,3
Subsidiaries acquired/(disposed of), net	8,4	9,0		
Exchange rate difference	(0,1)	14,6		
Amounts payable at end of year, net	(232,1)	(299,1)	0,6	(28,7)
Total taxation paid	678,5	606,9	89,2	90,5
<b>D. Dividends paid</b>				
Amounts accrued and payable at beginning of year	4,6	14,1		
Per income statements and statements of changes in equity	521,5	484,9	523,1	484,9
Dividends paid to outside shareholders	11,8	6,0		
Amounts accrued and payable at end of year	(4,0)	(4,6)		
Total dividends paid	533,9	500,4	523,1	484,9
<b>E. Purchase of property, plant, equipment and intangibles</b>				
Expansion	(273,5)	(194,8)		
Replacement	(151,4)	(164,7)		
Goodwill and trademarks acquired	(30,0)	(4,2)		
	(454,9)	(363,7)		

<sup>1</sup>Comparatives have been restated.

(Rands in millions)	group		company	
	2004	2003 <sup>1</sup>	2004	2003
<b>F. Cash cost of businesses acquired</b>				
Inventories	(63,3)	(132,5)		
Accounts receivable	(101,0)	(294,3)		
Accounts payable	116,7	250,7		
Taxation and deferred taxation	8,0	16,5		
Borrowings and cash	12,1	79,4		
Property, plant and equipment, investments, premiums and minorities	(279,3)	(512,2)		
Total cost of businesses acquired	(306,8)	(592,4)		
Add: Cash and cash equivalents acquired	(8,5)	(23,5)		
Cash cost of businesses acquired	(315,3)	(615,9)		
<b>G. Proceeds from disposal of businesses</b>				
Inventories	78,5	2,8		
Accounts receivable	3,1	(12,9)		
Accounts payable	(99,0)	(0,6)		
Borrowings and cash	5,8	(1,7)		
Property, plant and equipment, investments, premiums and minorities	78,9	12,8		
	67,3	0,4		
Add: Cash and cash equivalents disposed	(5,8)	(0,3)		
Proceeds of businesses disposed	61,5	0,1		
<b>H. Other (outflows)inflows</b>				
Net (increase)/decrease in loans to subsidiaries, associates and others	11,3	(126,1)	(166,4)	57,5
Cash-related abnormal items	12,2	(11,0)	(1,9)	
	23,5	(137,1)	(168,3)	57,5
<b>I. (Decrease)increase in shareholder funding</b>				
Proceeds from issue of share capital	56,6	25,0	56,6	25,0
Repurchase of shares held as treasury stock	(236,3)			
	(179,7)	25,0	56,6	25,0
<b>J. Cash and cash equivalents at beginning of the year</b>				
Cash resources	1 025,1	1 625,0	357,1	737,2
Short-term borrowings regarded as cash and cash equivalents	(53,0)	(41,8)		
	972,1	1 583,2	357,1	737,2
Effect of exchange rate changes	(6,5)	(28,3)		
Cash and cash equivalents as restated	965,6	1 554,9	357,1	737,2
<b>K. Cash and cash equivalents at end of the year</b>				
Cash resources	1 320,0	1 025,1	958,1	357,1
Short-term borrowings regarded as cash and cash equivalents	(117,1)	(53,0)		
	1 202,9	972,1	958,1	357,1

<sup>1</sup>Comparatives have been restated.

income statements for the year ended 30 September 2004

(Rands in millions)	Notes	group		company	
		2004	2003 <sup>1</sup>	2004	2003
<b>Revenue</b>	2	<b>25 421,5</b>	23 039,1		
Continuing operations		<b>13 188,1</b>	12 587,0		
The Spar Group Limited	35.3	<b>11 985,2</b>	10 121,1		
Discontinued operations	4.2	<b>248,2</b>	331,0		
<b>Operating income before amortisation of intangibles</b>	3	<b>2 369,6</b>	1 918,2	<b>(7,5)</b>	(17,5)
Continuing operations		<b>1 950,0</b>	1 589,2	<b>(7,5)</b>	(17,5)
The Spar Group Limited	35.3	<b>417,2</b>	346,4		
Discontinued operations	4.2	<b>2,4</b>	(17,4)		
Amortisation of intangibles		<b>(39,4)</b>	(20,2)		
<b>Operating income/(loss) before abnormal items</b>		<b>2 330,2</b>	1 898,0	<b>(7,5)</b>	(17,5)
Abnormal items	4.1	<b>(124,1)</b>	16,1	<b>(7,7)</b>	181,8
<b>Results of operating activities</b>		<b>2 206,1</b>	1 914,1	<b>(15,2)</b>	164,3
Income from investments	5	<b>39,0</b>	48,7	<b>580,7</b>	397,2
Net financing (costs)/income	6	<b>(211,0)</b>	(218,6)	<b>94,9</b>	138,6
Profit before taxation		<b>2 034,1</b>	1 744,2	<b>660,4</b>	700,1
Income tax expense	7	<b>(659,0)</b>	(548,9)	<b>(83,2)</b>	(174,9)
Net profit after taxation		<b>1 375,1</b>	1 195,3	<b>577,2</b>	525,2
Income from associates	13	<b>40,1</b>	92,7		
Minority interest		<b>(19,1)</b>	(28,0)		
Dividend on preference shares	8.1		(0,1)		(0,1)
Net profit for the year		<b>1 396,1</b>	1 259,9	<b>577,2</b>	525,1
<b>Headline earnings per ordinary share (cents)</b>	9	<b>927</b>	778		
<b>Fully diluted headline earnings per ordinary share (cents)</b>	9	<b>918</b>	771		
Basic earnings per ordinary share (cents)	9	<b>833</b>	754		
Fully diluted basic earnings per ordinary share (cents)	9	<b>825</b>	747		
Dividends per ordinary share (cents)	8.3	<b>370</b>	290		
<b>Reconciliation between net profit and headline earnings</b>					
Net profit for the year		<b>1 396,1</b>	1 259,9		
Adjusted for:					
Net profit on sale or discontinuation of operations		<b>(13,3)</b>			
Net (profit)/loss on sale of interest in subsidiaries and joint ventures		<b>(19,2)</b>	10,5		
Profit on sale of property, plant and equipment, net of impairment charge		<b>(9,8)</b>	(17,4)		
Write-down of investments, including (profit)/loss on sale		<b>170,4</b>			
Goodwill amortisation		<b>27,4</b>	11,4		
Associates		<b>1,4</b>	37,4		
Discontinuation of operations		<b>—</b>	35,0		
Other		<b>1,4</b>	2,4		
Other		<b>0,8</b>	(1,3)		
Headline earnings for the year		<b>1 553,8</b>	1 300,5		

<sup>1</sup>Comparatives have been restated.

## balance sheets at 30 September 2004

(Rands in millions)	Notes	group		company	
		2004	2003 <sup>1</sup>	2004	2003
<b>Assets</b>					
<b>Non-current assets</b>					
<b>Property, plant and equipment</b>	10	1 711,0	1 631,4		
Land and buildings		808,9	783,0		
Plant, vehicles, vessels and equipment		873,3	811,4		
Capitalised leased assets		28,8	37,0		
<b>Goodwill and intangible assets</b>	11	715,9	454,7		
<b>Interest in subsidiary companies</b>	12			5 694,9	6 060,0
<b>Investments</b>		2 367,0	2 268,8	159,9	488,2
Investments in associated companies	13	634,7	768,8	0,5	0,5
Other investments	14	1 598,8	1 344,6	153,8	478,0
Loans	15	133,5	155,4	5,6	9,7
<b>Deferred taxation asset</b>	16	206,8	194,3	2,1	7,7
<b>Current assets</b>		7 256,7	6 652,3	1 023,6	465,6
Inventories	19	2 346,3	2 315,0		
Trade and other receivables	18	3 590,4	3 312,2	65,5	108,5
Cash and cash equivalents	17	1 320,0	1 025,1	958,1	357,1
<b>Total assets</b>		<b>12 257,4</b>	<b>11 201,5</b>	<b>6 880,5</b>	<b>7 021,5</b>
<b>Equity and liabilities</b>					
<b>Issued capital and reserves</b>					
Ordinary share capital and premium	23	778,0	720,3	778,0	720,3
Tiger Brands Limited shares held by subsidiary		(236,3)			
Non-distributable reserves	24	454,5	378,8	2 932,2	2 943,8
Accumulated profits		3 056,1	2 231,0	665,9	612,9
Ordinary shareholders' interest		4 052,3	3 330,1	4 376,1	4 277,0
Preference share capital	25		1,1		1,1
<b>Total shareholders' interest</b>		<b>4 052,3</b>	<b>3 331,2</b>	<b>4 376,1</b>	<b>4 278,1</b>
<b>Minority interest</b>		<b>132,1</b>	<b>124,7</b>		
<b>Total non-current liabilities</b>		<b>2 185,2</b>	<b>3 004,8</b>	<b>2 099,0</b>	<b>2 607,3</b>
Deferred taxation liability	26	492,5	373,3	16,6	0,2
Provision for post-retirement medical aid	31	416,8	399,9		
Long-term borrowings	27	1 275,9	2 231,6		
Amounts owed to subsidiaries				2 082,4	2 607,1
<b>Total current liabilities</b>		<b>5 887,8</b>	<b>4 740,8</b>	<b>405,4</b>	<b>136,1</b>
Accounts payable	20	2 330,0	2 081,6		
Provisions and accruals	21	1 794,1	1 603,4	44,4	45,1
Taxation		292,4	350,7		28,7
Short-term borrowings	27.6	1 471,3	705,1	361,0	62,3
<b>Total equity and liabilities</b>		<b>12 257,4</b>	<b>11 201,5</b>	<b>6 880,5</b>	<b>7 021,5</b>

