



**ANNUAL REPORT 2010**

A **LEADING FOOD &  
BEVERAGE COMPANY**  
THROUGH **GLOBALLY TRUSTED BRANDS**



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PIONEER FOODS IS A  
**SIGNIFICANT PLAYER** IN THE  
**FOOD AND BEVERAGE INDUSTRIES** IN  
 SOUTHERN AFRICA AND A GLOBAL EXPORTER

Operating in the food and beverage business sectors, our core business is the production and distribution of a diverse range of food, beverages and related products.

### salient features 2010

REVENUE	<b>R15,7 billion</b>	↓	<b>3%</b>
OPERATING PROFIT (before items of a capital nature)	<b>R753 million</b>	↓	<b>35%</b>
HEADLINE EARNINGS per ordinary share	<b>134 cents</b>	↓	<b>62%</b>
NO DIVIDEND DECLARED			
<b>Adjusted for Competition Commission administrative penalties:</b>			
ADJUSTED OPERATING PROFIT (before items of a capital nature)	<b>R1 407 million</b>	↑	<b>21%</b>
ADJUSTED HEADLINE EARNINGS per ordinary share	<b>503 cents</b>	↑	<b>42%</b>

## GROUP OVERVIEW (continued)

### group profile

**From the merger of grain millers Sasko and Bokomo in 1997, Pioneer Foods today is a diversified food company with products ranging from baking, beverages, cereals, snacks and condiments to eggs, rice, pasta and other wheaten products.**

**Sasko** manufactures a range of affordable grain-based staple foods. In addition to rice, wheaten and maize products, it also trades beans, lentils and dried vegetables and has one of South Africa's largest bakery operations with bakeries and depots located throughout the country. More than 30 000 bread deliveries occur daily to customers in urban and the most rural environments. This equates to more than 1,2 million loaves supplied per day.

Since deregulation Sasko's bread business was repositioned from only manufacturing 800 gram loaves to manufacturing a range of more than 50 different value-added, high quality, branded products.



*White Star* was developed as a new entrant in the super white maize meal market and now enjoys the market leader position with annual sales in excess of R1,5 billion.



Pioneer Foods entered the pasta market with state of the art technology that supported strong growth for the company's own brands and house brands. It continues to capture market share.

With the acquisition of *Spekko* the Group expanded its presence in the rice category from a leading contender in the Western Cape to a national brand competing successfully in the premium category.



**Bokomo Foods** produces some of South Africa's best-known breakfast cereals, rusks, biscuits, cake mixes, baking aids, instant mash potato as well as dried fruit products, nuts, spreads and processed salads.



A full range of breakfast cereal products was launched to support the market leader *Weet-Bix* under the *Bokomo* brand. The subsequent acquisitions of *ProNutro* and *Nature's Source* enhanced the portfolio.



A joint venture was formed with HJ Heinz to enter the tomato ketchup market and broaden the Group's convenience frozen food range.



The Group acquired the SAD dried fruit business including the well known *Safari* brand and a range of spreads including household names like *Marmite*, *Bovril*, *Peck's Anchovette* and *Redro*.



The **Agri Business** produces animal feeds, chickens, eggs, processed egg and processed chicken-based products.



Pioneer Foods entered the juice market with the acquisition of Ceres Fruit Juices. Significant investments were made to diversify the business into different packaging formats and product categories.



**Ceres Beverages** enjoys the market leader position in natural fruit juices in South Africa with a presence in more than a 100 countries around the world.

Pioneer Foods signed a franchise agreement with PepsiCo International



to re-enter the carbonated soft drinks market in South Africa with *Pepsi*, *Mirinda*, *7-Up* and *Mountain Dew*.



Recently the *Lipton* ice tea brand, the market leader in the ice tea category, was acquired.

The Group employs more than 12 000 employees in South Africa, Africa and the United Kingdom.

The future holds new opportunities as Pioneer Foods continues to invest in growth in South Africa and Africa.

## areas of operation

The Group currently has operations in South Africa, Zambia, Uganda, Namibia, Botswana and the United Kingdom.

### South Africa

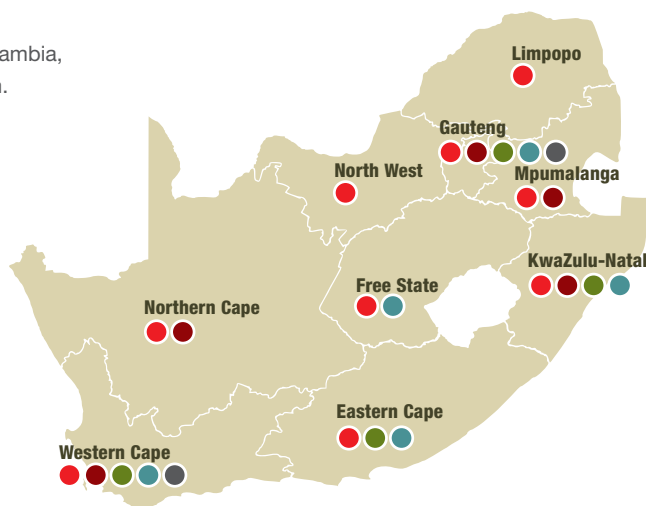
- Sasko
- Bokomo Foods
- Agri Business
- Ceres Beverages
- Heinz Foods SA

### Africa business

- Bokomo Botswana*
- Bokomo Namibia*
- Bokomo Uganda*
- Bokomo Zambia*

### United Kingdom

- Bokomo Foods (UK)*



# WE PRODUCE, DISTRIBUTE, MARKET AND SELL A DIVERSE RANGE OF FOOD, BEVERAGES AND RELATED PRODUCTS FOR BOTH HUMAN AND ANIMAL CONSUMPTION

## our core business

**We produce, distribute, market and sell a diverse range of food, beverages and related products for both human and animal consumption. Pioneer Foods is a significant player in these industries in Southern Africa.**

**Pioneer Foods** produces affordable products of a consistently high quality and has a commitment to food safety and nutritional ethics. The Group's research and development infrastructure ensures and supports constant product innovation.

An extensive distribution network covers the entire country and key regions of the various Africa businesses.

## our business strategy

### **Organic growth in revenue**

- > Capacity expansion
- > Brand support
- > Focused sales and merchandising structure
- > Focus on innovation

### **New category and geographic expansion**

- > Evaluating opportunities to enter new categories
- > Africa is a focus

### **Margin improvement**

- > Continued alignment of sales prices with input costs
- > Driving efficiencies through process optimisation
- > Input cost management
- > Strengthening brand positioning

### **Transformation**

- > Committed to the principles of transformation across the Group

## performance summary

<b>FINANCIAL RESULTS (R MILLION)</b>	<b>2010</b>	2009	% CHANGE
Revenue	15 731	16 284	(3)
Operating profit, before items of a capital nature:			
Actual	753	1 160	(35)
Adjusted*	1 407	1 160	21
Headline earnings:			
Actual	236	621	(62)
Adjusted*	891	621	43
Cash profit from operating activities	1 610	1 510	7
Net cash from operations	1 724	1 888	(9)
Capital and reserves	4 751	4 628	3
<b>PERFORMANCE PER SHARE (CENTS)</b>			
Headline earnings:			
Actual	134	355	(62)
Adjusted*	503	355	42
Dividend	–	125	
Net asset value	2 668	2 623	2
Price at year-end	4 760	3 350	42
<b>CORE RATIOS (%)</b>			
Operating profit margin – Adjusted*	8.9	7.1	
Return on average net assets – Adjusted*	24	20	
Return on average shareholders' funds – Adjusted*	19	14	
Debt to equity	9	14	

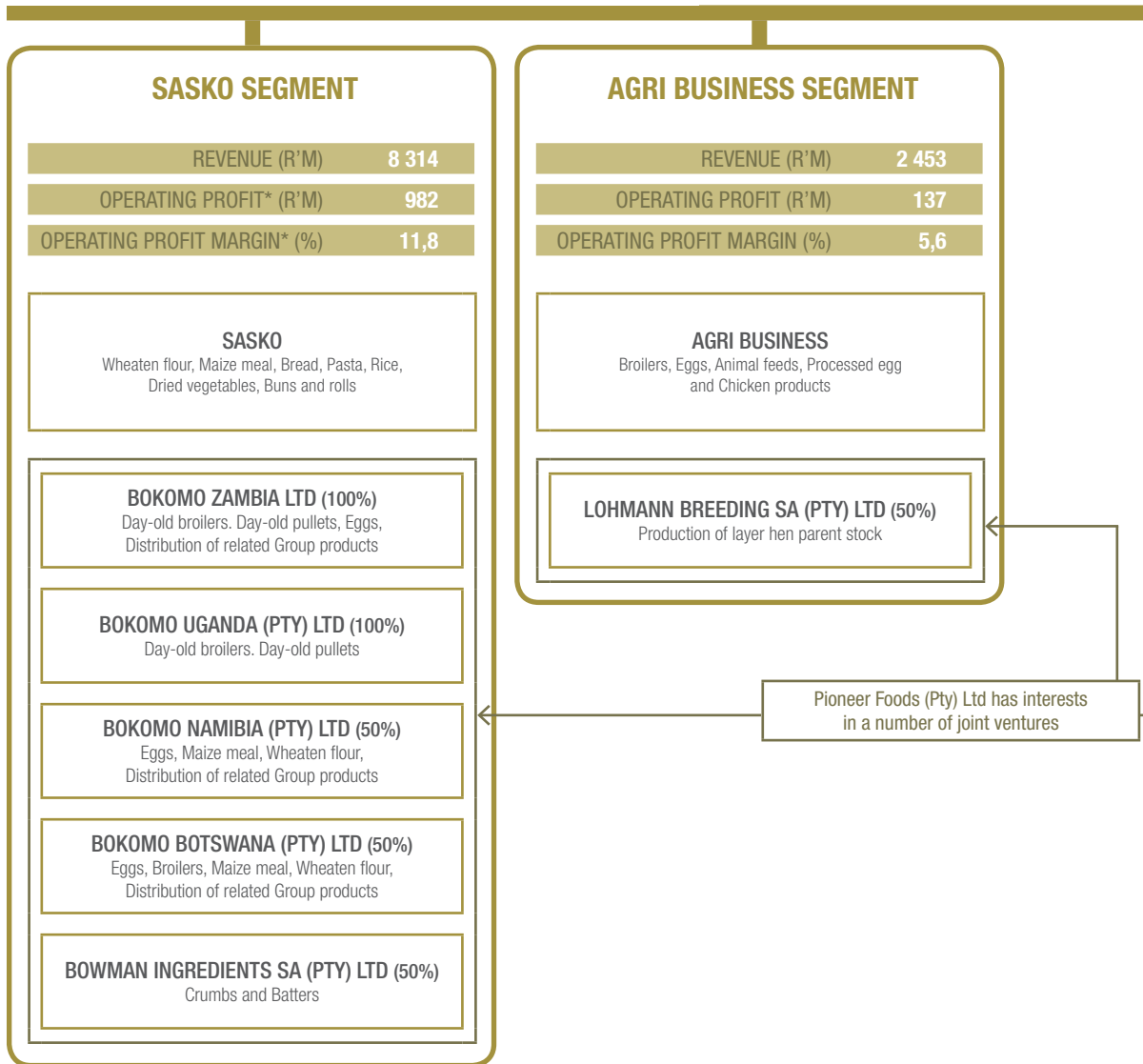
\* Adjusted for Competition Commission administrative penalties

**GROUP OVERVIEW (continued)**

organisational structure



**PIONEER FOODS (PTY) LTD**



\* Adjusted for Competition Commission administrative penalties

# PIONEER FOOD GROUP LTD

(Listed on the Johannesburg Stock Exchange)

↓  
100%  
↓

PIONEER FOODS HOLDINGS LTD

## BOKOMO FOODS SEGMENT

REVENUE (R'M)	2 683
OPERATING PROFIT (R'M)	231
OPERATING PROFIT MARGIN (%)	8,6

### BOKOMO FOODS

Breakfast cereals, Crumbs, Cake mixes, Biscuits, Flour mixes and concentrates, Rusks, Baking aids, Desserts, Soy products, Instant mash potato, Meal enhancers, Glacé fruits, Processed salads, Dried vine fruit products, Dried tree fruit products, Nuts, Spreads, Vinegar

### HEINZ FOODS SA (PTY) LTD (49,9%)

Tomato sauces, Tomato ketchup, Frozen foods, Condiments, Seafood products, Instant meals, Noodles, Soups, Tinned food

### ALPEN FOOD COMPANY SA (PTY) LTD (50%)

Breakfast cereals

### BOKOMO FOODS (UK) LTD (100%)

Breakfast cereals

## CERES BEVERAGES SEGMENT

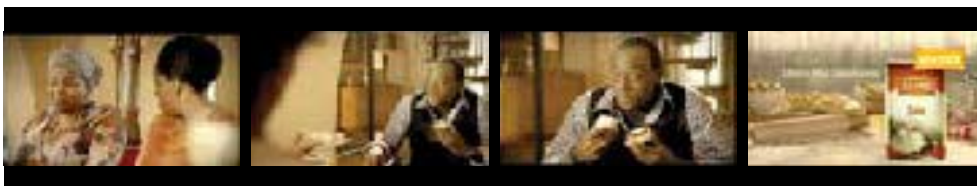
REVENUE (R'M)	2 484
OPERATING PROFIT (R'M)	165
OPERATING PROFIT MARGIN (%)	6,7

### CERES BEVERAGE COMPANY

Fruit juices, Carbonated soft drinks, Fruit concentrate mixtures, Ice tea, Water

# PRODUCING SOME OF SOUTH AFRICA'S MOST RECOGNISABLE BRANDS

As a leading producer in the food and beverage industries, Pioneer Foods and its operating divisions are committed to maintaining market positioning and market share through product excellence and innovation across every aspect of the premium brand portfolio.



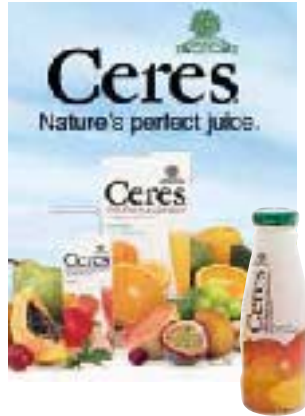


We operate one of the largest milling and baking businesses, with our **Sasko** brand being one of the most recognisable brands throughout South Africa.

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

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

Utilising world-class facilities, we produce eggs, chicken products and animal feeds. The Agri Business division consists of the **Nulaid**, **Tydstroom** and **Nova Feeds** brands.



## GROUP OVERVIEW (continued)

# board of directors

### NON-EXECUTIVE DIRECTORS



ZL (KK) Combi (58)

**Chairman of the Board, Member of Nomination and Human Capital Committees**

Mr Combi is the executive chairman of Thembeke Capital Ltd. He holds a diploma in public relations and was awarded the Ernst & Young South African of the Year award in 2000, as well as the World Entrepreneur of the Year in Managing Change award in 2001. Mr Combi is a member of the Institute of Directors and serves on various listed and unlisted companies' boards, including PSG Group, IQad Group, JSE and Massmart Holdings, as well as the Absa Bank Advisory Committee (Western Cape).  
*Director since 29 March 2010.*

Public relations diploma



Dr MI (Iqbal) Survé (47)

**Vice-chairman of the Board, Chairman of Human Capital Committee**

Prior to founding Sekunjalo Group in 1997, Dr Survé was a practising medical doctor and sports medicine specialist. Dr Survé is a fellow of the Africa Leadership Initiative, a fellow of the HRH the Prince of Wales Business and Environment Programme and was appointed by former president Bill Clinton to the Board of Governance on the Clinton Global Initiative. He has also been a participant member of the World Economic Forum. He is currently a director of various companies.  
*Director since 25 November 2004.*

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



AH (Andile) Sangqu (43)

**Chairman of Audit and Risk Committee**

After having completed his articles with PricewaterhouseCoopers Inc., Mr Sangqu spent 14 years in various financial management positions. He is currently executive director at Xstrata South Africa and serves on various boards of companies.  
*Director since 24 February 2006.*

BCom (Acc), BCompt Hons, CTA, Higher Dipl Tax, MBL



MM (Thys) du Toit (51)

**Member of Human Capital Committee**

Mr Du Toit started his career with Syfrets Managed Assets as a portfolio manager. He spent six years of which three were as a director at George Huysamer & Partners. Mr Du Toit was a founding member of Coronation Fund Managers. He held the position of CEO from 1997 to 2007 and grew Coronation from a small fund management business to the second largest independent fund manager in South Africa. Coronation listed on the JSE in June 2003. Mr Du Toit is a director of a number of companies including PSG Group, chairman of KWV and runs an investment management business for family offices and select individuals, Rootstock Investment Management.

*Director since 29 March 2010.*

BSc, MBA



GD (George) Eksteen (68)

**Member of Nomination and Human Capital Committees**

Mr Eksteen is farming in the Malmesbury area. Since 1980 he has been serving on various boards and is currently the chairman of Kaap Agri Ltd.  
*Director since 22 February 2002.*



**Prof ASM (Mohammad) Karaan (42)**

**Member of Audit and Risk Committee**

Prof Karaan joined the Development Bank of Southern Africa in Johannesburg as an economist and later returned to Stellenbosch to join the Rural Foundation as Head of Research. In 1997 he joined the University of Stellenbosch as a lecturer in the Agricultural Faculty. In October 2008 he became Dean of the Faculty of Agri Sciences at Stellenbosch University and serves on the board of Kaap Agri, as well as various other boards.

*Director since 29 March 2010.*

BSc Agri, BSc Agri (Hons), MSc Agric, PhD (Agric)



**NS (Nonhlanhla) Mjoli-Mncube (51)**

**Member of Audit and Risk Committee**

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

*Director since 25 November 2004.*

MA in City planning, SPURS fellow (MIT), Cert Finance SEP Executive, Leadership Programme (Harvard USA), Cert in Technical Management (Warwick)



**JF (Jannie) Mouton (63)**

**Chairman of Nomination Committee**

After having completed his BComm (Hons) in 1969 Mr Mouton then qualified as a CA (SA) in 1973. He was co-founder and Managing Director of SMK, whereafter he founded PSG Group Limited and later Capitec Bank. Mr Mouton is Chairman and Director of various companies within the PSG Group and also serves on the boards of Zeder Investments, Steinhoff International and KWW.

*Director since 20 May 2009.*

CA(SA)

**EXECUTIVE DIRECTORS**



**WA (André) Hanekom (51)**

**Managing director**

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

*Director since 1 January 1999.*

CA(SA)



**LR (Leon) Cronjé (53)**

**Financial director**

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

*Director since 28 April 1999.*

CA(SA)



**TA (Tertius) Carstens (47)**

**Executive director: Sasko**

Joined the Group in 1994 and fulfilled various managerial and executive positions before being appointed as an executive director.

*Director since 23 May 2007.*

BEng (Chem), MBA

**Footnote:**

The following directors retired on 19 February 2010: Dr Franklin Sonn, Willem Agenbach, Amanda Singleton, Tertius Swanepoel.

The following directors resigned on 29 March 2010: Boy Blanckenberg, Nols Louw, Albie Bester, Antonie Jacobs, Kosie van Niekerk.

**GROUP OVERVIEW (continued)**

executive management

<p><b>André Hanekom (51)</b> CA(SA) Managing Director</p> 	<p><b>Leon Cronjé (53)</b> CA(SA) Financial Director</p> 	<p><b>Tertius Carstens (47)</b> BEng (Chem), MBA Executive Director: Sasko</p> 	<p><b>Mkuseli Dlikilili (46)</b> BAdmin (Hons), MA Human Resources</p> 	<p><b>Pieter Hanekom (46)</b> CA(SA) Ceres Beverages</p> 
<p>André started his career with the Group with Bokomo Breakfast Cereals and in 1994 he was appointed CEO of Bokomo. After the merger in 1997, André was the Executive at Sasko Milling &amp; Baking before being appointed as CEO of the Group in 1999. He has been with the Group for 22 years.</p>	<p>Leon joined the Group in 1987 with Sasko and was the Executive: Finance before the merger. He was appointed in the same role for Pioneer Foods before becoming financial director in 1999. He has been with the Group for 23 years.</p>	<p>Tertius has 15 years' experience within the Group, both pre- and postmerger, in managerial and executive capacities. His current position is Executive Director responsible for the Sasko division. Prior to that Tertius acted as the Executive responsible for S.A.D. He has been with the Group for 16 years.</p>	<p>Mkuseli held various HR roles in the Utilities, Beverages and Chemical sectors before joining the Group in 2001 from Portnet. He has been with the Group for 10 years.</p>	<p>Pieter joined the Group from Distillers Corporation in 1993 as Financial Manager at Bokomo. He has since fulfilled numerous management roles in the packaging and Agri businesses before being appointed the Executive responsible for The Ceres Beverage Company in 2000. He has been with the Group for 17 years.</p>

**Theo Hendrickse (50)**

*MSc, BProc with post-graduate qualification in IP and Competition Law, (Admitted Attorney)*

**Group Legal Services and Company Secretary**



Theo has 15 years' experience, in managerial and executive roles, in the agri-processing sector. He joined Bonnita (Pty) Ltd as Group Legal Services Manager in 1995. In 2000 he was appointed as Corporate Affairs director for Parmalat SA and promoted to CEO of the company and the Parmalat Africa Group in 2005. He left Parmalat in 2009 and completed assignments as acting CEO of the Cape Chamber of Commerce and Director: Technology Transfer at the Cape Peninsula University of Technology before joining the Group in April 2010.

**Lulu Khumalo (44)**

*BA (Hons) HDE*

**Corporate Affairs & Sustainability**



Lulu started her career as an academic at Rhodes University and later entered the corporate world in communications and CSI roles and later Transformation and Corporate Affairs roles, mainly in the resources industry. She joined the Group in August 2010.

**Felix Lombard (41)**

*MComm (Tax) CA(SA)*

**Bokomo Foods**



Felix started his career with the Group in 1994 as Head of Information Systems at Bokomo and then Pioneer Foods. He then acted as Financial Manager for Sasko Maize Mills and in 1999 was promoted to Executive: Agri Business and Packaging. Felix is currently responsible for Bokomo Foods. He has been with the Group for 16 years.

**Hennie Lourens (47)**

*BComm (Hons), MCom, BProc*

**Agri Business**



Hennie joined the Group as Human Resources Manager for Bokomo in 1996 from Transnet where he was Human Resources Manager. Before being appointed as Executive: Agri in 2007, Hennie was General Manager for the Sasko Grain business of the Group. He has been with the Group for 14 years.

**Geraldine Monareng (39)**

*BSc, MBA*

**Africa Business**



Geraldine is responsible for the Africa business operations and for spearheading expansion / penetration / growth into the rest of Africa. She joins the company from The South African Bureau of Standards. She joined the Group in July 2010.

**Tertius Swanepoel (56)**

*BEcon*

**Marketing**



Tertius joined the Group in 1989 and fulfilled various managerial and executive positions before being appointed as an executive director. Tertius retired on 30 September 2010 after more than 22 years of service.

## CHAIRMAN'S REPORT



**ZL COMBI**  
Pioneer Foods Chairman

The year to 30 September 2010 was in many ways a watershed year for Pioneer Foods.

We strengthened corporate governance and accountability under the leadership of our reconstituted board and opened new channels of communication with our broader stakeholder community. We faced our responsibilities, settled with the Competition Commission (CC) and closed a rather unfortunate chapter in our otherwise proud history.

Our operational performance for the year marks a new benchmark for the Group's earnings ability at an enhanced level, bearing testimony to the resilience of the Group's product basket responding even better than the previous year to the upward and downward cost pressures and still muted consumer behaviour.

Revenue for the year declined by 3% to R15,7 billion. This decline is the result of sustained deflationary pressures on selling prices, almost across the range of products. Largely sustained sales volumes, boosted by growth in key categories such as wheaten products and *Weet-Bix*, provided some relief.

Headline earnings were severely impacted by R654 million for a penalty of R196 million paid in the bread matter and an accrual of R458 million for settlement with the CC in the flour and other matters. These resulted in a decline in headline earnings of 62% to R236 million. Headline earnings per share declined by 62% to 134 cents per share. Adjusted headline increased by 43% to R891 million, should all penalties relating to the CC matter be excluded, translating to an adjusted headline earnings of 503 cents per share.

Operating profit before items of a capital nature, adjusted for the effect of any CC penalties increased by 21% to R1 407 million with the Group operating profit margin consequently improving from 7,1% to 8,9%.

Cash profit of R1 610 million and a further unlocking of R95 million from working capital contributed to improved average net debt levels. Net interest-bearing debt at year-end amounted to R406 million and represents 9% of equity. The improved average debt position and decreased interest rates contributed to net finance charges further declining from R198 million to R125 million for the year.

The Group continued to invest for future growth by spending capital of R725 million on expansions. An additional R141 million was spent on maintenance or replacing of existing fixed assets. An estimated R1 billion will be spent in the new financial year to complete projects under construction, new expansions and necessary replacements. This spend is a continuation of the focus of improving production facilities in the white maize meal, biscuit, rice and non-alcoholic beverage categories. Capital will be spent, earlier than previously estimated, to expand the capacity of the pasta facility to cater for increased demand, as well as the strategic expansion of the broiler business through an acquisition in Gauteng.

Given the board's prudent approach to capital management no final or interim dividend was declared (2009: total dividend of 125 cents per share). In doing so the board acted responsibly in ensuring that none of the covenants governing dividend payments as imposed by the Group's syndicated loan facility could potentially be breached. Given the certainty regarding the payments remaining in terms of the CC settlement, future dividend payments can and will be considered at the appropriate time.