<sup>1</sup>Comparatives have been restated.

statements of changes in equity for the year ended 30 September 2004

<i>(Rands in millions)</i>	Notes	Share capital and premium	Non- distributable reserves	Accumulated profits	Total
<b>Group</b>					
Balance at 30 September 2002		696,4	728,4	1 477,0	2 901,8
Change in accounting policy – consolidation of share trusts	1			(7,7)	(7,7)
Adjusted balance at 1 October 2002		696,4	728,4	1 469,3	2 894,1
Issue of share capital and premium		25,0			25,0
Fair value adjustments – investments			(16,8)		(16,8)
Foreign currency translation reserve movement			(239,1)		(239,1)
Transfers between reserves			13,3	(13,3)	—
Impairment charge for associate C&T Malt taken against previously revalued amounts			(74,5)		(74,5)
Movements in reserves of associates			(32,5)		(32,5)
Net profit for the year				1 259,9	1 259,9
Dividends on ordinary shares				(484,9)	(484,9)
<b>Balance at 30 September 2003</b>		<b>721,4</b>	<b>378,8</b>	<b>2 231,0</b>	<b>3 331,2</b>
Balance at 30 September 2003		721,4	378,8	2 231,0	3 331,2
Issue of share capital and premium net of redemption of preference share capital		56,6			56,6
Shares acquired by subsidiary		(236,3)			(236,3)
Fair value adjustment – investments			53,1		53,1
Foreign currency translation reserve movement			(29,2)		(29,2)
Transfers between reserves			48,3	(48,3)	—
Impairment charge for C&T Malt taken against previously revalued amounts			(30,6)		(30,6)
Movements in reserves of associates			33,2		33,2
Legal reserves and other movements			0,9	(1,2)	(0,3)
Net profit for the year				1 396,1	1 396,1
Dividends on ordinary shares				(521,5)	(521,5)
Total dividends				523,1	523,1
Less: Dividends on treasury shares				(1,6)	(1,6)
<b>Balance at 30 September 2004</b>		<b>541,7</b>	<b>454,5</b>	<b>3 056,1</b>	<b>4 052,3</b>

<i>(Rands in millions)</i>	Share capital and premium	Non- distributable reserves	Accumulated profits	Total
<b>Company</b>				
Balance at 30 September 2002	696,4	2 943,9	572,7	4 213,0
Fair value adjustment		(0,1)		(0,1)
Issue of share capital and premium	25,0			25,0
Net profit for the year			525,1	525,1
Dividends on ordinary shares			(484,9)	(484,9)
<b>Balance at 30 September 2003</b>	<b>721,4</b>	<b>2 943,8</b>	<b>612,9</b>	<b>4 278,1</b>
Balance at 30 September 2003	721,4	2 943,8	612,9	4 278,1
Fair value adjustment		(10,2)		(10,2)
Issue of share capital and premium net of redemption of preference share capital	56,6			56,6
Foreign currency translation reserve movement		(2,5)		(2,5)
Transfers between reserves		1,1	(1,1)	—
Net profit for the year			577,2	577,2
Dividends on ordinary shares			(523,1)	(523,1)
<b>Balance at 30 September 2004</b>	<b>778,0</b>	<b>2 932,2</b>	<b>665,9</b>	<b>4 376,1</b>

notes to the financial statements year ended 30 September 2004

**1. Adoption of accounting policy**

1.1 During the year under review, the company changed its accounting policy with regards to the accounting treatment of various share purchase trusts operated within the Group. In order to conform with the JSE Listings Requirements, these trusts are now consolidated.

(Rands in millions)	group		company	
	2004	2003	2004	2003
1.2				
Effect of the change in accounting policy				
Headline earnings				
Previously reported		1 298,4		
Impact of the restatement of 2003		2,1		
Headline earnings restated		1 300,5		
Investments				
Previously reported		2 264,0		
Increase in listed investments – fair value adjustments		18,5		
Reduction in loans – fair value adjustments		(13,7)		
Investments restated		2 268,8		
Provisions and accruals				
Previously reported		1 585,5		
Liability in respect of options		17,9		
Provisions and accruals restated		1 603,4		
Minority interest				
Previously reported		132,2		
Prior year adjustments attributable to minorities		(7,5)		
Minority interest restated		124,7		
Accumulated profits				
Refer to Statement of Changes in Equity				
<b>2. Revenue</b>				
Revenue comprises:				
Revenue denominated in foreign currencies	1 334,0	1 532,7		
Other sales	24 087,5	21 506,4		
	25 421,5	23 039,1		
Revenue, net of value added tax, normal discounts, rebates and promotional allowances, excludes:				
Revenue of associated companies (100%)	5 922,6	7 216,2		
Intragroup revenue	1 481,8	1 191,8		
<b>3. Operating income</b>				
3.1 Analysis of expenses				
Cost of sales	19 093,5	17 507,1		
Sales and distribution expenses	2 159,0	1 875,2		
Marketing expenses	567,7	555,6		
Other operating expenses	1 231,8	1 183,0		

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>3. Operating income</b> (continued)				
3.2 Operating income has been determined after charging/(crediting):				
External auditors' remuneration				
– Audit fees	9,6	8,6	0,1	0,1
– Other fees and expenses	2,1	3,1		
Internal auditors' remuneration	5,5	6,0		
Depreciation				
– On buildings	17,2	18,0		
– On plant, equipment, vessels and vehicles	240,3	228,5		
– On capitalised leased assets	13,9	13,3		
Fees paid for administrative, managerial and technical services	81,1	77,4	4,4	4,6
Operating lease charges				
– On land and buildings	30,5	19,2		
– On plant, equipment and vehicles	84,3	81,5		
Net loss/(profit) on disposal of plant, equipment and vehicles	(1,7)	(5,9)		
Research, development and related expenditure				
– Research and development expenditure	49,6	55,6		
– Technology, royalty and associated costs	22,8	29,0		
Staff costs	1 963,2	1 852,0		
Employer's contribution to retirement funding and medical aid	245,9	212,3		
Foreign exchange losses/(profits)	49,2	110,1	0,2	
3.3 Directors' emoluments				
Executive directors				
– salaries and bonuses	23,8	10,3		
– retirement, medical and other benefits	5,3	9,9		
Non-executive directors				
– fees	3,1	2,9	1,3	1,2
Total directors' emoluments	32,2	23,1	1,3	1,2
Less: Paid by subsidiaries	(30,9)	(21,9)		
Emoluments paid by company	1,3	1,2	1,3	1,2
3.4 Directors' service contracts				
No directors have service contracts with notice periods of less than three months. Contracts provide for predetermined compensation on termination of the contracts under circumstances when compensation would be payable. Further details of directors' service contracts are provided on page 66 of the Annual Report under the heading "Directors' employment agreements".				

## notes to the financial statements (continued)

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>4. Abnormal items</b>				
4.1 Profit on sale of land and buildings, net of impairment charge on properties	6,4	26,6		
Net profit/(loss) on sale of interest in subsidiaries and joint ventures	26,2	(10,5)	(29,8)	(178,0)
Write-down of investments, including loss on sale	(164,9)			
Net profit on sale or discontinuance of operations*	13,4			
Foreign exchange profits			30,6	355,6
Other	(5,2)		(8,5)	4,2
	(124,1)	16,1	(7,7)	181,8
Income tax expense	(2,3)	1,4	(21,9)	(85,1)
Minority interest	(2,9)	(0,2)		
Attributable to shareholders in Tiger Brands Limited	(129,3)	17,3	(29,6)	96,7
*This amount includes a profit on the disposal of the Oils and Margarine business sold during the year.				
4.2 Discontinued operations				
During the year the Oils and Margarine business was sold.				
The following information relates to this business:				
Revenue	248,2	331,0		
Profit/(loss) before taxation	2,4	(17,4)		
Income tax expense	(0,7)	5,2		
	1,7	(12,2)		
<b>5. Income from investments</b>				
From subsidiary companies and joint ventures			574,2	378,0
From other investments				
– listed	7,5	9,5	1,7	3,4
– unlisted	31,5	39,2	4,8	15,8
	39,0	48,7	580,7	397,2
<b>6. Net financing (costs)/income</b>				
Finance lease charges	(3,5)	(3,9)		
Interest paid	(576,4)	(731,0)	(59,2)	(95,5)
– Long-term borrowings	(455,9)	(473,0)		
– Bank and other short-term borrowings	(114,1)	(254,4)		
– Foreign exchange finance charges	(1,1)	(2,4)		
– Other	(5,3)	(1,2)		
Less: Interest received				
– From subsidiary companies			56,3	84,9
– From other sources	368,9	516,3	97,8	149,2
	(211,0)	(218,6)	94,9	138,6

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>7. Income tax expense</b>				
7.1 South African current taxation	548,8	483,9	28,3	53,7
Secondary tax on companies	37,2	53,6	26,3	40,6
Foreign taxes	7,6	12,8		
	<b>593,6</b>	550,3	<b>54,6</b>	94,3
Deferred taxation	60,5	27,9	5,9	(4,5)
	<b>654,1</b>	578,2	<b>60,5</b>	89,8
Adjustments in respect of previous years – current	1,8	7,1		8,9
– deferred	0,8	(35,0)	0,8	(8,9)
	<b>656,7</b>	550,3	<b>61,3</b>	89,8
Taxation on abnormal items – current	7,9	1,5	5,3	0,1
– deferred	(5,6)	(2,9)	16,6	85,0
	<b>659,0</b>	548,9	<b>83,2</b>	174,9
7.2 The reconciliation of the effective rate of taxation, excluding abnormal items and income from associates, with the statutory taxation rate is as follows:				
Taxation for the year as a percentage of income before taxation	30,4	31,9	9,2	17,9
Dividend income	0,5	0,8	25,9	22,8
Exempt income	1,5	2,4		
Effect of taxation losses		0,1		
Expenses and provisions not allowed for taxation	(0,4)	(1,2)	(0,3)	(0,7)
Secondary tax on companies	(1,7)	(3,1)	(3,9)	(8,1)
Effect on differing rates of foreign taxes, prior year adjustments and timing differences not provided for	(0,3)	(0,9)	(0,9)	(1,9)
Rate of South African company taxation	30,0	30,0	30,0	30,0
7.3 Losses available to reduce future taxable income	85,5	111,6		
<b>8. Dividends</b>				
8.1 Dividends on preference shares		0,1		0,1
5,5% cumulative preference shares				
8.2 Dividends on ordinary shares	521,5	484,9	523,1	484,9
Final No 118 of 211,0 cents per share	354,4	352,8	354,5	352,8
Interim No 119 of 100,0 cents per share	167,1	132,1	168,6	132,1
8.3 Dividends per ordinary share (cents)	370,0	290,0	370,0	290,0
Interim No 119 – paid	100,0	79,0	100,0	79,0
Final No 120 – declared post-year-end	270,0	211,0	270,0	211,0

## notes to the financial statements (continued)

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>9. Headline earnings and basic earnings per ordinary share</b>				
9.1 Opening balance of number of ordinary shares	167 466 039	166 792 225		
Weighted number of ordinary shares – issued	662 904	313 739		
Weighted number of ordinary shares – repurchased	(561 912)			
Weighted average number of shares in issue	167 567 031	167 105 964		
9.2 Weighted average number of shares in issue	167 567 031	167 105 964		
Adjustment for share options	1 700 695	1 515 288		
Adjusted number of ordinary shares for diluted earnings per share calculation	169 267 726	168 621 252		
9.3 Headline earnings (Rm)	1 553,8	1 300,5		
Net profit attributable to ordinary shareholders (Rm)	1 396,1	1 259,9		
<b>10. Property, plant and equipment</b>				
10.1 Freehold land and buildings	760,2	733,0		
Cost	922,5	890,8		
Accumulated depreciation	162,3	157,8		
10.2 Leasehold land and buildings	48,7	50,0		
Cost	101,8	101,6		
Accumulated depreciation	53,1	51,6		
Total land and buildings	808,9	783,0		
10.3 Details of the individual properties are contained in a register which is open for inspection by members of the public at the registered office of the company.				
10.4 Land and buildings, investments and plant and machinery having a book value of R47,1 million (2003: R51,3 million) are mortgaged/pledged as security for long-term loans and capitalised finance leases of R39,9 million (2003: R40,8 million). Refer note 27.3.				
10.5 The most recent independent open-market valuation of land and buildings was undertaken by J H Isaacs in September 2001, reflecting a value of R1 215,5 million. The group's property portfolio is reflected in the balance sheet at cost less accumulated depreciation. In 2002, an impairment adjustment of R31,5 million was processed, being the excess of the book value of certain properties over their open-market valuation as indicated by J H Isaacs.				
10.6 Plant, vehicles, vessels and equipment	873,3	811,4		
Cost	2 859,1	2 661,8		
Accumulated depreciation	(1 985,8)	(1 850,4)		
10.7 Capitalised leased assets	28,8	37,0		
Cost	58,2	52,7		
Accumulated depreciation	(29,4)	(15,7)		

<i>(Rands in millions)</i>	Freehold land and buildings	Leasehold land and buildings	Plant vehicles vessels and equipment	Capitalised leased assets	Total
<b>10. Property, plant and equipment (continued)</b>					
10.8 Movement of group property, plant and equipment					
<b>2004</b>					
Net balance at beginning of year	733,0	50,0	811,4	37,0	1 631,4
Newly acquired subsidiaries	—	—	4,3	—	4,3
Other additions	76,4	10,9	334,0	5,7	427,0
	<b>809,4</b>	<b>60,9</b>	<b>1 149,7</b>	<b>42,7</b>	<b>2 062,7</b>
Disposals and amounts written off	(35,6)	(8,6)	(36,1)	—	(80,3)
Depreciation	(13,6)	(3,6)	(240,3)	(13,9)	(271,4)
Net balance at end of year	<b>760,2</b>	<b>48,7</b>	<b>873,3</b>	<b>28,8</b>	<b>1 711,0</b>
<b>2003</b>					
Net balance at beginning of year	637,3	50,4	747,3	19,3	1 454,3
Newly acquired subsidiaries	55,3	0,1	69,8	3,9	129,1
Other additions	89,6	4,1	234,7	31,5	359,9
	<b>782,2</b>	<b>54,6</b>	<b>1 051,8</b>	<b>54,7</b>	<b>1 943,3</b>
Disposals/unbundling and amounts written off	(35,8)	—	(11,9)	(4,4)	(52,1)
Depreciation	(13,4)	(4,6)	(228,5)	(13,3)	(259,8)
Net balance at end of year	<b>733,0</b>	<b>50,0</b>	<b>811,4</b>	<b>37,0</b>	<b>1 631,4</b>
			Goodwill	Other intangible assets	Total
<b>11. Goodwill and intangible assets</b>					
Movement of group goodwill and intangible assets					
<b>2004</b>					
Net balance at beginning of year			289,6	165,1	454,7
Newly acquired subsidiaries			264,5	7,2	271,7
Other additions			—	30,0	30,0
			<b>554,1</b>	<b>202,3</b>	<b>756,4</b>
Amortisation			(27,4)	(12,0)	(39,4)
Exchange rate translation difference			(0,3)	(0,8)	(1,1)
Net balance at end of year			<b>526,4</b>	<b>189,5</b>	<b>715,9</b>
<b>2003</b>					
Net balance at beginning of year			33,6	10,4	44,0
Newly acquired subsidiaries			267,4	160,8	428,2
Other additions				4,3	4,3
			<b>301,0</b>	<b>175,5</b>	<b>476,5</b>
Amortisation			(11,4)	(8,8)	(20,2)
Exchange rate translation difference				(1,6)	(1,6)
Net balance at end of year			<b>289,6</b>	<b>165,1</b>	<b>454,7</b>

## notes to the financial statements (continued)

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>12. Interest in subsidiary companies</b>				
<b>(Annexure A)</b>				
Shares at cost less amounts written off			2 260,8	2 262,2
Amounts owed by subsidiaries			3 434,1	3 797,8
			<b>5 694,9</b>	<b>6 060,0</b>
<b>13. Investments in associated companies</b>				
<b>(Annexure B)</b>				
Listed, at cost less amounts written off	10,0	10,0		
Unlisted, at cost less amounts written off	133,0	322,7	0,5	0,5
Share of accumulated profits and reserves since acquisition	491,7	436,1		
	<b>634,7</b>	<b>768,8</b>	<b>0,5</b>	<b>0,5</b>
Market value of listed investments	13,5	13,8		
Directors' valuation of unlisted investments	634,7	756,3	41,3	38,4
The trading results of the associate companies whose results are equity accounted in the consolidated financial statements are as follows:				
Revenue	5 922,6	7 216,2		
Profit attributable to ordinary shareholders of Tiger Brands*	40,1	92,7		
Empresas Carozzi (24%)	37,5	63,9		
C&T Malt (formerly ConAgra Malt) (50%)	12,4	49,0		
Other	(7,3)	16,3		
Less: Abnormal items	(2,5)	(36,5)		
Less: Dividends	(21,6)	(36,9)		
Share of associated companies' retained income	18,5	55,8		
The aggregate balance sheets of associates are summarised as follows:				
Property, plant and equipment and investments	3 522,0	3 744,8		
Goodwill	1 190,1	1 233,2		
Net current assets excluding cash	711,0	864,1		
Cash	103,0	129,0		
Total assets	5 526,1	5 971,1		
Long-term liabilities	(1 715,7)	(2 222,2)		
Deferred taxation	(291,9)	(293,9)		
Total shareholders' funds (100%)	3 518,5	3 455,0		

\*During the second half of the 2003 financial year, the equity accounted results of Empresas Carozzi, the group's Chilean based associate company, were incorrectly reflected, resulting in the group's share of income from associates being overstated by an amount of R19,3 million. This was offset by a corresponding reduction in the group's equity accounted share of other reserves.

The carrying value of the investment and total shareholders' interests as shown in the group balance sheet as at 30 September 2003 were both correctly reflected. Accordingly, the prior year figures have not been restated.