The Sasko business once again delivered a sound overall performance posting an improved profit contribution and operating profit margin. The defensive nature of the range of trusted brands in this predominantly staple food product basket, appealed to the financially constrained consumer and generated the principal contribution to Group performance. The business benefited from the continued decline in soft commodity prices as well as the strengthening rand. Volumes sold remained satisfactory across the range of products.

In line with industry trends in maize consumption the growth rate in maize meal sales volumes contracted and sales volumes were largely maintained, with *White Star* again a star performer. Wheaten flour sales benefited from the recovery from the recent downward trends in this category and posted improved sales volumes. Diligent cost management further contributed to this excellent performance from Sasko.

The Agri business segment posted improved results from improved performances in the egg, broiler and feed businesses. The business benefited from lower raw material pricing and a marked improvement in on-farm production performance.

The Bokomo Foods segment posted a much improved overall performance. Apart from the dried fruit business, which still suffered from the very low raisin crop in the previous season, as well as the stronger rand, the profitability of all categories improved. Marginally increased sales volumes, supported by improved efficiencies and better realisations in certain categories, contributed to this improved performance.

The Ceres Beverages segment also posted a much improved performance, largely on the back of improved production and distribution efficiencies, as well as effective cost management. Both the local and export fruit juice categories performed well. The effect of the stronger rand on export realisation was countered by increased export volumes and the well-established *Ceres* brand.

Sales volumes from carbonated soft drink products increased despite aggressive competitor behaviour in the 2010 FIFA World Cup™ year. The performance from the *Pepsi* venture is improving. The *Lipton* ice tea brand was added to the product basket in the beverage category with the signing and approval of a franchise agreement in September 2010. The addition of this leading ice tea brand is in line with the strategy to offer an extensive beverage solution to consumers.

## Board Changes

At the annual general meeting (AGM) of shareholders on 19 February 2010 Dr Franklin Sonn, Amanda Singleton and Willem Agenbach retired as non-executive directors after many years of service. Tertius Swanepoel retired as executive director at the same date and retired from the Group on 30 September 2010 after a career of 22 years of service. On 29 March 2010 the board accepted the resignations of Boy Blanckenberg, Nols Louw, Albie Bester, Kosie van Niekerk and Antonie Jacobs.

All of them have made tremendous contributions to the success of the Group and we thank them for their efforts over many years.

The board appointed Zitulele "KK" Combi, Prof Mohammad Karaan and Thys du Toit as non-executive directors on 29 March 2010 and elected KK Combi as the chairperson and Dr Iqbal Survé as vice-chairperson. Antonie Jacobs was re-appointed to the board on 14 October 2010.

Boy Blanckenberg and Nols Louw have been appointed as consultants to Pioneer Foods until the AGM in February 2011 to ensure a smooth transition.

## Settlement with the Competition Commission ("CC")

On 2 November 2010 Pioneer Foods and the CC announced they have agreed to a full and final settlement that concludes the bread and milling matters and all other investigations and proceedings between the CC and Pioneer Foods relating to any alleged contraventions by Pioneer Foods of the Competition Act.

The Competition Tribunal ("Tribunal") confirmed the settlement agreement on 30 November 2010.

Pioneer Foods was fined R500 million. This is in addition to the administrative penalty of R196 million imposed by the Tribunal in the bread matter, which was paid by Pioneer Foods in April 2010.

In addition, Pioneer Foods will reduce its gross profit over a defined period in respect of a selection of defined wheat flour and bread products. The pricing commitment shall amount to a reduction of R160 million in gross profit when benchmarked against an agreed base period. This will benefit the consumer should the reductions be passed on through the trade.

Pioneer Foods will not reduce its committed capital expenditure of R1 228 million from 2010 to 2013 as a result of the settlement agreement, and further commits to increasing its capital expenditure by an additional R150 million. This expenditure is linked to certain anticipated capital programmes, subject to economic, market and other conditions, which will assist in job creation as production capacity grows.

Pioneer Foods agreed to cooperate fully with the CC in its prosecution of any other parties who are the subject of its investigations and referrals to the Tribunal.

Appropriate action has been taken by the board of Pioneer Foods to discipline management responsible for the Competition Act transgressions. Disciplinary action was taken against 41 employees of which 1 was found not guilty by an external independent presiding officer, 38 admitted to guilt and received written warnings, while action against 2 employees is still in process. In addition to the above, executive management did not receive any incentive bonuses for the year, executive directors did not receive any increase for 2011 and the majority of the executive management team were not allocated new share appreciation rights for 2011. The Group has strengthened its governance and

compliance protocols, appointed a compliance and risk officer, approved a revised code of ethics and implemented on-line compliance training to approximately 1 900 relevant employees.

## Possible acquisition of KWW

Subsequent to the financial year-end the board approved an offer to buy the business of KWW, owner of iconic brands such as *KWW* brandy and *Roodenberg* wines, among others.

Should KWW shareholder and all regulatory approvals be obtained, Pioneer Foods shareholders should benefit from:

- the addition of a sizeable business with revenue in excess of R700 million that is expected to benefit from synergies in cost structures and improved economies of scale,
- entrenched international and local brands, and
- profitable growth in key wine and brandy markets.

## Changes to the Executive Management structure

During the reporting period the executive management structure was re-aligned to enable and support the increased focus on governance and sustainability, and to spearhead the drive to grow the business footprint into the rest of Africa.

After the resignation of the previous company secretary and legal executive, the following appointments were made:

- Theo Hendrickse – Executive Group Legal Services and Company Secretary
- Lulu Khumalo – Executive Corporate Affairs and Sustainability to steward governance, reputation management, stakeholder relations and sustainability
- Geraldine Monareng – Executive: Africa Business. The focus on Africa was further given impetus with this appointment.

We look forward to valuable contributions from these new team members.

## Prospects

Performance for the new year is expected to be influenced by:

- the gradual upward trend in raw material prices,
- cost increases above inflation, e.g. salaries and wages, electricity and transport,
- sustainability of sales volumes given shifting consumer spending patterns, and
- inflationary pressures on selling prices.

Though the continued growth of Sasko remains key to the Group's future performance, the other three business segments all have the potential for further positive turnarounds in a number of their focus areas which are expected to provide growing profit contributions in time.

Pioneer Foods is appropriately positioned for sustainable growth on the road ahead to realise the inherent value and growth potential.

A largely sustained earnings performance is expected in the current financial year.



Zitulele "KK" Combi  
Chairman

# Sasko

## PROFILE

The Sasko segment of the business consists of the Sasko division, Bowman Ingredients and a number of businesses in other African countries. Sasko is the predominant contributor to the segment and comprises four business units; namely, Sasko Grain, Sasko Bakeries, Sasko Pasta and Sasko Strategic Services.

## FINANCIAL PERFORMANCE

Revenue for the segment decreased by 6% to R8 314 million and operating profit, adjusted for the CC penalties of R654 million, increased by 6% to R982 million, resulting in an operating profit margin of 11,8% (2009: 10,4%).



## BUSINESS UNITS

**Sasko Grain** manufactures and packs a broad range of grain-based staple foods such as wheaten flour, maize meal, rice, beans, lentils and dried vegetables that are distributed, marketed and sold to a diverse market.

**Brands** – *White Star* super maize meal, *Sasko* flour, *Imbo* beans and *Spekko* rice.

**Sasko Bakeries** is a significant player in the South African bread market with distribution to and representation in more than 36 000 retail outlets.

**Brand** – *Sasko*.

**Sasko Pasta** supplies a range of pasta products using only the finest ingredients and specially formulated recipes to produce top-quality pasta products.

**Brands** – *Puccini* and *Pasta Grande*.

**Sasko Strategic Services (SSS)** is responsible for quality and compliance management and food safety systems within Sasko. It conducts basic grain-based food research and product development and contributes to product and process optimisation through appropriate technical support. The procurement of all major grain-based raw materials is centralised in SSS.

**Bowman Ingredients SA (Pty) Ltd** is a joint venture with J.S. Bowman & Son from the UK and specialises in the manufacturing of crumbs and batters.

**Bokomo Botswana (Pty) Ltd** and **Bokomo Namibia (Pty) Ltd** are both joint ventures with business partners in the respective countries. The main focus of these businesses is the manufacturing and selling of wheaten flour, maize meal products and eggs. Furthermore, certain Group products are also distributed on an agency basis.

**Bokomo Uganda (Pty) Ltd** and **Bokomo Zambia Ltd** are wholly owned businesses and focus on the production and selling of day-old pullets and day-old broilers. Furthermore, certain Group products are also distributed on an agency basis in Zambia.

**The Sasko business once again achieved a sound overall performance, posting an improved profit contribution and an improved operating profit margin. The business benefited from the continued decline in soft commodity pricing as well as the strengthening of the rand. Volumes sold remained satisfactory across the range of products.**

Total industry consumption of white maize on an annualised basis continued to retract from the peak reached during the previous financial year, although it was still markedly higher than the long-term consumption trend. Total industry wheat consumption conversely recovered from the recent downward trend and appears to be re-aligning to the longer-term volume growth trend. Sasko's own volumes largely corresponded with the industry trends during the reporting period.

Total rice and legume sales sustained its growth momentum with a continued sound performance of the *Spekko* rice brand. Sourcing options remained limited with the Indian export embargo for non-basmati rice remaining in place.

The bakery business maintained its satisfactory performance on a sustained volume base. Likewise the pasta business posted sound results although the competitive environment was impacted by an increase in the level of imported products supported by the strength of the rand.

Looking forward, it should be noted that a marked increase in the cost of wheat in the wheaten product value chain, together with inflationary pressure (notably electricity, distribution and remuneration), will mark the end of a near full-year deflationary selling price environment.

The business of **Bowman Ingredients (SA)** performed well on the back of good volume growth and tight cost controls. The strategy to develop and supply a wider range of ingredients products to a broad customer base worked well and should further benefit the business in the new year.

**Bokomo Botswana** continued its sound performance during the reporting period with good growth in the wheat and maize milling markets. A broiler business was acquired and integrated during the year. The construction of increased warehouse space is proceeding as planned with a view to further support the sales and distribution of Group and other related food products in Botswana.

The performance of **Bokomo Namibia** was below expectation given very tough local trading conditions. Capital expenditure to scale up the capacity of the wheat milling and pasta businesses is in progress.

**Bokomo Zambia** performed well. This performance was sustained by lower raw material prices and stronger demand for day-old chickens. Costs were well managed and farm efficiencies also improved. A distribution centre supplying most of the Pioneer Foods products was opened during the reporting period. The focus in Zambia for 2011 will be on growth in the broiler value chain and replacement of older assets.

The business performance of **Bokomo Uganda** has improved. Due to livestock shortages in the market, sales prices increased while raw material prices remained stable. The short placement of layer parent stock had the effect that day-old chicken sales volumes decreased compared with 2009. This problem has been addressed and volumes should increase during 2011. The decrease in feed costs had a positive effect on internal feed prices, while external sales started to become significant in the latter part of the year.

Subsequent to the reporting period an offer has been made to acquire an existing broiler business in Uganda to further expand the business.

# Agri Business

## PROFILE

The Agri Business segment comprises the eggs, broilers and animal feed businesses.

## FINANCIAL PERFORMANCE

Revenue for the segment decreased by 6% to R2 453 million, with a 70% increase in operating profit from R80 million to R137 million, resulting in an operating profit margin of 5,6% (2009: 3,1%).

## BUSINESS UNITS

**Nulaid** is South Africa's largest commercial egg business with facilities for rearing of laying hens, egg laying farms, egg packaging and egg processing facilities. Eggs are distributed nationally in the retail, wholesale and informal markets under the *Nulaid* brand.

**Tydstream** is a broiler production operation, producing, processing and marketing a variety of fresh and frozen chicken products. Regular and free-range chicken is provided in a variety of products such as whole chicken, braai packs, kebabs, etc under the *Tydstream* brand.

**Nova Feeds** manufactures a wide range of dairy, poultry and ostrich feed products. The feed manufacturing process is monitored and benchmarked against international standards to ensure the production of high-quality products.



**The Agri Business segment benefited from lower raw material prices compared with the previous year. This, as well as a marked improvement in on-farm production, contributed to the increase in profits.**

The prices of the major raw materials, maize and soya, declined, giving Nova Feeds the opportunity to reduce selling prices. This resulted in a decrease in revenue, but volumes increased compared with 2009. Nova Feeds also focused on improving the product mix and sold higher-value and higher-margin feed in comparison with the previous year

Inbound logistics to the feed mills remained a challenge and capital was spent to limit the reliance on Spoornet as transporters of raw material.

Although volumes were down and prices decreased, the profitability of Nulaid continued to improve. This was due to the increases in efficiencies in the value chain and lower raw material prices. A number of capital projects were completed during the reporting period as part of the strategy to reposition the egg business for optimal performance that should limit the impact of the down cycles. The commissioning of Rondevley farm gave Nulaid its first own egg-laying facility in the Western Cape. In addition two previously privatised farms were bought back in Gauteng and the Eastern Cape respectively.

Egg prices continued to decline during the year and a challenging 2011 is foreseen.