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>14. Other investments</b>				
<b>(Annexure C)</b>				
Listed, at fair value	396,6	291,5	—	11,1
Unlisted, at cost less amounts written off	1 202,2	1 053,1	153,8	466,9
	<b>1 598,8</b>	<b>1 344,6</b>	<b>153,8</b>	<b>478,0</b>
Market value of listed investments	396,6	291,6	—	11,1
Directors' valuation of unlisted investments	1 202,2	1 053,1	153,8	466,9
Unlisted investments having a book value of R1 143,7 million (2003: R990,4 million) are pledged as security for loans of R2 124,8 million (2003: R2 010,9 million)				
<b>15. Loans</b>				
15.1 Tiger Brands Share Trust participants	10,4	22,9	3,2	7,3
Dahlgren and Company	37,9	45,7		
Sea Harvest Share Trust participants	19,4	19,7		
Spar retail store owners	16,9	25,6		
Oceana loans to fishermen	28,6	27,5		
Other	20,3	14,0	2,4	2,4
	<b>133,5</b>	<b>155,4</b>	<b>5,6</b>	<b>9,7</b>
15.2 Tiger Brands Share Trust				
The Tiger Brands Share Trust was formed to finance the purchase of ordinary shares in the company by employees of the group. The loan is secured by the pledge of the ordinary shares purchased in terms of the scheme. Interest is determined by the directors six months in arrears.				
The market value of shares pledged as security for loans granted amounted to R38,3 million at 30 September 2004. In addition, as at 30 September 2004 the Trust held 549 515 shares in Astral Foods Ltd, which shares were transferred to it at the time of the unbundling of Astral Foods. These shares had a market value of R22,4 million at 30 September 2004.				

## notes to the financial statements (continued)

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>16. Deferred taxation asset</b>				
16.1 Movement of deferred taxation asset				
Balance at beginning of year	194,3	277,8	7,7	80,3
Fair value adjustments – investments	(16,2)	(0,4)	1,3	(0,4)
Adjustment in respect of currency (profits)/losses taken directly to non-distributable reserves	(0,1)	(85,0)		
Transferred this year	28,8	1,9	(6,9)	(72,2)
Balance at end of year	206,8	194,3	2,1	7,7
16.2 Analysis of deferred taxation asset				
Fair value adjustments – investments	2,1	3,5	2,1	3,5
Excess capital allowances over depreciation	(13,8)	(38,1)		
Trademarks and intangibles	4,3	5,2		
Effect of taxation losses	31,7	10,5		
Currency losses	1,2	4,2		4,2
Provisions	185,9	209,0		
Other temporary differences	(4,6)	—		
	206,8	194,3	2,1	7,7
<b>17. Cash and cash equivalents</b>				
Cash	958,5	668,6	958,1	357,1
Investments in marketable preference shares	361,5	356,5		
	1 320,0	1 025,1	958,1	357,1
<b>18. Trade and other receivables</b>				
Trade receivables	3 293,2	2 997,8		
Tax overpaid	60,3	51,6	0,6	
Other debit balances	374,4	401,2	64,9	108,5
	3 727,9	3 450,6	65,5	108,5
Allowance for doubtful debts	(137,5)	(138,4)		
	3 590,4	3 312,2	65,5	108,5

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>19. Inventories</b>				
Raw materials	752,6	803,7		
Partly processed goods	32,7	28,0		
Finished goods and merchandise	1 483,7	1 399,5		
Consumable stores	60,0	72,1		
Other	17,3	11,7		
	<b>2 346,3</b>	<b>2 315,0</b>		
<b>20. Accounts payable</b>				
Trade and other payables	2 330,0	2 081,6		
	<b>2 330,0</b>	<b>2 081,6</b>		
<b>21. Provisions and accruals</b>				
Accruals	1 589,6	1 398,8	44,4	45,1
Provisions	204,5	204,6		
Leave pay*	154,6	138,7		
Impairments	15,0	15,0		
Medical aid	11,3	22,6		
Provident fund	9,8	9,8		
Transformation	4,8	9,5		
Provision for discontinuance	9,0	9,0		
	<b>1 794,1</b>	<b>1 603,4</b>	<b>44,4</b>	<b>45,1</b>

\*Leave pay will be settled when employees take leave or leave the employment of Tiger Brands.

notes to the financial statements (continued)

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>22. Authorised share capital</b>				
22.1 250 000 000 (2002: 250 000 000) ordinary shares of 10 cents each	25,0	25,0	25,0	25,0
555 000 5,5% cumulative preference shares of R2 each		1,1		1,1
	<b>25,0</b>	<b>26,1</b>	<b>25,0</b>	<b>26,1</b>
			Number of shares under option	
			<b>2004</b>	<b>2003</b>
22.2 Number of options in terms of the company's share option scheme			<b>6 855 018</b>	7 283 700
At 4 094,625 cents per share, exercisable until 18 November 2003				52 500
At 5 844,625 cents per share, exercisable until 29 March 2005			<b>47 750</b>	88 700
At 4 719,625 cents per share, exercisable until 31 March 2005			<b>35 000</b>	66 000
At 5 154,625 cents per share, exercisable until 13 November 2005			<b>19 700</b>	28 600
At 2 663,625 cents per share, exercisable until 9 March 2008			<b>44 700</b>	60 400
At 4 944,625 cents per share, exercisable until 19 May 2008			<b>48 600</b>	92 100
At 3 408,625 cents per share, exercisable until 11 September 2008			<b>55 800</b>	127 700
At 3 409,625 cents per share, exercisable until 11 September 2008				16 500
At 3 609,625 cents per share, exercisable until 22 September 2008			<b>340 000</b>	886 900
At 4 144,625 cents per share, exercisable until 2 October 2008			<b>11 500</b>	22 700
At 4 769,625 cents per share, exercisable until 12 February 2009			<b>5 500</b>	
At 5 194,625 cents per share, exercisable until 24 June 2009			<b>193 500</b>	288 800
At 4 220,625 cents per share, exercisable until 8 July 2009			<b>39 867</b>	68 200
At 4 819,625 cents per share, exercisable until 1 October 2009			<b>1 600</b>	5 000
At 5 724,625 cents per share, exercisable until 8 November 2009			<b>485 000</b>	677 600
At 5 764,625 cents per share, exercisable until 1 December 2009			<b>1 700</b>	5 000
At 5 444,625 cents per share, exercisable until 18 April 2010			<b>5 066</b>	10 000
At 5 494,625 cents per share, exercisable until 2 October 2010				30 000
At 5 104,625 cents per share, exercisable until 13 October 2010			<b>5 000</b>	5 000
At 5 264,625 cents per share, exercisable until 14 November 2010			<b>502 301</b>	600 000
At 6 134,625 cents per share, exercisable until 1 February 2011				30 000
At 5 094,625 cents per share, exercisable until 1 April 2011			<b>10 000</b>	10 000
At 5 550 cents per share, exercisable until 4 June 2011			<b>13 334</b>	20 000
At 5 930 cents per share, exercisable until 21 June 2011			<b>5 000</b>	5 000
At 5 970 cents per share, exercisable until 25 June 2011				5 000
At 6 120 cents per share, exercisable until 25 July 2011			<b>10 100</b>	30 000
At 6 150 cents per share, exercisable until 1 September 2011			<b>10 000</b>	20 000
At 5 700 cents per share, exercisable until 29 January 2012			<b>1 856 000</b>	2 174 000
At 6 320 cents per share, exercisable until 4 April 2012			<b>11 000</b>	11 000
At 6 916 cents per share, exercisable until 3 February 2013			<b>1 372 000</b>	1 459 000
At 6 916 cents per share, exercisable until 31 March 2013			<b>334 000</b>	373 000
At 6 976 cents per share, exercisable until 8 August 2013			<b>15 000</b>	15 000
At 8 002 cents per share, exercisable until 29 January 2014			<b>1 361 000</b>	
At 8 216 cents per share, exercisable until 28 February 2014			<b>5 000</b>	
At 8 908 cents per share, exercisable until 1 August 2014			<b>10 000</b>	

		<i>group</i>		<i>company</i>	
		Number of shares		Number of shares	
		2004	2003	2004	2003
<b>22. Authorised share capital</b> (continued)					
22.3	Under the control of the directors until the next annual general meeting	69 252 546	69 252 546	69 252 546	69 252 546
22.4	Under the control of the directors for purposes of the Tiger Brands (1985) Share Purchase Scheme and the Tiger Brands (1985) Share Option Scheme	5 128 766	5 997 715	5 138 766	5 997 715
		<i>company</i>			
		Number of shares under option		Options exercised during 2004	
		2004	2003	Number of shares	Gain in R'000
22.5	Executive directors' options over shares in Tiger Brands Limited	886 100	672 100		
	N Dennis				
	At 5 194,625 cents per share, exercisable until 24 June 2009	40 000	40 000		
	At 5 724,625 cents per share, exercisable until 8 November 2009	170 100	170 100		
	At 5 264,625 cents per share, exercisable until 14 November 2010	102 000	102 000		
	At 5 700 cents per share, exercisable until 29 January 2012	208 000	208 000		
	At 6 916 cents per share, exercisable until 3 February 2013	152 000	152 000		
	At 8 002 cents per share, exercisable until 29 January 2014	214 000			
	M H Franklin	247 800	230 500	42 700	1 510
	At 5 194,625 cents per share, exercisable until 24 June 2009		6 800		
	– exercised on 24 June 2004 (market price 8 996 cents per share)			6 800	258
	At 5 724,625 cents per share, exercisable until 8 November 2009	19 400	38 700		
	– exercised on 4 June 2004 (market price 9 001 cents per share)			19 300	632
	At 5 264,625 cents per share, exercisable until 14 November 2010	33 400	50 000		
	– exercised on 4 June 2004 (market price 9 001 cents per share)			16 600	620
	At 5 700 cents per share, exercisable until 29 January 2012	85 000	85 000		
	At 6 916 cents per share, exercisable until 3 February 2013	50 000	50 000		
	At 8 002 cents per share, exercisable until 29 January 2014	60 000			

## notes to the financial statements (continued)

	<i>company</i>			
	Number of shares under option		Options exercised during 2004	
	2004	2003	Number of shares	Gain in R'000
<b>22. Authorised share capital (continued)</b>				
22.5 Executive directors' options over shares in Tiger Brands Limited (continued)				
J H McBain	<b>39 200</b>	96 100	<b>56 900</b>	<b>2 634</b>
At 3 609,625 cents per share, exercisable until 22 September 2008		33 600		
– exercised on 25 August 2004 (market price 9 003,37 cents per share)			<b>33 600</b>	<b>1 812</b>
At 5 194,625 cents per share, exercisable until 24 June 2009		11 000		
– exercised on 25 August 2004 (market price 9 003,37 cents per share)			<b>11 000</b>	<b>419</b>
At 5 724,625 cents per share, exercisable until 8 November 2009	<b>6 200</b>	18 500		
– exercised on 25 August 2004 (market price 9 003,37 cents per share)			<b>12 300</b>	<b>403</b>
At 5 264,625 cents per share, exercisable until 14 November 2010	<b>10 000</b>	10 000		
At 5 700 cents per share, exercisable until 29 January 2012	<b>23 000</b>	23 000		
M C Norris	<b>280 000</b>	271 900	<b>51 900</b>	<b>2 103</b>
At 3 409,625 cents per share, exercisable until 11 September 2008		16 500		
– exercised on 7 June 2004 (market price 9 110 cents per share)			<b>6 300</b>	<b>359</b>
– exercised on 7 June 2004 (market price 9 100 cents per share)			<b>4 000</b>	<b>228</b>
– exercised on 23 August 2004 (market price 8 925 cents per share)			<b>6 200</b>	<b>342</b>
At 5 194,625 cents per share, exercisable until 24 June 2009		7 400		
– exercised on 23 August 2004 (market price 8 925 cents per share)			<b>7 400</b>	<b>276</b>
At 5 724,625 cents per share, exercisable until 8 November 2009	<b>14 000</b>	42 000		
– exercised on 23 August 2004 (market price 8 925 cents per share)			<b>10 590</b>	<b>339</b>
– exercised on 23 August 2004 (market price 8 926 cents per share)			<b>810</b>	<b>26</b>
– exercised on 23 August 2004 (market price 8 930 cents per share)			<b>6 600</b>	<b>212</b>
– exercised on 23 August 2004 (market price 8 935 cents per share)			<b>5 000</b>	<b>160</b>
– exercised on 23 August 2004 (market price 8 950 cents per share)			<b>5 000</b>	<b>161</b>
At 5 264,625 cents per share, exercisable until 14 November 2010	<b>55 000</b>	55 000		
At 5 700 cents per share, exercisable until 29 January 2012	<b>90 000</b>	90 000		
At 6 916 cents per share, exercisable until 3 February 2013	<b>61 000</b>	61 000		
At 8 002 cents per share, exercisable until 29 January 2014	<b>60 000</b>			

	<i>company</i>			
	Number of shares under option		Options exercised during 2004	
	2004	2003	Number of shares	Gain in R'000
<b>22. Authorised share capital (continued)</b>				
22.5 Executive directors' options over shares in Tiger Brands Limited (continued)				
R V Smither	<b>225 500</b>	297 600	<b>119 100</b>	<b>4 543</b>
At 5 844,625 cents per share, exercisable until 29 March 2005		16 000		
– exercised on 31 May 2004 (market price 9 000 cents per share)			<b>16 000</b>	<b>505</b>
At 4 944,625 cents per share, exercisable until 19 May 2008		20 000		
– exercised on 31 May 2004 (market price 9 000 cents per share)			<b>20 000</b>	<b>811</b>
At 3 609,625 cents per share, exercisable until 22 September 2008		18 600		
– exercised on 31 May 2004 (market price 9 000 cents per share)			<b>18 600</b>	<b>1 003</b>
At 5 194,625 cents per share, exercisable until 24 June 2009	<b>4 700</b>	14 000		
– exercised on 31 May 2004 (market price 9 000 cents per share)			<b>9 300</b>	<b>354</b>
At 5 724,625 cents per share, exercisable until 8 November 2009	<b>19 400</b>	58 000		
– exercised on 31 May 2004 (market price 9 000 cents per share)			<b>6 764</b>	<b>222</b>
– exercised on 1 June 2004 (market price 9 000 cents per share)			<b>18 100</b>	<b>593</b>
– exercised on 1 June 2004 (market price 8 960 cents per share)			<b>6 905</b>	<b>223</b>
– exercised on 1 June 2004 (market price 8 951 cents per share)			<b>1 000</b>	<b>32</b>
– exercised on 1 June 2004 (market price 8 950 cents per share)			<b>5 831</b>	<b>188</b>
At 5 264,625 cents per share, exercisable until 14 November 2010	<b>33 400</b>	50 000		
– exercised on 1 June 2004 (market price 8 950 cents per share)			<b>16 600</b>	<b>612</b>
At 5 700 cents per share, exercisable until 29 January 2012	<b>75 000</b>	75 000		
At 6 916 cents per share, exercisable until 3 February 2013	<b>46 000</b>	46 000		
At 8 002 cents per share, exercisable until 29 January 2014	<b>47 000</b>			
C F H Vaux	<b>189 000</b>	170 000		
At 5 264,625 cents per share, exercisable until 14 November 2010	<b>25 000</b>	25 000		
At 5 700 cents per share, exercisable until 29 January 2012	<b>75 000</b>	75 000		
At 6 916 cents per share, exercisable until 3 February 2013	<b>70 000</b>	70 000		
At 8 002 cents per share, exercisable until 29 January 2014	<b>19 000</b>			
Totals for Tiger Brands Limited	<b>1 867 600</b>	1 738 200	<b>270 600</b>	<b>10 790</b>

notes to the financial statements (continued)

		<i>astral foods limited</i>			
		Number of shares under option		Options exercised during 2004	
		2004	2003	Number of shares	Gain in R'000
<b>22.</b>	<b>Authorised share capital (continued)</b>				
22.5	Executive directors' options over shares in Astral Foods Limited				
	N Dennis				
	At 621,5 cents per share, exercisable until 14 November 2010	78 025	78 025		
	M H Franklin				
	At 621,5 cents per share, exercisable until 14 November 2010	13 370	23 884		
	– exercised during the year at market price between 2 815 and 3 350 cents per share			10 514	239
	J H McBain				
	At 621,5 cents per share, exercisable until 14 November 2010	18 275	18 275		
	M C Norris				
	At 621,5 cents per share, exercisable until 14 November 2010	13 618	21 668		
	– exercised during the year at a market price of 2 530 cents per share			8 050	154
	R V Smither				
	At 621,5 cents per share, exercisable until 14 November 2010	14 400	23 400		
	– exercised during the year at a market price of 3 595 cents per share			9 000	268
	C F H Vaux				
	At 621,5 cents per share, exercisable until 14 November 2010	6 250	6 250		
	Totals for Astral Foods Limited	143 938	171 502	27 564	660

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>23. Issued ordinary share capital and premium</b>				
23.1 Issued share capital 168 763 670 (2003: 167 466 039) ordinary shares of 10 cents each	16,9	16,7	16,9	16,7
23.2 Share premium account				
Balance at beginning of year	703,6	678,6	703,6	678,6
Issues of shares	57,5	25,0	57,5	25,0
	761,1	703,6	761,1	703,6
	778,0	720,3	778,0	720,3
<b>24. Non-distributable reserves</b>				
Amounts transferred from share premium account	16,6	16,6	16,6	16,6
Capital redemption reserve fund			2,7	1,6
Legal reserves and other	19,6	18,7	2 918,6	2 918,6
Share of accumulated profits and reserves since acquisition in associated companies	457,1	406,1		
Fair value adjustment – investments	208,5	155,4	(3,2)	7,0
Translation reserve	(247,3)	(218,0)	(2,5)	
	454,5	378,8	2 932,2	2 943,8
<b>25. Preference share capital</b>				
Issued share capital				
555 000 5,5% cumulative preference shares of R2 each	1,1	1,1	1,1	1,1
Redemption of preference shares	(1,1)		(1,1)	
	—	1,1	—	1,1
<b>26. Deferred taxation liability</b>				
26.1 Movement of group/company deferred taxation liability				
Balance at beginning of year	373,3	383,3	0,2	1,2
Fair value adjustments – investments	35,1	(9,3)		(0,4)
Arising on (sale)/acquisition of subsidiaries	(0,4)	7,4		
Transferred this year	84,5	(8,1)	16,4	(0,6)
Balance at end of year	492,5	373,3	16,6	0,2