The profitability of the broiler business, Tydstroom, continued to improve compared with the previous year.

Lower feed prices contributed to this improvement, but the major driver was the increase in efficiencies from grandparent level through the value chain to the abattoir. Costs were diligently managed and kept under control.

Volumes increased due to better on-farm efficiencies and the commissioning of new facilities. The immediate challenge is declining sales prices across the board. Chicken prices in the industry are between 8% and 10% lower than in 2009. This is due to current imbalances between supply and demand.

Should efficiencies remain on standard and chicken prices improve, the profitability of Tydstroom should recover to more acceptable levels.

The increase in maize and soya prices since July 2010 has had the effect that margins in both the Nulaid and Tydstroom businesses were under pressure. There is also a bigger supply of eggs and chicken in the industry, and in the short term, prices are not expected to increase.

In the coming year the Agri business will focus on:

- cost management,
- extracting maximum value from products, and
- keeping efficiencies and effective procurement on standard.

Subsequent to the reporting period an agreement was entered into with Tonko Chicks for the acquisition of an abattoir and relaxed assets of this business as a going concern for an amount of R130 million. The business is situated in Gauteng and the transaction is an execution of the strategy to geographically expand the Group's involvement in the broiler industry to the north of the country. Regulatory approval is still outstanding.

# Bokomo Foods

## PROFILE

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

## FINANCIAL PERFORMANCE

Revenue for the division increased by 2% to R2 683 million while operating profit increased to R231 million, an increase of 18%, resulting in an operating profit margin of 8,6% (2009: 7,4%).

## BUSINESS UNITS

The **Bokomo Foods** division has established itself as the market leader in the breakfast cereals, dried fruit products and baking aids categories. This business also focuses on the supply of bulk packed products to the industrial market.

**Brands** include *Weet-Bix*, *Bokomo Corn Flakes*, *ProNutro*, *Moir's*, *Maizena*, *Werda* salads, *Safari* dried fruit products, *Marmite* and *Bovril*.

**Bokomo Foods (UK) Ltd** is a wholly owned business in the UK that manufactures and sells mainly private label wheat biscuits and mueslis for the UK and Scandinavian markets.

**Heinz Foods SA (Pty) Ltd** is a joint venture with the HJ Heinz Company from the US and focuses on condiments, sauces, frozen foods and instant meals.

**Brands** include *Heinz* ketchup, *Wellington's* sauces, *Today* frozen food products and *Mama's* pies.



**The year marked a considerable improvement in the overall business performance. With the exception of dried fruit, the profitability of all the categories improved. Although volumes were up marginally, the improved profitability was mainly the result of improved efficiencies, strict cost control and better price realisations in certain categories.**

Marketing spend increased significantly to position the portfolio of brands better for future growth.

The profitability of the dried fruit category was materially down on the previous year following a major weakening of the US dollar against the South African rand, as well as a major reduction in the international demand for tree fruit products.

Breakfast cereals performed well during the reporting period with improved production efficiencies, increased volumes from the leading brands and some raw material cost deflation. *Weet-Bix* achieved good volume growth for the second consecutive year. The new *Born Free* brand identity for *Weet-Bix* and the increased level of marketing spend with the resultant higher level of awareness for the brand, is starting to support increased sales volumes. Products like *Otees*, *Bokomo Corn Flakes* and *ProNutro* all performed well despite new competitor launches. The planned improvement in the financial performance of the muesli business was realised with the relocation of the plant from KwaZulu-Natal to the cereal factory in Atlantis, Western Cape.

The overall strategy to rationalise the manufacturing sites and product ranges, and reduce overhead cost, coupled with an increase in realisations, was successful with a much improved financial performance from the desserts and baking aids categories.

The new biscuit factory is scheduled for commissioning in May 2011 and products from the new factory will be available by the third quarter of 2011. The focus will be to reposition the biscuit product range by improving the quality and introducing innovative new lines. The biscuit product range will be launched under a new brand.

The insurance claim for the fire at the Upington factory has largely been settled with more than 90% of the R130 million claim already paid. The accounting treatment of the insurance proceeds resulted in a non-recurring profit of R19 million for the reporting period.

The nuts business, with the well-known *Safari* brand, did extremely well this year with good volume growth in retail and industrial business.

The performance of the salad business improved for the reporting period, although not yet to acceptable levels.

Bokomo's performance in 2011 will depend to a large degree on its ability to recover cost increases from the market, without sacrificing volumes. The commissioning of the new biscuit factory and the introduction of new biscuit lines will also lead to some non-recurring costs that will negatively impact the 2011 financial results. Moderate growth in profit performance can be expected from this business.

The **Heinz Foods** business posted an acceptable performance with good progress being made in the condiments category. Conversely, frozen foods underperformed to expectation given a decline in volumes of especially the pie product category.

The **Bokomo Foods (UK)** business manufactures and sells mainly private label wheat biscuits and mueslis to the major retailers in the UK and Scandinavian markets. The performance of the business improved further during the year driven by the improved performance of the muesli business. Especially pleasing, is the fact that the revenue from the muesli business grew after the previous year's improvement was only derived from operational improvements. The business is now doing well and future growth will have to come from increasing the size of the business. For this to happen, additional capital will have to be spent to add capacity. The performance in the new year will depend on the ability of the business to recover some of the major increases in raw material cost from the market. This is quite a challenge in the competitive UK market.

# Ceres Beverages

## PROFILE

The Ceres Beverages segment consists of the business of The Ceres Beverage Company with the main focus on three separate categories within the beverage sector, namely, fruit juices, fruit concentrate mixtures and carbonated soft drinks.

## FINANCIAL PERFORMANCE

Revenue for this segment increased by 3% to R2 484 million and the operating profit increased by 68% to R165 million. The operating profit margin increased from 4,1% to 6,6% for the year under review.

## BRANDS

**Brands** include *Ceres, Liqui-Fruit, Fruitree, Wild Island, Daly's, Pepsi, Mirinda, Mountain Dew, 7-Up and Lipton* amongst others.



**The Ceres Beverages segment performed satisfactorily, with an improved performance compared with the previous year. Revenue increased, with sales volumes slightly up for the total business. The increase in profitability was driven by increased production and distribution efficiencies as well as effective cost management for the period.**

The fruit juices category performed well although volumes on the local market for the period under review were slightly down compared with the previous year. Volumes started to improve during the last quarter of the reporting period, with consumer spending improving.

Fruit juice products on the international market performed well and the business managed to increase export volumes compared with the previous year. This was an excellent performance in a difficult and competitive market. The growth was achieved through the opening of new markets and organic growth.

The fruit concentrate mixture category was under pressure due to a decline in sales volumes and margins but, despite difficulties, still performed satisfactorily. This category remains highly competitive with efficient cost control being imperative.

The carbonated soft drink sales volumes grew in difficult market conditions. With the 2010 FIFA World Cup™ competitor activity increased substantially. Irrespective of difficult market conditions, *Pepsi* volumes performed well and achieved good growth. The profitability in this category improved compared with the previous year and contributed to the improved financial performance of the segment.

The addition of the *Lipton* brand and the signing of a franchise agreement with Pepsi Lipton International are of strategic importance. The *Lipton* brand is the market leader in the ice tea category with huge growth potential. We are excited about this new addition to the business as from 1 September 2010.

During November 2009 shelving at the Ceres factory warehouse collapsed, resulting in a R20 million finished product write-off. The insurance claim has not been settled in total yet, but payments received from the insurer limited any material effect on results for the reporting period.

The strategy in this category remains to increase the product basket and to further improve production and distribution efficiencies. Construction at the fruit juice factory in Wadeville is progressing well and the expansions will be commissioned in 2011.

## FINANCIAL REVIEW

### Statement of comprehensive income

Revenue for the year decreased by 3,4% to R15 731 million. This decline is the result of significant sales price declines due to sustained deflationary pressures, virtually across the Group's range of products, with beverages the exception. Although the effect differed across the Group's spectrum of products and categories the decline in sales prices of approximately 10% was, to an extent, absorbed by a 5% to 7% growth in volumes.

Despite the decrease in revenue the gross profit margin improved by 4,0% to 31,9% as a result of a 8,6% decline in cost of goods sold. This confirms a continued improvement in effectively recovering input costs in final product prices. A determined focus on cost savings, efficiencies and streamlining of distribution further contributed to an increased operating profit margin of 8,9%. This is the margin before items of a capital nature and adjusted for the effect of the Competition Commission (CC) penalties, and is much improved compared to the margin of 7,1% for the previous year.

Operating profit, before items of a capital nature and the CC penalties, increased by 21,3% to R1 407 million. The table below summarises the various segmental contributions from a revenue, operating profit and operating profit margin perspective:

Segmental performance	2010	2009	Change
<b>SASKO</b>			
Revenue (R'm)	8 314	8 877	(6,3%)
Operating profit (R'm)	982	926	6,0%
Operating profit margin	11,8%	10,4%	
<b>AGRI BUSINESS</b>			
Revenue (R'm)	2 453	2 599	(5,6%)
Operating profit (R'm)	137	80	71,3%
Operating profit margin	5,6%	3,1%	
<b>BOKOMO FOODS</b>			
Revenue (R'm)	2 683	2 625	2,2%
Operating profit (R'm)	231	195	18,5%
Operating profit margin	8,6%	7,4%	
<b>CERES BEVERAGES</b>			
Revenue (R'm)	2 484	2 410	3,1%
Operating profit (R'm)	165	99	66,7%
Operating profit margin	6,6%	4,1%	
<b>LESS</b>			
Across segment revenue	(203)	(227)	
Unallocated costs	(108)	(140)	
<b>GROUP RESULT</b>			
Revenue (R'm)	15 731	16 284	(3,4%)
Operating profit before items of a capital nature (R'm)	1 407	1 160	21,3%
Operating profit margin	8,9%	7,1%	

The Sasko segment further improved on the good performance of the previous year, specifically during the first six months of

the reporting period. Effective pricing strategies and diligent cost management contributed largely thereto. An increased contribution from the pasta and rice businesses further benefited the segment results. During the second six months of the financial year a definite increase in raw material costs, specifically wheat, and related production costs were experienced and pressure on margins started to mount.

The Agri Business segment benefited from initial lower animal feed prices. Further contributors to the improved performance were efficiency gains and improved on-farm performances.

The main contributors to the overall improved performance from the Bokomo Foods segment were improved production efficiencies and sustained volume growth from *Weet-Bix*.

The much improved performance from the Ceres Beverages segment was largely the result of increased realisations in the local market. The carbonated soft drink category further benefited from increased sales volumes.

Unallocated costs decreased from R140 million to R108 million. The reduction in unallocated costs is mainly due to the initial large spend on enterprise development projects launched in 2009. During the current year the spend on enterprise development normalised. An increased amount of administration cost capitalised against IT capital projects further contributed to the reduction in unallocated costs for the year.

The decrease in net finance charges from R198 million to R125 million reflects the benefits of a lower interest rate environment combined with reduced net debt levels relative to the same period last year. Group net debt decreased from R660 million for the previous year to R406 million. Long-term borrowings are largely fixed through specific interest rate hedge instruments and did not share in the substantially lower interest rates to the same extent as short-term borrowings.

The income tax charge increased with 14,6% to R384 million with an effective income tax rate of 62,0%. The effective income tax rate is higher than the nominal income tax rate mainly due to the non-tax deductible nature of the CC penalties of R654 million and a non-tax deductible share-based payment expense of R48 million relating to the broad-based employee share scheme.

The income tax expense includes an amount of R18 million in respect of secondary income tax on companies resulting from the dividend payment in February 2010.

Earnings, adjusted for the effect of the CC penalties, increased by 58,5% to R889 million with adjusted headline earnings increasing by 43,4% to R891 million. The difference between earnings and adjusted headline earnings for the year is insignificant compared to that of the previous year due to the smaller amount of impairments and profit/(loss) on disposal of assets included as part of items of a capital nature for the current year.

Earnings per share, adjusted for the effect of the CC penalties, and adjusted headline earnings per share increased with 56,5% to 502 cents per share and 41,5% to 503 cents per share respectively.

## Dividend

No dividend was declared for the year under review compared with 125 cents per share or R251 million for the comparative period. This is in line with the board's prudent approach to capital management, given the substantial amounts paid and payable in terms of the CC settlement. In doing so the board also acted responsibly in ensuring that none of the covenants governing dividend payments as imposed by the Group's syndicated loan facility could potentially be breached.

## Statement of financial position

The improved operating profit performance, after adjustment for the CC penalties, and sustained levels of net working capital mainly contributed to improved financial ratios. The return on average net assets improved from 19,7% to 23,9%. The table below illustrates the contribution to this ratio by the various segments due to largely the same reasons as highlighted under the operating profit commentary per segment:

### Return on average net assets

	2010	2009
Sasko	38,1%	32,9%
Agri Business	19,4%	15,4%
Bokomo Foods	16,2%	13,8%
Ceres Beverages	15,3%	9,8%
Group	23,9%	19,7%

Return on average shareholders' funds, adjusted for CC penalties, further improved from 14% to 19%. Unadjusted return on average shareholders' funds is 5%. Cash profit of R1 610 million and a further unlocking of R95 million from net working capital contributed to improved average net debt levels. The debt to equity ratio continued to improve from 14,3% to 8,5%. The improved debt ratio will support the accelerated approach to certain capital projects.