## notes to the financial statements (continued)

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>26. Deferred taxation liability (continued)</b>				
26.2 Analysis of group/company deferred taxation liability				
Fair value adjustments – investments	115,2	80,0		0,1
Excess capital allowances over depreciation	37,3	29,2		
Trademarks	(1,1)			
Currency profits			16,6	
Other temporary differences	343,1	269,8		0,1
Effect of taxation losses	(2,0)	(5,7)		
	<b>492,5</b>	<b>373,3</b>	<b>16,6</b>	<b>0,2</b>
<b>27. Borrowings</b>				
27.1 Secured loans	<b>2 569,7</b>	<b>2 376,5</b>		
Loan bearing interest at 15,5% per annum, repayable by 2005*	1 250,6	1 066,5		
Loan bearing interest at 20,0% per annum, repayable by 2006	45,5	47,7		
Loan bearing interest at 11,3% (2003: 14,5%) per annum, repayable by 2007	0,2	0,3		
Loan bearing interest at 13,0% (2003: 13,7%) per annum, repayable by 2007	364,1	317,6		
Loan bearing interest at 8,8% per annum, repayable by 2007	35,0			
Loan bearing interest at 15,5% per annum, repayable by 2010*	874,3	944,4		
*Secured by investments and preference shares. Refer to note 32.				
27.2 Unsecured loans	<b>6,6</b>	<b>6,9</b>		
Interest-free loans, with no fixed repayment terms	6,6	6,9		
27.3 Capitalised finance leases	<b>39,9</b>	<b>40,8</b>		
Repayable during the next year	13,7	10,5		
Repayable during the next five years	26,2	30,3		
Liabilities under capitalised finance leases bearing interest at 9,0% – 17,0% per annum				
Capitalised finance leases relate to property, plant and equipment with a book value of R28,8 million (2003: R37,0 million) referred to in note 10 of these annual financial statements.				
	<b>2 616,2</b>	<b>2 424,2</b>		
27.4 Instalments repayable within one year transferred to current liabilities	<b>1 340,3</b>	<b>192,6</b>		
Long-term borrowings	<b>1 275,9</b>	<b>2 231,6</b>		
	<b>2 616,2</b>	<b>2 424,2</b>		



## notes to the financial statements (continued)

<i>(Rands in millions)</i>	Land and buildings	Motor vehicles	Other	Total commit- ments
<b>29. Group commitments (continued)</b>				
29.3 Commitments in respect of operating leases				
During 2005	131,9	30,2	7,5	169,6
During 2006	126,3	20,0	6,5	152,8
During 2007	122,4	13,3	4,8	140,5
During 2008	117,1	6,1	2,9	126,1
During 2009 and thereafter	565,6	2,0	1,5	569,1
	1 063,3	71,6	23,2	1 158,1
29.4 Commitments in respect of inventories				
In terms of its normal business practice certain group operations have entered into commitments to purchase certain agricultural inputs over their respective seasons.				
29.5 Commitments in respect of transport				
The group maintains long-term contracts, including certain minimum payments, with various transport companies for the distribution of its products.				

**30. Pension obligations**

The company and its subsidiaries contribute to retirement plans that cover all employees. The retirement plans are either defined benefit plans or defined contribution plans and are funded. The assets of the funds are held in independent trustee administered funds, administered in terms of the Pension Funds Act of 1956 (Act 24), as amended. In terms of the Pension Funds Act, certain of the retirement funds are exempt from actuarial valuation. Those funds not exempt from valuation must, in terms of the Pension Funds Act, be valued at least every three years. For purposes of production of these disclosures, and in order to comply with the requirements of AC116 (Revised), valuations have been performed by independent actuaries, using the projected unit credit method. Where valuations were not possible due to the limited availability of complete data, roll forward projections of prior completed actuarial valuations were used, taking account of actual subsequent experience.

	<i>group</i>	
	2004	2003
Present value of funded defined benefit obligations	122,5	108,2
Fair value of plan assets in respect of defined benefit obligations	(435,1)	(419,7)
Funded status of defined benefit plans	(312,6)	(311,5)
Unrecognised actuarial gains/(losses)	1,6	(66,8)
Asset not recognised at balance sheet date	312,7	379,7
Liability at balance sheet date	1,7	1,4

(Rands in millions)	group	
	2004	2003
<b>30. Pension obligations (continued)</b>		
In respect of those retirement arrangements which disclosed a positive funded status, no assets have been recognised by the company or its subsidiaries. The disclosure of the funded status is for accounting purposes only, and does not necessarily indicate any assets available to the company or its subsidiaries. Once a surplus apportionment exercise is completed, and approved by the Registrar of Pension Funds in terms of the provisions of the Pension Funds Second Amendment Act, 2001, only at that stage would it be appropriate for the company or its subsidiaries to recognise any assets in respect of the retirement funds, to the extent that they are apportioned such assets. Furthermore, potential "improper uses" of surplus, if any, as contemplated in terms of the Pension Funds Second Amendment Act, 2001, have been ignored for the purposes of these disclosures. In addition, the impact of the Amendment Act insofar as minimum individual reserves are concerned, have not been taken account of. This legislation is not applicable to arrangements not registered in terms of the Pension Funds Act, such as special purpose entities established for purposes of providing disability benefits.		
<b>Movement in the liability recognised in the balance sheet:</b>		
Opening balance as previously stated	(1,4)	(0,6)
Asset not recognised at start of period	379,7	345,0
Balance at the beginning of the year	378,3	344,4
Liability acquired in business combination (business sold)	(0,1)	—
Contributions paid	157,2	134,4
Other movements	(537,1)	(480,2)
Current service cost	(156,4)	(135,5)
Interest cost	(10,8)	(12,9)
Expected return on plan assets	37,8	48,2
Net actuarial losses recognised during the year	(96,2)	(0,3)
Settlement cost	1,2	—
Asset not recognised at balance sheet date	(312,7)	(379,7)
Balance at the end of the year	(1,7)	(1,4)
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	9,50%	10,00%
Expected return on plan assets	9,50%	9,00%
Future salary increases	6,50%	6,50%
Future pension increases	3,30%	3,77%

## notes to the financial statements (continued)

(Rands in millions)	group	
	2004	2003
<b>31. Post-retirement medical aid obligations</b>		
The company and its subsidiaries operate post-retirement medical benefit schemes that cover certain of their employees and retirees who were originally employed by the company prior to certain cut-off dates. These cut-off dates range between 1995 and 1999 depending on the operations involved. The liabilities are valued annually using the projected unit credit method. The latest full actuarial valuation was performed on 30 September 2004.		
<b>Balance at the end of the year</b>		
Present value of obligations	395,5	379,5
Fair value of plan assets (included in cash and cash equivalents)	—	—
	<b>395,5</b>	<b>379,5</b>
Unrecognised prior service cost	—	—
Unrecognised actuarial gains/(losses)	21,3	20,4
Liability at balance sheet date	<b>416,8</b>	<b>399,9</b>
<b>Movement in the liability recognised in the balance sheet:</b>		
Balance at the beginning of the year	399,9	359,9
Liability acquired in business combination	(3,4)	6,6
Contributions paid	(22,3)	(19,7)
Other expenses included in staff costs	42,6	53,1
Current service cost	7,0	11,2
Interest cost	36,8	42,7
Past service cost recognised	(1,2)	(0,8)
Balance at the end of the year	<b>416,8</b>	<b>399,9</b>
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	10,50%	10,00%
Medical inflation	7,50%	7,00%

(Rands in millions)	group		company	
	2004	2003	2004	2003
<b>32. Guarantees and contingent liabilities</b>				
Group guarantees and contingent liabilities	1 005,3	734,2		

Guarantees include guarantees furnished to bankers and others for the normal business commitments of franchisees amounting to R178,3 million (2003: R167,0 million) as well as future operating lease commitments for premises occupied by franchisees totalling R807,7 million (2003: R451,3 million), for which The Spar Group have entered into equivalent sub-leases with franchisees.

#### Company

The company has bound itself as surety and co-principal debtor for the obligations of certain subsidiaries amounting to R2 124,9 million at 30 September 2004 (2003: R2 010,9 million). An intercompany loan granted by the company to one of its subsidiaries with a book value of R3 159,8 million (2003: R3 160,0 million), has been assigned by the company as security for its obligations as surety.

#### Group

Investments and marketable preference shares, with a combined book value of R1 372,2 million (2003: R1 218,9 million), have been pledged as security for the obligations as sureties for group borrowings totalling R2 124,9 million (2003: R2 010,9 million). See also notes 14, 17 and 27 to these annual financial statements.

In addition, shares in a subsidiary company owning certain intangible assets with an estimated value of R284,1 million (book value: nil) have been pledged as security for the abovementioned borrowings.

### 33. Financial instruments

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising principally as a result of commodity price, currency and interest rate fluctuations. The use of derivatives for the hedging of firm commitments against commodity price, foreign currency and interest rate exposures is permitted in accordance with group policies, which have been approved by the board of directors. Where significant finance is taken out, this is approved at board meetings.

The Group finances its operations through a combination of retained surpluses, bank borrowings and long-term loans. The group borrows short-term funds with fixed or floating rates of interest through the holding company, Tiger Brands Limited.

The main risks arising from the group's financial instruments are; in order of priority, procurement risk, foreign currency risk, interest rate risk, liquidity risk and credit risk as detailed below.

#### 33.1 Procurement risk (commodity price risk)

Commodity price risk arises from the group being subject to raw material price fluctuations caused by supply conditions, weather, economic conditions and other factors. The strategic raw materials acquired by the group include wheat, maize, rice and sorghum.

The group uses commodity futures and options contracts or other derivative instruments to reduce the volatility of commodity input prices of strategic raw materials. These derivative contracts are only taken out to match an underlying physical requirement for the raw material. The group does not write naked derivative contracts.

The group has developed a comprehensive risk management process to facilitate, control and to monitor these risks. The procurement of raw materials takes place in terms of specific mandates given by the executive management. Position statements are prepared on a monthly basis and these are monitored by management and compared to the mandates.

The board has approved and monitors this risk management process, inclusive of documented treasury policies, counterparty limits, controlling and reporting structures.

At year-end the exposure to derivative contracts relating to strategic raw materials is as follows:

Expire within		0 – 3 months	3 – 6 months
<b>Maize</b>			
Futures	– tons	8 500	
	– average price per ton (rands)	933,41	
Call options purchased	– tons	43 000	
	– average price per ton (rands)	1 131,72	
Put options sold	– tons	16 000	
	– average price per ton (rands)	970,80	
<b>Wheat</b>			
Futures	– tons	58 950	3 650
	– average price per ton (rands)	1 500,06	1 462,39

## notes to the financial statements (continued)

**33. Financial instruments** (continued)

## 33.2 Foreign currency risk

The group enters into various types of foreign exchange contracts as part of the management of its foreign exchange exposures arising from its current and anticipated business activities.

As the group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise. Exchange rate exposures on transactions are managed within approved policy parameters utilising forward exchange contracts and other derivative financial instruments. In addition, external consultants provide financial services to group companies and contribute to the management of the financial risks relating to the group's operations.

The group does not hold foreign exchange contracts in respect of foreign borrowings, if any, as its intention is to repay these from its foreign income stream or subsequent divestment of its interest in the operation. Foreign exchange differences relating to investments, net of their related borrowings, are reported as translation differences in the group's net equity until the disposal of the net investment, at which time exchange differences are recognised as income or expense.

Forward exchange contracts are mainly entered into to cover net import exposures, after setting off anticipated export proceeds on an individual currency basis. Their fair value is determined using the applicable foreign exchange spot rates at 30 September 2004. The following spot rates were used:

	Assets	Liabilities	Average
US dollar	6,45	6,48	6,46
Pound sterling	11,66	11,71	11,69
Euro	8,01	8,05	8,03
	Foreign currency (in millions)	Average rate	Rands (in millions)
Forward exchange contracts outstanding at the balance sheet date all fall due within 12 months. A summary of forward exchange contract positions bought to settle group foreign liabilities and sold to settle group foreign assets is shown below.			
<b>Foreign currency sold</b>			
US dollar	3,2	6,5	20,4
Pound sterling	0,2	11,7	2,8
Euro	3,9	8,0	31,4
Other currencies			6,7
<b>Foreign currency purchased</b>			
US dollar	11,1	6,6	72,8
Pound sterling	0,2	12,5	2,2
Euro	0,9	8,2	7,6
Other currencies			3,6

	Foreign currency (in millions)	Average rate	Rands (in millions)
<b>33. Financial instruments (continued)</b>			
33.2 Foreign currency risk (continued)			
The group has also entered into certain forward exchange contracts which do not relate to specific items appearing in the balance sheet but which were entered into to cover foreign commitments not yet due and assets not yet receivable. The contracts will be utilised for purposes of trade during 2005. These forward exchange contracts are marked to market at the balance sheet date and any resultant gains or losses are recognised immediately in the income statement.			
Details of these contracts are as follows:			
<b>Foreign currency sold</b>			
US dollar	0,6	6,5	3,7
Euro	1,0	8,1	8,1
<b>Foreign currency bought</b>			
US dollar	4,6	6,6	30,4
Euro	1,2	8,1	9,9
Pound sterling	0,2	12,0	2,7
Other currencies			0,5
<b>Unhedged foreign currency monetary assets</b>			
US dollar	20,6	6,5	133,8
Pound sterling	0,8	11,3	9,0
Euro	6,4	7,9	50,8
Other currencies			1,8
<b>Unhedged foreign currency monetary liabilities</b>			
US dollar	6,2	6,6	40,9
Other currencies			3,0

## notes to the financial statements (continued)

**33. Financial instruments (continued)****33.3 Interest rate risk management**

Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits as well as bank borrowings. Cash deposits comprise call deposits and investments in preference shares placed on a fixed or floating term basis. At the balance sheet date, the group cash deposits and investments in preference shares were either accessible immediately or had maturity dates up to six months. The interest rates earned on these deposits and preference shares closely approximate the market rates prevailing.

(Rands in millions)	Fixed rate	Floating rate	Total	Average interest rate for the year (%)
The interest rate profile of the group's local and foreign borrowings at 30 September 2004 and 30 September 2003 is reflected in note 27 to these annual financial statements – the average interest rates payable during the year as given below, also approximated the year-end interest rates payable.				
Foreign currency denominated loans				
US dollar (unsecured)	4,9		4,9	interest-free
Local currency denominated loans				
Loan repayable by 2005 (secured)	1 250,6		1 250,6	15,5
Loan repayable by 2006 (secured)	45,5		45,5	20,0
Loan repayable by 2007 (secured)	364,3		364,3	13,0
Loan repayable by 2007 (secured)	35,0		35,0	8,8
Loan repayable by 2010 (secured)	874,3		874,3	15,5
Other loans and capitalised finance leases (secured and unsecured)	VAR	VAR	41,6	
			2 616,2	

**Interest rate swaps**

- (a) The group on an ad-hoc basis will enter into interest rate swaps to manage the effect of interest rate changes on a portion of its cash investments and/or debt.
- (b) The results of the interest swaps which were in place during the year ended 30 September 2004 are as follows:

(Rands in millions)	2004	2003
Average notional amounts hedged	187,7	300,0
Interest rate swaps		
– Paid fixed rate (%) (NACQ)	13,4	13,4
– Received variable rate (%) (NACQ)	8,8 – 9,9	10,6 – 14,9

- (c) Interest rate swaps outstanding as at 30 September 2004 are summarised as follows:

## Investments

Average notional amounts hedged

– 2005 R98,4 million

In terms of the swap arrangements, the company pays a fixed rate of 13,37% (NACQ) on the above notional amounts and receives a floating rate based on a fixed premium over the three-month JIBAR rate.

**33. Financial instruments** (continued)

33.4 Liquidity risk management

The group manages its liquidity risk by monitoring weekly cash flows and ensuring that adequate cash is available or borrowing facilities maintained. In terms of the articles of association, the group's borrowing powers are unlimited. Other than the major loans disclosed in notes 27.1 and 27.2 to these annual financial statements which are contracted with various financial institutions, the group has no significant concentration of credit risk with any other single counterparty.

33.5 Credit risk management

The group's credit exposure is represented by the net aggregate balance of amounts receivable. The group limits its counterparty exposure arising from financial instruments by only dealing with well-established financial institutions of high credit standing. The group does not expect any counterparties to fail to meet their obligations given their high credit ratings.

Credit risk in respect of the group's customer base is controlled by the application of credit limits and credit monitoring procedures.

33.6 Financial instruments are normally held by the group to maturity in the normal course of business and are recorded at cost or redemption amount as appropriate. The fair values of the group's financial instruments, which principally comprise put and call options as well as futures positions of SAFEX, approximate their balance sheet carrying values. The maturity profile of these financial instruments fall due within 12 months. The maturity profile of the group's long-term liabilities is disclosed in note 27.5 of these annual financial statements.

Trade and other receivables, investments and loans and trade and other payables carried on the balance sheet approximate the fair values thereof.

Long-term and short-term borrowings are measured at amortised cost using the effective interest rate method and the carrying amounts approximate their fair value.

	<i>percentage holding</i>	
	<b>2004</b>	2003
<b>34. Joint ventures</b>		
34.1 The principal joint ventures include:		
Ocfish Holdings Limited	<b>40,7</b>	41,2
Sea Vuna Fishing Company (Pty) Ltd	<b>50,0</b>	50,0
<i>(Rands in millions)</i>		
34.2 The group's proportionate share of the assets and liabilities of the joint ventures which are included in the consolidated financial statements, are as follows:		
Property, plant, equipment, goodwill and investments	<b>188,2</b>	162,8
Current assets	<b>435,7</b>	385,1
Less: Current liabilities	<b>(253,0)</b>	(215,2)
	<b>370,9</b>	332,7
Minority interest	<b>(5,9)</b>	(5,8)
Provision for post-retirement medical aid	<b>(0,4)</b>	(1,0)
Long-term liabilities including amounts due to reporting company	<b>(6,3)</b>	—
Deferred taxation (net)	<b>(1,8)</b>	2,3
Total shareholders' interest	<b>356,5</b>	328,2
34.3 The group's proportionate share of the trading results of the joint ventures is as follows:		
Revenue	<b>1 102,5</b>	1 116,4
Profit before abnormal items	<b>111,6</b>	139,7
Abnormal items	<b>1,9</b>	(0,1)
Profit after abnormal items	<b>113,5</b>	139,6
Income tax expense – inclusive of tax on abnormal items	<b>(36,8)</b>	(47,8)
Profit after taxation	<b>76,7</b>	91,8
Minority interest	<b>(1,0)</b>	(2,3)
Net profit for the year	<b>75,7</b>	89,5