## Statement of cash flows

Cash generated by operations for the reporting period decreased by R164 million to R1 724 million. The reason for the decrease is largely due to the comparatively lower amount of cash unlocked from working capital. An amount of R95 million was unlocked in 2010 as opposed to R357 million in the previous year. The cash generation benefited from the improved profit performance resulting

in cash flow from operating activities increasing by R100 million, or 6,6% to R1 610 million. This figure reflects the amount after a penalty of R196 million relating to the bread matter was paid to the CC.

Increased fixed capital investments in the form of additions to and maintenance or replacements of existing items of property, plant and equipment as well as a number of business combinations resulted in an increased outflow of cash from investment activities of R805 million for the year, compared with R464 million in the previous year. Significant investment of R751 million in fixed and intangible assets were made during the year and R115 million was paid for fixed and intangible assets obtained through business combinations. This spend is a continuation of the Groups' overall expansion programme.

## Effect of Competition Commission penalties and settlement

Earnings for the year under review were negatively impacted by R654 million as a result of penalties paid and accrued for. This comprises the R196 million paid relating to the bread matter and R458 million accrued relating to other matters settled. The R458 million is the net present value of the R500 million penalty imposed, payable in three tranches. The table below summarises the effect on earnings and cash flow up to 2013:

	2010	2011	2012	2013	Total
Earnings effect	(654)	(186)	(15)	(1)	(856)
Cash flow effect	(196)	(227)	(217)	(216)	(856)

COMMITTED TO  
**SOUND GOVERNANCE.** STRIVING FOR  
THE HIGHEST STANDARDS OF **ETHICAL CONDUCT,**  
**INTEGRITY** AND **VALUES-BASED LEADERSHIP.**

**The board of directors and management of Pioneer Foods pledge commitment to the principle of sound governance and strive for the highest standards of ethical conduct, integrity and values-based leadership.**

The Group views the recent Competition Commission challenges in a serious light. In order to mitigate future governance related risks, the Company instituted the following actions:

- All managers and employees, whose jobs include regular interface with external stakeholders, were put through a comprehensive competition compliance on-line training programme.
- A compliance and risk management officer was appointed as a dedicated resource at corporate level – i.e. with unlimited access to the Group's audit and risk committee.
- The Group's legal department was also expanded, with the aim to enhance the department's capacity.
- The structural changes included separating the company secretariat function, group legal and group sustainability, and at the same time, integrating the Group's sustainability agenda into business strategies and operations. The latter was done by means of establishing a new department that now focuses mainly on sustainability, corporate affairs and stakeholder management.
- The Group's Code of Ethics was subsequently also reviewed and approved by the board of directors, whereas focus groups were established to create more awareness around the practicalities and impact thereof. Going forward, the objective is to review the Code periodically.

### **KING III**

The board, via its governance structures, recently embarked on a process to review the status quo and at the same time, identify the gaps between the recommendations as per King III versus the existing business practices implemented at Pioneer Foods.

Once this process is completed, recommendations will be made as to how best the Group can comply with King III and other relevant protocols and legislative requirements.

### **CODE OF ETHICS**

During the year under review, the Group revisited its Code of Ethics, before presenting it to the board of directors for endorsement. Several mechanisms were, as a result, put in place to enable the Code of Ethics as the Pioneer Foods 'way of life'.

### **BOARD OF DIRECTORS**

#### **Role and function of the board of directors**

The board is mainly responsible for directing the Group's strategy and operations in order to build and enhance the Group's sustainability. In doing that, the board remains cognisant of the Group's impact on its internal and external stakeholders when considering the short- and long-term effect of the Group's strategy on the economy, society and the environment.

It continues to be accountable for exercising overriding control over the Group's business operations and ensuring that the agreed values and ethical conduct are entrenched into the organisation. The board is also responsible for ensuring that proper systems and processes are in place to enable the Group to conduct its business in a sustainable manner. In addition, it exercises independent judgement on issues facing the Group as well as reviewing, assessing and guiding management in setting Group strategies and business plans.

#### **Delegation of authority**

The board, furthermore, fulfils its duties in terms of a decision making framework which is reviewed from time to time, whereas the execution of the board's responsibilities is done by delegating the necessary authority to the board's subcommittees and management. The functional responsibilities of the board's subcommittees, are described in the relevant charters.

#### **Composition of the board of directors**

The board of directors comprises eleven members, of which eight are non-executive directors. There is a balance of power

and authority at board level to ensure that no one director has unfettered powers of decision making. All non-executive directors are selected for specific terms whereas their re-appointment is not automatic, but by way of vote. All appointments to the board is formal and transparent and is considered as a matter for the board as a whole.

The chairman of the board is an independent non-executive director.

The executive directors and the company secretary are appointed by the board.

### **Board meetings**

During the year under review, the board of directors met five times and reviewed, *inter alia*, strategy, operating and capital budgets, marketing plans as well as expanding its operations into new emerging markets. Other matters relating to the overall Group objectives were also discussed – the latter, among other issues, included effective control measures and good corporate governance practices.

### **Board evaluation**

A board effectiveness assessment is undertaken on an annual basis and guided by the nominations committee. This year, the board followed a hybrid methodology whereby 50% of the board participated by way of written questionnaires and 50% by way of face-to-face interviews with an independent assessor.

The results of the evaluation process were analysed by the nominations committee and areas of concern as well as merit are being tabled at board meetings for discussion and strategy.

### **Insider trading**

The Group regularly reviews its Insider Trading policy and updates the content where necessary. It is noteworthy to record that the closed periods for trading in the Group's shares are maintained to prevent insider trading.

Closed periods apply at least every six months from 15 March or 15 September, respectively, until publication of the interim or annual financial results on SENS.

All directors, executive management and other affected employees are consequently prohibited from trading in Pioneer Foods' shares (i.e. directly or indirectly) in any other price sensitive period.

### **Company secretary**

The Group's company secretary is responsible for providing guidance to the board on the duties of the directors and good corporate governance principles. All directors have access to the company secretary, who ensures that the board procedures and applicable rules and regulations are fully observed and implemented.

The company secretary therefore also ensures that the proceedings of board and its committee meetings are properly recorded and that minutes of meetings are circulated to the directors in a timely manner, after the approval by the chairman of the board or the relevant board subcommittee.

### **Board committees**

In order to fulfil its duties and execute its responsibilities, the board established three subcommittees of which each have a specific mandate defined in its terms of reference.

The three subcommittees of the board, include the following forums:

- Audit and risk committee
- Human capital committee
- Nomination committee

Below is a summary of the mandates of the subcommittees of the board as well as its representation and meeting attendance during the year under review.

## CORPORATE GOVERNANCE (continued)

**Table 1: A synopsis of the subcommittees of the board**

	Human Capital Committee	Audit and Risk Committee	Nomination Committee
<b>Chairman</b>	<b>Dr MI Survé</b> Independent non-executive	<b>AH Sangqu</b> Independent non-executive	<b>JF Mouton</b> Non-executive
<b>Composition</b>	Non-executive directors 4	Non-executive directors 3	Non-executive directors 3
<b>Frequency of meetings</b>	Met four times this year	Met four times this year	Met three times this year
<b>Board approved charter</b>	Yes	Yes	Yes
<b>Primary responsibilities</b>	<ul style="list-style-type: none"> <li>Maintain and approve the HR Policy (or HR Policies)</li> <li>Executive management succession planning</li> <li>Monitor the implementation of relevant labour legislation</li> <li>Monitor and enable transformation and sustainability</li> <li>Remuneration of directors and executive management</li> <li>Evaluation and approval of a remuneration philosophy, strategy and policy</li> </ul>	<ul style="list-style-type: none"> <li>Appointment of auditors for the annual financial audit</li> <li>Ensures that appropriate internal control procedures are in place and applied</li> <li>Ensures that risk management procedures are adequate</li> <li>Ensures that appropriate standards of reporting and compliance are maintained</li> <li>Relevant legislation is adhered to</li> <li>The audit function operates effectively and is totally independent</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate proposals for all non-executive appointments</li> <li>Proposals for the appointment of the company secretary</li> <li>Performance evaluation of the board</li> <li>Performance evaluation of the chairman</li> <li>Succession planning of the chairman</li> </ul>
<b>Invitees</b>	<ul style="list-style-type: none"> <li>Meetings are attended by relevant members of management</li> </ul>	<ul style="list-style-type: none"> <li>Meetings are also attended by internal and external auditors and relevant members of management</li> </ul>	
<b>Access</b>		<ul style="list-style-type: none"> <li>All auditors have unlimited access to the audit and risk committee, thereby ensuring independence is not compromised in any way</li> <li>A fixed agenda item is a closed session discussion without management</li> </ul>	

**Table 2: Subcommittees of the board – Meeting attendance**

Directors	Directors' meetings (scheduled) 5	Directors' meetings (unscheduled) 5	Audit and Risk 4	Human Capital 5	Nomination 3
HE Blanckenberg* (Chairman)	3	4		3	3
JA Louw* (Vice-Chairman)	3	3		3	
WA Agenbach*	3	1	1		
AW Bester*	2	2			2
GD Eksteen	5	4		5	1
AE Jacobs*	3	3	2		
N Mjoli-Mncube	5	1	2		3
AH Sangqu	5	2	4		
AC Singleton*	3		1		
Dr FA Sonn*	1			1	
Dr MI Survé (Vice-Chairman)	4	2		5	
JH van Niekerk*	3	2	1		2
WA Hanekom (Managing Director)	5	5			
TA Carstens	5	4			
LR Cronjé	5	5			
MT Swanepoel*	3	2			
JF Mouton	4	4			
ZL Combi** (Chairman)	2			3	
MM du Toit**	2			3	
ASM Karaan**	2		2		
<b>Dates of scheduled meetings</b>	15/10/09	05/02/10	25/11/09	12/11/09	13/10/09
	26/11/09	10/02/10	24/03/10	18/02/10	26/11/09
	18/02/10	24/02/10	19/05/10	12/05/10	24/02/10
	20/05/10	29/03/10	22/07/10	20/05/10	
	05/08/10	29/03/10		11/05/10	

\* Retired/resigned

\*\* New Appointment

## **RISK MANAGEMENT**

The board of directors, through the audit and risk committee, is committed to executing its responsibility for ensuring that appropriate risk management processes are in place. The Group strives to adopt a structured and comprehensive approach to the effective management of risks at both divisional and operational level, by aligning strategy, processes, people, technology and knowledge for the purpose of evaluating and managing the inherent risks of doing business.

The Group's risk management policy, as approved by the board during the year under review, furthermore governs the risk management processes as well as each of the divisional risk management frameworks.

## **INTERNAL AUDIT**

Pioneer Foods' internal audit department is an independent appraisal and assurance function, which fulfils a core function within the Group's governance structures. It aims to provide autonomous and objective assurance to the Group, as well as rendering consulting services that are designed to add value and improve the Company's operations.

Its independence is manifested by the function reporting directly to the managing director. It furthermore has regular and unrestricted access to the audit and risk committee.

Internal audit aims to assist the business to accomplish its objectives by applying a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, integrated systems, control and governance processes across the Group.

The role and responsibilities of internal audit is contained in the internal audit charter, as approved by the audit and risk committee.

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

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

## **TIP-OFFS ANONYMOUS**

Tip-offs Anonymous is an independent hot-line service whereby any employee or stakeholder can, on an anonymous and confidential basis, report any dubious activity or unethical conduct in the Group.

Reports are sent directly to the internal audit function and reported to the audit and risk committee.

## SUSTAINABILITY REPORT

SUSTAINABILITY IS NOT ONLY A BUSINESS IMPERATIVE,  
BUT ALSO A **MORAL OBLIGATION**  
WE HAVE **TOWARDS OUR MULTIPLE**  
**STAKEHOLDERS AND THE ENVIRONMENT.**

### STATEMENT FROM THE MANAGING DIRECTOR

Sustainability is not only a business imperative, but also a moral obligation we have towards our multiple stakeholders and the environment. As a business we are fully committed to this sustainability journey. Our approach to stakeholder relations is informed by our business values and effective behaviours as outlined in the *Pioneer Foods Way* and our *Code of Ethics*.

Internally, we are investing heavily in putting together an *Integrated Management System* to streamline and align all the environmental, quality and safety standards, relevant legislation and governance protocols and developing metrics that will guide our business processes in this sustainability journey.

As manufacturers of high-quality food and beverage products, our raw materials are sourced from the environment. We are therefore close to the earth and are committed to putting back what we take and more. We strive to provide what humans need for nourishment and sustenance, while preserving environmental resources for future generations.

We reiterate our commitment and determination to make a difference to humanity through our concerted efforts towards sustainable development.