## notes to the financial statements (continued)

<i>(Rands in millions)</i>	<b>2004</b>	2003
<b>34. Joint ventures (continued)</b>		
34.4 The group's proportionate share of cash flows of the joint ventures is as follows:		
Cash operating income after interest and taxation	87,6	117,1
Working capital changes	(20,3)	(39,4)
Cash generated from operations	67,3	77,7
Dividends paid	(43,1)	(41,3)
Net cash inflow from operating activities	24,2	36,4
Net cash outflow from investing activities	(66,6)	(56,4)
Net cash outflow before financing activities	(42,4)	(20,0)
Net cash inflow/(outflow) from financing activities	27,5	(1,9)
Net decrease in cash and cash equivalents	(14,9)	(21,9)
34.5 The group's proportionate share of the joint ventures' capital commitments included in the financial statements is R28,8 million (2003: R56,6 million).		
34.6 The group's proportionate share of the joint ventures' contingent liabilities included in the financial statements is Rnil (2003: R1,1 million).		
<b>35. Spar unbundling</b>		
35.1 On 8 October 2004, the shareholders of Tiger Brands Limited approved the unbundling of the Group's interest in The Spar Group Limited. Stated below is the financial information relating to Spar.		
<i>(Rands in millions)</i>	<b>2004</b>	2003
35.2 The assets and liabilities of The Spar Group which are included in the consolidated financial statements, are as follows:		
Property, plant, equipment, goodwill and investments	566,9	365,1
Current assets	1 634,5	1 414,9
Less: Current liabilities	(1 732,1)	(1 210,3)
	469,3	569,7
Other balances:		
Provision for post-retirement medical aid	(36,9)	(32,5)
Long-term liabilities including amounts due to reporting company	(1,8)	
Deferred taxation (net)	6,6	5,1
Total shareholders' interest	437,2	528,4
35.3 The trading results of The Spar Group which are included in the consolidated financial statements, are as follows:		
Revenue	11 985,2	10 121,1
Operating income before amortisation of intangibles	417,2	346,4
Amortisation of intangibles	(12,3)	(0,7)
Operating income before abnormal items	404,9	345,7
Abnormal items	11,1	3,7
Results of operating activities	416,0	349,4
Net financing costs	8,9	22,0
Profit before taxation	424,9	371,4
Income tax expense – inclusive of tax on abnormal items	(132,9)	(117,9)
Net profit for the year	292,0	253,5

<i>(Rands in millions)</i>	<b>2004</b>	2003
<b>35. Spar unbundling (continued)</b>		
35.4 The cash flows of The Spar Group which are included in the consolidated financial statements, are as follows:		
Cash operating income after interest and taxation	<b>288,8</b>	309,1
Working capital changes	<b>64,6</b>	(349,1)
Cash generated from/(utilised by) operations	<b>353,4</b>	(40,0)
Dividends paid	<b>(383,2)</b>	(69,4)
Net cash outflow from operating activities	<b>(29,8)</b>	(109,4)
Net cash outflow from investing activities	<b>(307,7)</b>	(119,8)
Net cash outflow before financing activities	<b>(337,5)</b>	(229,2)
Net cash outflow from financing activities	<b>(5,8)</b>	
Net decrease in cash and cash equivalents	<b>(343,3)</b>	(229,2)

**36. Related-party disclosures**

36.1 Transactions with shareholders

The group did not enter into any transactions with material direct beneficial shareholders during the current year.

36.2 Transactions with directors

The board of directors of Tiger Brands Limited have given general declarations of interest in terms of section 234(3A) of the Companies Act. These declarations indicate that each member of the board of directors of Tiger Brands Limited holds various other positions in local and overseas entities and some members of the board hold interests in certain entities.

Whilst the nature of these positions are held in director-related entities and are such that there can be significant influence to the decision-making process, the transactions conducted by these entities with the group are on a customer-supplier relationship basis and on terms and conditions no more favourable than those which it is reasonable to expect the group would have adopted if dealing with the director or director-related entity at arm's length and in similar circumstances.

36.3 Transactions with associated companies

The group entered into a number of transactions with one of its associated companies during the normal course of business on an arm's length basis. The value of transactions entered into during the year were immaterial.

annexure a

**Interest in subsidiary companies**

	Issued ordinary capital		Effective percentage holding		Company's interest			
	2004 Rm	2003 Rm	2004 %	2003 %	Shares at cost		Indebtedness	
					2004 Rm	2003 Rm	2004 Rm	2003 Rm
Adcock Ingram Holdings (Pty) Limited			100,00	100,00			3 159,8	3 160,0
Durban Confectionery Works (Pty) Limited	0,4	0,4	100,00	100,00	63,4	63,4		
Enterprise Foods (Pty) Limited			100,00	100,00	49,7	49,7		60,0
Langeberg Holdings Limited	1,6	1,6	100,00	100,00	323,2	323,2	14,5	14,5
Sea Harvest Corporation Limited	0,8	0,8	74,24	74,06	220,6	220,6		
The Spar Group Limited	0,1	0,1	100,00	100,00	55,7	55,7		4,8
Tiger Food Brands Intellectual Property Holding Company (Pty) Limited	1,0	1,0	100,00	100,00	17,3	17,3		
Tiger Food Brands Limited	0,1	0,1	100,00	100,00	0,1	0,1	(693,5)	(183,9)
Tiger Brands Mauritius <sup>3</sup>	105,6	105,6	100,00	100,00	730,1	730,1	(219,2)	(998,9)
Other miscellaneous, property, investment and dormant companies			100,00	100,00	800,7	802,1	(909,9)	(865,8)
					2 260,8	2 262,2	1 351,7	1 190,7

**NOTE**

1. Amounts owed to the company							3 434,1	3 797,8
Amounts owed by the company							(2 082,4)	(2 607,1)
							1 351,7	1 190,7

2. Details of joint ventures can be found in note 34 to the financial statements.

3. All companies are incorporated in South Africa other than:

3.1 Mauritius

annexure b

**Interest in associated companies**

	Date of financial statements	Effective percentage holding		Nature of business
		2004 %	2003 %	
Ulgrave Limited (UK)	31.12.2003	50,0	50,0	Malting
Great Western Malting Company (USA)	31.12.2003	50,0	50,0	Malting
Canada Malting Co. Limited (Canada)	31.12.2003	50,0	50,0	Malting
Barrett Burston Malting Co. (Pty) Limited (Australia)	31.12.2003	50,0	50,0	Malting
Malt Real Property (Pty) Limited (Australia)	31.12.2003	50,0	50,0	Property
Empresas Carozzi (Chile)	31.12.2003	24,4	24,4	Food processing
Lesotho Milling Company (Pty) Limited	30.09.2004	50,0	50,0	Milling
Namibian Fishing Industries Limited	30.04.2004	34,5	34,5	Deep sea trawling and processing

**NOTE**

The above details interests in associated companies, where material. A register for inspection is available at the registered office of the company.

## annexure c

### Other investments

	Effective percentage holding		<i>group</i> Number of shares		<i>company</i> Number of shares	
	2004 %	2003 %	2004	2003	2004	2003
<b>Listed investments</b>						
Aurora Foods Inc.	—	6,3	—	4 235 014	—	4 235 014
Agro-Tech Foods (India)	17,8	17,8	4 337 500	4 337 500		
National Food Holdings Limited (Zimbabwe)	27,0	27,0	17 596 696	17 596 696	12 557 991	12 557 991
Riviana Foods Inc. (USA)		0,3	—	40 000	—	40 000
Pescanova SA (Spain)	19,9	18,4	2 584 710	2 385 886		
Astral Foods Limited	1,3	2,4	549 515	1 043 384		
<b>Unlisted investments</b>						
<b>Ordinary shares</b>						
Advance Wholesalers (Pvt) Limited (Zimbabwe)	—	25,0	—	32 500		
Business Partners Limited			336 550	336 550	336 550	336 550
Dahlgren & Company	23,2	23,2	4 000	4 000	4 000	4 000
<b>Preference shares</b>						
Dahlgren & Company	100,0	100,0	25 000	25 000	25 000	25 000
<b>Other</b>						
Guaranteed linked endowment policy						

#### NOTE

The above lists the number of shares held by the group and the company, where material. A register is available for inspection at the registered office of the company.

## *administration*

### **Tiger Brands Limited**

Reg No 1944/017881/06

### **Company secretary**

I W M Isdale

### **Registered office**

3010 William Nicol Drive

Bryanston

Sandton

PO Box 78056, Sandton, 2146

Telephone 27 11 840 4000

Telefax 27 11 514 0477

### **Auditors**

Ernst & Young

### **Principal banker**

Nedbank, a division of Nedcor Limited

### **Sponsor**

Cazenove South Africa (Pty) Limited

Dunkeld Park

6 North Road

Dunkeld West, 2196

### **South African share transfer secretaries**

Computershare Investor Services Limited

70 Marshall Street

Johannesburg

2001

PO Box 1053, Johannesburg, 2000

### **American Depository Receipt (ADR) facility**

ADR Administrator

Bank of New York

Shareholder Relations Department

PO Box 11258

New York, NY10286

Level I ADR Symbol: T10AY

### **Website address**

<http://www.tigerbrands.com>