### SUSTAINABILITY REPORT

This report reflects on our delivery against certain sustainability indicators in the reporting period, while providing detailed feedback on a myriad of frameworks which we have developed in an attempt to escalate good governance, and compliance in particular, to the top of our corporate agenda. Going forward – and following our planned deep engagement with our stakeholders through a variety of communication channels including surveys – subsequent reports will measure our performance in how the articulated needs and expectations of our stakeholders are addressed and responded to.

### HUMAN CAPITAL

Pioneer Foods provides employment to more than 12 000 employees. The fundamental belief of the Group is that the main asset of Pioneer Foods is the competent and committed people who drive business value.

As part of the roadmap to sustainability, the human capital function has the following key focus areas:

#### People

The good performance results achieved by Pioneer Foods amidst challenges in the macro-business environment can largely be attributed to the drive, passion, commitment and dedication of our people. They are indeed the creators of value and the power behind our brands.

The affinity that our employees have for the Group and their appreciation of the continuous improvements in our people practices was further illustrated in this year's Deloitte Best Company results, wherein Pioneer Foods was voted as the *10th Best Company To Work For in the Large Company Category*.

#### Employment

The Group is aware of the unemployment challenges in South Africa, which tends to be exacerbated by the vast pool of unskilled and semi-skilled people. The Group's approach to this challenge is two fold; provision of job opportunities wherever practically possible and skills development through various learning interventions which include *inter alia*; apprenticeships, learnerships, bursary schemes, in-service training, graduate internship programmes, adult basic education and training, functional training and leadership development programmes to enable employability of people.

The Pioneer Foods national geographic footprint enables the Group to provide employment opportunities in rural, peri-urban, urban and metropolitan areas.

For the year under review, 11 314 people were permanently employed by the Group's wholly owned South African operations and 302 people were employed by the South African-based joint ventures, being Heinz Foods (SA) and Bowman Ingredients (SA). A total of 3 208 people were employed in the dedicated sales and merchandising structure, Pioneer Foods In-Store and a further 1 185 people were temporarily employed in both fixed-term and seasonal contract employment.

The total employee turnover rate of 9,8% is well below the current national average rate of 11,9%.

### Employment Equity

The Group is committed to employment equity and in ensuring that all occupational levels broadly reflect the demographics of the South African economically active population. The executive management and the human capital committee of the board carry the accountability of enabling and monitoring employment equity progress in the Group.

For the year under review, three black appointments were made to the executive management, namely; Theo Hendrickse – Executive: Group Legal Services and Company Secretary, Geraldine Monareng – Executive: Africa Business, and Lulu Khumalo – Executive: Corporate Affairs and Sustainability. There were two departures from the executive management; Rosh Naidoo – Executive: Group Legal Services and Company Secretary resigned on 31 December 2009 and Tertius Swanepoel – Executive: Marketing retired 30 September 2010. Currently, the Group's black representation in executive management has increased from 22% to 40%.

The table below reflect the consolidated Group employment equity report (EEA12) as at 30 September 2010:

Occupational Levels	Designated							Non-designated		TOTAL	
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male		Female
Top management	1	1	0	2	0	0	0	7	0	0	11
Senior management	7	17	7	3	5	0	26	136	1	0	202
Professionally qualified and experienced specialists and mid-management	68	116	48	12	49	11	107	310	0	1	722
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	524	500	92	174	386	49	324	338	1	0	2 388
Semi-skilled and discretionary decision-making	1 805	767	65	188	256	21	48	24	2	0	3 176
Unskilled and defined decision-making	2 618	523	23	803	845	0	0	3	0	0	4 815
<b>TOTAL PERMANENT</b>	<b>5 023</b>	<b>1 924</b>	<b>235</b>	<b>1 182</b>	<b>1 541</b>	<b>81</b>	<b>505</b>	<b>818</b>	<b>4</b>	<b>1</b>	<b>11 314</b>
Non-permanent employees	85	34	1	28	21	0	18	26	0	0	213
<b>GRAND TOTAL</b>	<b>5 108</b>	<b>1 958</b>	<b>236</b>	<b>1 210</b>	<b>1 562</b>	<b>81</b>	<b>523</b>	<b>844</b>	<b>4</b>	<b>1</b>	<b>11 527</b>

To complement efforts made in improving the top management demographic profile during this period, good progress has been made in improving the Group's demographic profile at junior- and middle-management, as well as professional levels.

### Employee Relations

The Group upholds the right to freedom of association, thus enabling employees to join a registered trade union or professional association of their choice. There are currently 18 registered trade unions in the Group's various business operations with a collective membership of 5 389.

Organised labour constitutes approximately 73% of the bargaining unit and approximately 53% of the permanent employees.

Human dignity, tolerance, mutual respect, open communication, organisational sustainability and Group values enshrined in the *Pioneer Foods Way* form the bedrock of our approach to employee relations.

The 2010 wage negotiations in the various business bargaining forums were challenging, but despite this, were characterised by constructive exchanges between the negotiating parties.

### Employee Development

People development is at the centre of our agenda in the Group as we seek to build capacity on the one hand, while creating skills pipeline and leadership bench-strength on the other hand. The Group has invested approximately R24 million in the various learning and development interventions and, of this amount, R15 million has been spent on black employees.

### Employee Wellness

The awareness programme continues to equip employees with life skills knowledge and healthy lifestyle choices. Although the focus during the past reporting period has been on conflict resolution and work ethics, the goal was to approach the wellness of employees holistically. The HIV/Aids programme is addressed under the physical wellbeing module of the wellness agenda, but given the high prevalence rate in South Africa, renewed focus is needed to ensure an innovative awareness campaign that removes the stigma of living with HIV/Aids.

### Organisational Development

Several initiatives are implemented across the business to embed the *Pioneer Foods Way* in the Group. These measures include but are not limited to the "Value of the Month"; focus groups on values and associated desired behaviours; spot-recognition awards for people nominated by fellow employees or superiors who have been observed to be living the values and 360° values assessment for the leadership and managers.

The *Pioneer Foods Way* is an embodiment of the company values, desired effective behaviours that underpin each value and approved practices on how to relate to the Group's multi-stakeholders.

### Remuneration

The human capital committee of the board approved the remuneration philosophy, strategy and policy of the Group.

The Company's remuneration philosophy is anchored on the *World at Work* total rewards approach and comprises a unique combination of career growth opportunities and recognition, culture and values, compensation, benefits and work environment.

The remuneration strategy's main aim is to enable the Group to develop, motivate, maintain and retain an internal human capital pipeline; and when necessary attract the requisite skills from the labour market to enable the business' growth strategy.

The remuneration policy codifies the remuneration principles, processes, practices and procedures to give effect to the Group's remuneration philosophy and strategy.

The pay mix may comprise a combination of guaranteed pay (total cost to company) and variable pay (short-term incentives and long-term incentives) depending on the level of seniority in the organisational hierarchy.

### Guaranteed Pay

The guaranteed pay is generally referenced to the job family market median.

### Short-term incentive

The short-term incentive is essentially a performance bonus that is designed to incentivise management to drive business performance in order to increase shareholder value.

Annual performance bonuses are payable and are based on a combination of performance achieved in terms of profit growth and return on average net assets. Depending on seniority, this amount is limited to an amount that varies between 8,33% and 75% of an annual remuneration package.

An additional incentive, limited to one month's remuneration package, is payable to executive management, general managers and senior functional managers based on the formula approved by the human capital committee, if pre-determined broad-based black economic empowerment goals are achieved.

#### **Long-term incentive**

The purpose of the long-term incentive scheme is to align the management and shareholder interests and also to enable attraction and retention of key managers over the long-term (at least five years).

To ensure that the long-term incentive keeps employees productively engaged for the duration of this period, a proportion of share options and/or share appreciation rights vest to employees annually.

The human capital committee determines the share allocation to qualifying managers annually in terms of the Share Appreciation Rights scheme. The number of share appreciation rights allocated is based on the multiple of the total remuneration package per year that varies from half a year's package up to three years' package. The total value of share appreciation rights allocated takes into account the value of share options and share appreciation rights allocated during the last five years.

The last allocation under this scheme was made in February 2010 at R34,74. Share options and share appreciation rights that have been accepted may be traded at 20% per annum within a maximum period of ten years.

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

## **SAFETY**

Pioneer Foods is committed to providing a healthy and safe environment for our employees. Although not centrally coordinated, each of the four operating divisions has strategies in place to ensure both the safety of our employees and of our customers. A number of certifications have been obtained by business units and ratings have been improved during the current reporting period. Major certifications include; HACCP, ISO 9001, BRC, SAFSIS, Afri Compliance, AIB, Nosa and Safepro.

## **ENVIRONMENT**

Pioneer Foods embarked on a baseline assessment of our travel emissions for the reporting period. Even though this only serves as an internal benchmark, which will be monitored on an annual basis, it provides good insight as to the focus areas for reduction of emissions. In line with other South African companies, air travel is the biggest contributor at 90%, with car rentals and hotels equally low contributors at 5% each.

A more holistic view will be taken in future regarding the measuring and, ultimately, the reduction in Pioneer Foods' carbon footprint.

Water management will receive focused attention, as access to this vitally important but scarce natural resource is attracting growing concern in South Africa.

One of the pioneering initiatives that the Group is investing in, is the development of an *Integrated Management System*. Its aim is to integrate management systems and business processes, focusing on three core disciplines – i.e. environmental management, food safety and people safety. Depending on the outcome and progress of this pilot initiative, the objective is to extend the module content to the rest of the Group including adapting the system to complement the Group's complex business model.

## **SOCIAL RESPONSIBILITY**

### **BBBEE Performance**

Our continuous improvement in performance during the independent audits by an accredited verification agency, confirmed our attempts to add value to our customers and our host communities in an endeavour to empower as we grow.

## SUSTAINABILITY REPORT (continued)

Element	2008	2009	2010	Target (2010)
Ownership	2,35	3,83	3,43	3,83
Management	3,31	3,49	4,91	4,91
Employment Equity	5,01	5,31	5,60	5,57
Skills Development	0,08	4,79	6,34	5,07
Preferential Procurement	7,17	9,54	17,47	10,52
Enterprise Development	10,56	15,00	15,00	15,00
Socio-economic Development	5,00	5,00	5,00	5,00
Total Score	33,48	46,96	57,75	49,90
Level	8	6	5	6

Disclaimer: Audited results certificate to be issued in January 2011.

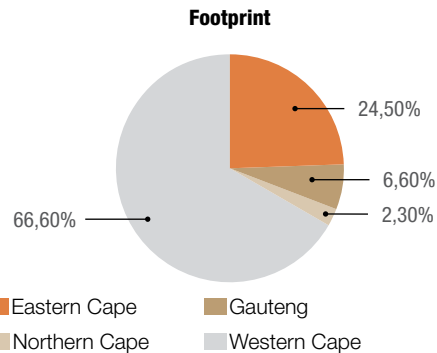
**Employment Equity** remains a challenge at senior management level, as we have not managed to achieve the minimum threshold. We will critically review our ability to attract and retain black employees on this level.

Our **Skills Development** rating has improved significantly since 2008, although a much more innovative approach is required to ensure continued progress. Our Employment Equity challenges have an impact on our ability to develop black people, as the current workforce profile does not allow for optimum opportunities on this element.

Our **Preferential Procurement** rating has increased significantly due to our updated central procurement strategy and a concerted effort with regards to supplier certificate management. In future, we shall focus on major suppliers who do not have a valid rating.

**Enterprise Development** has proved to be a powerful empowerment instrument. Success has been achieved through dedication in finding the right projects and assigning dedicated mentors to ensure skills transfer. Our vision is to build long-term relationships and empower individuals rather than providing short-term cash grants.

During the 2010 financial year, the Group's focus remained on contributing towards enterprise development initiatives that can add value to our range of products, while contributing to food security and ensuring the sustainability of agricultural businesses in South Africa. As such, 93,4% (R11 506 089) of our total enterprise development spend went towards supporting primary agricultural projects. Due to the location of the majority of our operations, our geographical footprint is still biased towards the Western Cape, with the distribution of our expenditure as follows:



We invest in projects that are initiated and proposed with a true empowerment spirit. To ensure transfer of knowledge, skills and expertise, mentors are assigned to each project. These mentors are selected, based on their ability and willingness to invest in the development of the project beneficiaries. As most projects require long-term involvement, it is vital that the relationships between all parties are based on respect and trust, resulting in close teamwork. Dedicated Pioneer Foods employees play a vital role in ensuring the success of projects aimed toward social transformation, as they serve on the boards of directors/trustees to ensure all project decision-making processes remain innovative, fair and collaborative.

Pioneer Foods will continue to seek Enterprise Development investment opportunities which will ensure the empowerment of the communities we serve.

**Socio-economic Development** spend is above the average of 1%. The focus is shifting towards creating empowered and sustainable communities.

## CORPORATE SOCIAL INVESTMENT

### The Pioneer Foods Fund

The creation of the Fund is a quest to demonstrate intent and focus in CSI initiatives in order to enrich existing strategies. Through the Fund, Pioneer Foods strives to assist government in solving socio-economic challenges.

The focus of The Pioneer Foods Fund remains on the areas of nutrition, agriculture, environment and disaster relief. The Fund's targeted socio-economic development (SED) initiatives strengthen the link between the Group's core business and its social contribution.

Given the Fund's mandate, it continues to explore partnerships with external stakeholders that share the Group's strategic intent.

This is in addition to the various CSI investments made by the divisions, in their respective communities.

Some of the projects that The Pioneer Foods Fund has been supporting over the last year, are:

**Food and Trees For Africa (FTFA)**, a well established NPO, has a successful model that will be replicated through their permaculture starter pack programme. The Pioneer Foods Fund partnered with FTFA to distribute 10 permaculture starter packs to support fledgling food gardens. The Fund is already supporting six existing projects with successful track records, as well as distributing two starter packs each to two new projects.

**FoodBank South Africa** entered into a capacity-building partnership with The Pioneer Foods Fund. In 2010 the Fund piloted two learnerships, paying for the salaries and training of two logistics management graduates.

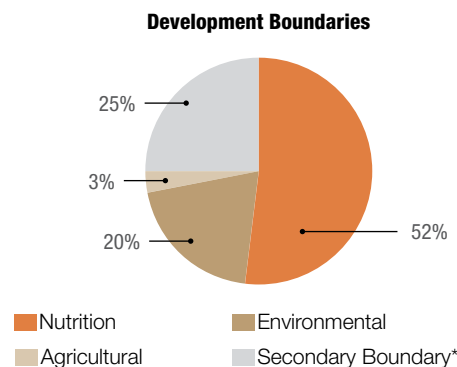
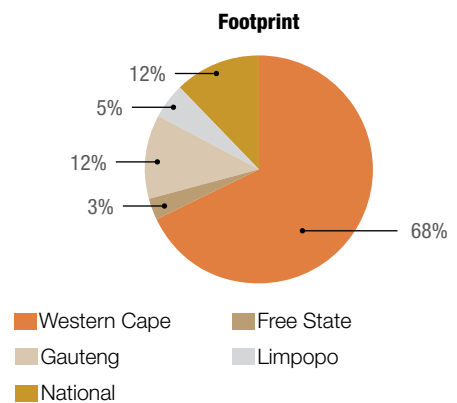
**Table Mountain Fund (TMF)**, a subsidiary of WWF-SA is working in alliance with The Pioneer Foods Fund as the Group's first environmental initiative. TMF, together with CapeNature, is conducting biodiversity management interventions in the Boland.

**Grassroot Soccer (GRS)**, founded by former professional soccer players in 2002, trains African soccer stars, coaches, teachers, and peer educators to deliver an interactive HIV prevention and life skills curriculum to youth. The Fund was a sponsor of Grassroot Soccer's winter 2010 holiday 'Skillz' camps. Although sport is not a Pioneer Foods Fund focus area, the Grassroot Soccer model is first and foremost a social development project, with soccer as a means to an end, it is the reward for the learning. More than 25 000 meals were provided over the four-week period. The Fund saw the opportunity to combine food provision with nutrition education. An integral part of the modules was that the learners will spread the message throughout their communities. The Fund aimed to convey information about inexpensive, balanced nutrition to these 4 500 kids. While the project was initiated during the hype around the 2010 World Cup™, the project will continue long after August 2010.

Other beneficiaries from The Pioneer Foods Fund include:

- African Children Feeding Scheme
- Goue Aar Old Age Home\*
- Scarce Skills Bursary programme\*
- Christel House School
- University of the Free State\*
- Stellenbosch Community Development Programme
- The Warehouse Trust
- MaAfrika Tikkun

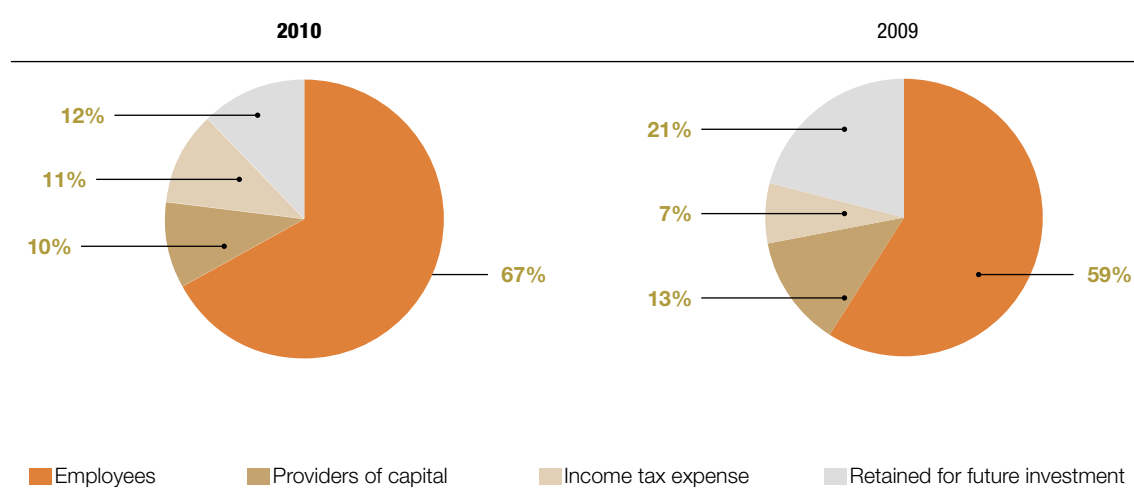
A graphic presentation of the work done by The Pioneer Foods Fund is depicted in the following graphs:



**VALUE ADDED STATEMENT**  
for the year ended 30 September 2010

	<b>GROUP</b>	
	<b>2010</b> R'000	2009 R'000
Revenue	<b>15 731 322</b>	16 283 914
Cost of production and services	<b>(12 483 269)</b>	(12 937 531)
Value added by operating activities	<b>3 248 053</b>	3 346 383
Interest received	<b>31 362</b>	26 973
Dividends received	<b>2 071</b>	1 742
<b>Wealth created</b>	<b>3 281 486</b>	3 375 098
Distributed as follows:		
<b>Employees</b>		
Salaries, wages and employee benefits	<b>2 185 713</b>	1 999 334
<b>Providers of capital</b>		
Interest paid	<b>156 597</b>	224 554
Dividend to shareholders	<b>179 054</b>	205 207
<b>Income tax expense</b>		
Income tax paid in respect of profits earned	<b>358 573</b>	241 575
<b>Retained for future investment</b>		
Depreciation and impairments	<b>322 619</b>	322 438
Retained earnings	<b>78 930</b>	381 990
<b>Wealth distributed and retained</b>	<b>3 281 486</b>	3 375 098

**DISTRIBUTION OF WEALTH**



## FIVE-YEAR FINANCIAL REVIEW

	<b>GROUP</b>				
	<b>2010</b>	2009	2008	2007	2006
	<b>R'm</b>	R'm	R'm	R'm	R'm
<b>Consolidated statement of comprehensive income</b>					
Revenue	<b>15 731.3</b>	16 283.9	14 884.4	11 676.6	9 664.4
Profit before items of a capital nature and income tax	<b>629.9</b>	964.6	646.5	717.2	681.2
Before Competition Commission penalties	<b>1 284.1</b>	964.6	646.5	717.2	681.2
Competition Commission penalties	<b>(654.2)</b>	–	–	–	–
Items of a capital nature	<b>(10.3)</b>	(68.0)	(19.4)	1.1	76.7
Income tax expense	<b>(383.9)</b>	(334.9)	(174.4)	(211.3)	(186.1)
<b>Profit for the year</b>	<b>235.7</b>	561.7	452.7	507.0	571.8
Attributable to:					
Owners of the parent	<b>234.5</b>	560.5	452.2	506.2	571.3
Non-controlling interest	<b>1.2</b>	1.2	0.5	0.8	0.5
	<b>235.7</b>	561.7	452.7	507.0	571.8
<b>Operating profit before items of a capital nature</b>	<b>753.0</b>	1 160.0	865.1	831.9	746.9
<b>Headline earnings for the year</b>	<b>236.4</b>	620.9	468.3	502.6	493.5
<b>Consolidated statement of financial position</b>					
Property, plant, equipment, intangible assets and biological assets	<b>4 271.3</b>	3 761.6	3 634.1	3 244.2	2 853.2
Deferred income tax	<b>2.7</b>	2.7	36.2	25.5	23.4
Loans to joint ventures and investment in associates	<b>35.2</b>	38.5	32.4	15.0	11.2
Non-current trade receivables and available-for-sale financial assets	<b>56.0</b>	48.6	41.5	42.0	29.8
Current assets	<b>4 512.1</b>	4 250.1	4 297.0	3 502.4	2 976.5
<b>Total assets</b>	<b>8 877.3</b>	8 101.5	8 041.2	6 829.1	5 894.1
Capital and reserves attributable to owners of the parent	<b>4 751.4</b>	4 628.0	4 256.8	3 609.2	3 186.7
Non-controlling interest	<b>6.5</b>	5.8	6.0	5.8	5.0
<b>Total equity</b>	<b>4 757.9</b>	4 633.8	4 262.8	3 615.0	3 191.7
Non-current borrowings	<b>946.2</b>	1 096.6	1 181.3	187.4	272.4
Provisions, derivative financial instruments and share-based payment liability	<b>216.9</b>	165.8	135.1	71.9	69.0
Non-current liability – accrual for Competition Commission penalties	<b>391.8</b>	–	–	–	–
Deferred income tax	<b>519.1</b>	491.2	442.4	415.4	398.0
Current liabilities excluding accrual for Competition Commission penalties	<b>1 978.7</b>	1 714.1	2 019.6	2 539.4	1 963.0
Current liability – accrual for Competition Commission penalties	<b>66.7</b>	–	–	–	–
<b>Total equity and liabilities</b>	<b>8 877.3</b>	8 101.5	8 041.2	6 829.1	5 894.1
<b>Consolidated statement of cash flows</b>					
Net cash profit from operating activities	<b>1 609.9</b>	1 509.7	1 141.7	1 117.4	973.3
Before Competition Commission penalties paid	<b>1 805.6</b>	1 509.7	1 141.7	1 117.4	973.3
Competition Commission penalties paid	<b>(195.7)</b>	–	–	–	–
Working capital changes	<b>95.1</b>	356.6	(511.2)	(350.7)	(573.7)
Cash effect from hedging activities	<b>18.7</b>	21.7	(140.5)	64.2	49.6
Income tax paid	<b>(353.0)</b>	(234.4)	(178.3)	(225.5)	(209.9)
<b>Net cash flow from operating activities</b>	<b>1 370.7</b>	1 653.6	311.7	605.4	239.3
<b>Net cash flow from investment activities</b>	<b>(805.3)</b>	(465.0)	(648.9)	(645.9)	(354.4)
Net cash surplus/(deficit)	<b>565.4</b>	1 188.6	(337.2)	(40.5)	(115.1)
<b>Net cash flow from financing activities</b>	<b>(448.6)</b>	(517.5)	1 140.9	(331.9)	74.5
Net cash and short-term borrowings from business combinations and disposal of subsidiaries	<b>–</b>	–	2.8	(3.0)	–
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	<b>116.8</b>	671.1	806.5	(375.4)	(40.6)

## FIVE-YEAR FINANCIAL REVIEW (continued)

	GROUP				
	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
<b>Profitability (%)</b>					
Revenue growth	<b>(3.4)</b>	9.4	27.5	20.8	14.4
Operating profit margin (Note 1)	<b>4.8</b>	7.1	5.8	7.1	7.7
Operating profit margin (Note 2)	<b>8.9</b>	7.1	5.8	7.1	7.7
Effective tax rate	<b>62.0</b>	37.4	27.8	29.4	24.6
Return on average net assets (Note 1)	<b>13.3</b>	19.7	15.4	17.2	18.3
Return on average net assets (Note 2)	<b>23.9</b>	19.7	15.4	17.2	18.3
Return on average shareholders' funds	<b>5.0</b>	14.0	11.9	14.8	16.9
<b>Liquidity and solvency</b>					
Debt to equity ratio (%)	<b>8.5</b>	14.3	34.2	33.1	28.3
Current ratio (times)	<b>2.2</b>	2.5	2.1	1.4	1.5
Acid test ratio (times)	<b>1.2</b>	1.3	1.0	0.7	0.8
Cash profit interest cover (times)	<b>12.9</b>	7.6	5.2	9.7	14.5
Net interest cover (times)	<b>6.0</b>	5.9	3.9	7.2	11.1
Dividend cover (times)	<b>–</b>	2.5	2.5	3.0	3.2
<b>Performance per share (cents)</b>					
Earnings	<b>132.5</b>	320.8	282.3	330.7	377.4
Headline earnings (Note 1)	<b>133.5</b>	355.4	292.4	328.4	325.9
Headline earnings (Note 2)	<b>503.0</b>	355.4	292.4	328.4	325.9
Dividend	<b>–</b>	125.0	96.0	93.0	85.2
Net asset value	<b>2 667.9</b>	2 622.9	2 437.6	2 338.6	2 087.6
<b>Productivity</b>					
Revenue to net asset cover (times)	<b>3.3</b>	3.5	3.5	3.2	3.0
Revenue per employee (R'000)	<b>1 255.5</b>	1 363.7	1 284.7	1 010.6	829.4
Net assets per employee (R'000)	<b>379.2</b>	387.6	367.4	312.4	273.5
Number of permanent employees	<b>12 530</b>	11 941	11 586	11 554	11 652
<b>Share trading statistics</b>					
Price per share (cents):					
At year-end	<b>4 760</b>	3 350	2 477	3 504	2 800
High	<b>4 995</b>	3 350	3 504	4 000	3 300
Low	<b>3 202</b>	2 175	2 060	2 800	1 871
Net number of issued shares ('000):					
Total number of issued shares	<b>201 192</b>	201 184	201 184	181 184	181 184
Number of treasury shares – share incentive trust	<b>(5 112)</b>	(6 758)	(8 571)	(8 871)	(10 415)
Number of treasury shares – subsidiary	<b>(17 982)</b>	(17 982)	(17 982)	(17 982)	(18 118)
	<b>178 098</b>	176 444	174 631	154 331	152 651
Market capitalisation (R'000)	<b>9 576 738</b>	6 739 664	4 983 328	6 348 687	5 073 152
Dividend yield (%)	<b>–</b>	3.7	3.9	2.7	3.0
Headline earnings yield (%) (Note 1)	<b>2.8</b>	10.6	11.8	9.4	11.6
Headline earnings yield (%) (Note 2)	<b>10.6</b>	10.6	11.8	9.4	11.6
Earnings yield (%)	<b>2.8</b>	9.6	11.4	9.4	13.5
Price earnings ratio (times) (Note 1)	<b>35.7</b>	9.4	8.5	10.7	8.6
Price earnings ratio (times) (Note 2)	<b>9.5</b>	9.4	8.5	10.7	8.6

### Notes:

1. Calculated after taking the accrual for the Competition Commission penalties into consideration.
2. Calculated without taking the accrual for the Competition Commission penalties into consideration.

**FIVE-YEAR FINANCIAL REVIEW (continued)**

	<b>GROUP</b>				
	<b>2010</b>	2009	2008	2007	2006
	<b>R'm</b>	R'm	R'm	R'm	R'm
<b>Segments</b>					
<b>Revenue</b>					
Sasko	<b>8 314.1</b>	8 876.7	8 143.0	5 848.8	4 655.8
Agri Business	<b>2 453.2</b>	2 599.4	2 493.4	2 106.9	1 877.2
Bokomo Foods	<b>2 683.2</b>	2 625.0	2 539.4	2 217.3	1 856.1
Ceres Beverages	<b>2 483.7</b>	2 410.1	2 082.9	1 807.3	1 383.8
Unallocated	–	–	–	–	212.1
	<b>15 934.2</b>	16 511.2	15 258.7	11 980.3	9 985.0
Less: Internal revenue	<b>(202.9)</b>	(227.3)	(374.3)	(303.7)	(320.6)
	<b>15 731.3</b>	16 283.9	14 884.4	11 676.6	9 664.4
<b>Operating profit before items of a capital nature</b>					
Sasko	<b>327.5</b>	926.3	622.0	453.8	372.0
Before accrual for Competition Commission penalties	<b>981.7</b>	926.3	622.0	453.8	372.0
Accrual for Competition Commission penalties	<b>(654.2)</b>	–	–	–	–
Agri Business	<b>136.9</b>	80.3	3.5	100.7	178.1
Bokomo Foods	<b>230.7</b>	195.4	239.4	213.0	158.0
Ceres Beverages	<b>165.2</b>	98.6	77.8	106.4	77.9
Unallocated	<b>(107.3)</b>	(140.6)	(77.6)	(42.0)	(39.1)
	<b>753.0</b>	1 160.0	865.1	831.9	746.9
<b>Depreciation and amortisation</b>					
Sasko	<b>124.9</b>	111.0	104.4	110.8	83.6
Agri Business	<b>24.3</b>	21.1	19.6	17.3	17.3
Bokomo Foods	<b>61.6</b>	54.4	45.9	54.0	50.7
Ceres Beverages	<b>60.7</b>	55.0	50.8	37.3	28.1
Unallocated	<b>26.9</b>	27.6	31.6	31.1	17.3
	<b>298.4</b>	269.1	252.3	250.5	197.0

**DEFINITIONS**
**Operating profit margin**

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

**Effective tax rate**

Income tax expense included in profit or loss as a percentage of profit before income tax.

**Return on average net assets**

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

**Return on average shareholders' funds**

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

**Debt to equity ratio**

Borrowings, net of cash and cash equivalents, as a percentage of capital and reserves attributable to owners of the parent.

**Current ratio**

Ratio of current assets to current liabilities.

**Acid test ratio**

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

**Cash profit interest cover**

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

**Net interest cover**

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

**Dividend cover**

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

**Net asset value per share**

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

**Revenue to net asset cover**

Revenue divided by net assets.

**Revenue per employee**

Revenue divided by permanent employees at year-end.

**Net assets per employee**

Capital and reserves attributable to owners of the parent divided by permanent employees at year-end.

**Market capitalisation**

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

**Dividend yield**

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

**Headline earnings yield**

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

**Earnings yield**

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

**Price earnings ratio**

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

**Ordinary share/shares**

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

## GROUP ANNUAL FINANCIAL STATEMENTS

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## DIRECTORS' RESPONSIBILITY

In accordance with the requirements of the Companies Act, the directors are responsible for the preparation of annual financial statements and Group annual financial statements which conform with International Financial Reporting Standards (IFRS) and which fairly present the state of affairs of Pioneer Food Group Limited and its subsidiaries at the end of the financial year, and the net profit and cash flows for that period. The directors are also responsible for the other information included in the annual report and for both its accuracy and its consistency with the financial statements.

It is the responsibility of the independent external auditors to report on the fair presentation of the financial statements.

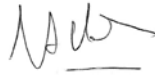
The directors are ultimately responsible for the internal control processes. Management enables the directors to meet their responsibilities in this regard. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Group, has occurred during the year and up to the date of this report. The directors have a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

The annual financial statements which appear on pages 45 to 149 were approved by the board of directors on 1 December 2010 and are signed on behalf of the board by:



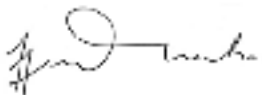
**ZL Combi**  
*Chairman*



**WA Hanekom**  
*Managing Director*

## SECRETARIAL CERTIFICATION

In accordance with section 268G(d) of the Companies Act, Act 61 of 1973, as amended ("the Act"), it is hereby certified that the Company and its subsidiaries have lodged with the Registrar of Companies all such returns that are required of a public company in terms of the Act and that such returns are true, correct and up to date.



**TF Hendrickse**  
*Company Secretary*

## REPORT OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee has pleasure in submitting this report, as required by sections 269A and 270A of the Companies Act, Act 61 of 1973, as amended (hereafter referred to as "the Companies Act").

The audit and risk committee recognises its responsibilities to entrench risk management and corporate governance processes and procedures within the Group. The introduction of the King Code of Governance Principles for South Africa 2009 (King III), which became effective on 1 March 2010, heralded a new era with respect to the responsibilities of the audit and risk committee.

During the year under review, an analysis was conducted at the request of the audit and risk committee, to ascertain its level of adherence to the principles defined in King III. This process also included determining the changes that need to be effected to its governance practices, to ensure compliance to the recommendations as per King III. The audit and risk committee is pleased to report that the Group has made good progress in this regard and will report on its application of King III in its report for the year ending 30 September 2011.

### AUDIT AND RISK COMMITTEE CHARTER

During the year under review, the audit and risk committee revised its terms of reference *inter alia* to ensure that it is in line with King III. This charter, which outlines the key responsibilities of the audit and risk committee, has subsequently been approved by the board of directors.

The audit and risk committee's role and responsibilities include the statutory duties as required by the relevant provisions of the Companies Act. Further responsibilities were also assigned to the audit and risk committee by the board of directors and executed accordingly.

### MEMBERS OF THE AUDIT AND RISK COMMITTEE AND ATTENDANCE AT MEETINGS

The audit and risk committee consisted of the non-executive directors listed in the table hereunder and meets at least four times per annum, as prescribed in the audit and risk committee charter.

All members are required to act independently as described in the Companies Act, section 269A.

During the year under review, four meetings were held:

Name of member	Number of meetings attended	25 November 2009	24 March 2010	19 May 2010	22 July 2010
AH Sangqu (Chairman)	4	Present	Present	Present	Present
WA Agenbach (Resigned: 19/02/2010)	1	Present	*	*	*
AE Jacobs (Resigned: 29/03/2010)	2	Present	Present	*	*
JH van Niekerk (Resigned: 29/03/2010)	1	Apology tendered in advance	Present	*	*
AC Singleton (Resigned: 19/02/2010)	1	Present	*	*	*
N Mjoli-Mncube	2	**	**	Present	Present
Prof ASM Karaan **	2	**	**	Present	Present

\* Not applicable: due to effective date of resignation

\*\* New appointment on the audit and risk committee: effective as from 28 April 2010

The internal and external auditors, in their capacity as assurance providers to the Group, also attended and reported to all meetings of the audit and risk committee. In addition, executive directors and relevant senior managers have also attended meetings on invitation.

Only the official members of the committee were, however, allowed to exercise voting rights.

### ROLES AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The committee has, moreover, discharged the functions outlined in its charter and ascribed to it in terms of the Act as follows:

- Reviewing the interim, preliminary and abridged results as well as the year-end financial statements, culminating in a recommendation to the board for approval. In the course of its review, the committee:
  - took the necessary steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner as required by the Companies Act of South Africa;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Profession Act, 2005) identified and reported by the external auditor;

## REPORT OF THE AUDIT AND RISK COMMITTEE (continued)

### ROLES AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE (continued)

- dealt adequately with concerns and/or complaints relating to accounting policies, internal audit, the auditing or content of annual financial statements and internal financial controls.
- Reviewed the external audit reports on the annual financial statements.
- Verified the independence of the external auditors, nominated PricewaterhouseCoopers Inc. as the auditors for the year under review and noted that Mr Hugo Zeelie (accredited as such on the JSE List of Accredited Auditors and registered in accordance with the Auditing Professions Act) was appointed as the designated auditor.
- Approved the audit fees and the terms of engagement of the external auditors.
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditors.
- Confirmed the internal audit charter and audit plan.
- Ensured that risk management procedures are adequate and appropriate.
- Reviewed the internal audit and risk management reports and, where relevant, made recommendations to the board.
- Evaluated the effectiveness of risk management, controls and the governance processes.
- Oversee the integrated reporting process.

### INTERNAL AUDIT

The audit and risk committee fulfils an oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control. It is also responsible for ensuring that the Group's internal audit function remains independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties.

The audit and risk committee, furthermore, oversees the cooperation between the internal and external auditors as well as serving as a link between the board of directors and these respective functions.

### CONFIDENTIAL MEETINGS

All audit and risk committee agendas provide for confidential meetings between the committee members and the internal and external auditors.

### INDEPENDENCE OF EXTERNAL AUDITORS

During the year under review, the audit and risk committee reviewed a representation by the external auditors and, after conducting its own review, confirmed the independence of the auditors.

### EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR

As required by JSE Listings Requirement 3.84(i), as well as the recommended practice as per King III, the audit and risk committee has satisfied itself that the financial director has the appropriate expertise and experience.



**AH Sangqu**

*Chairman: audit and risk committee  
Paarl, 1 December 2010*

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIONEER FOOD GROUP LIMITED

We have audited the Group annual financial statements and annual financial statements of Pioneer Food Group Limited, which comprise the consolidated and separate statements of financial position as at 30 September 2010, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 45 to 149.

### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITOR'S RESPONSIBILITY**

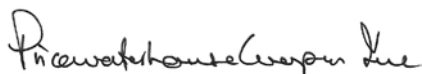
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **OPINION**

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Pioneer Food Group Limited as at 30 September 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



### **PricewaterhouseCoopers Inc.**

*Director: H Zeelie*

*Registered Auditor*

*Paarl, 1 December 2010*

**DIRECTORS' REPORT**  
for the year ended 30 September 2010

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

Pioneer Food Group Limited and its subsidiaries are involved in the manufacturing of food, beverages and related products for human and animal consumption. The various segments are highlighted in the Operational Review on pages 16 to 23.

**FINANCIAL RESULTS**

The annual financial statements on pages 45 to 149 set out fully the financial position, results of operations and the cash flows for the year ended 30 September 2010. Further information is provided in the Financial Review on pages 24 to 25.

**SHARE CAPITAL**

The authorised share capital consists of 400,000,000 (2009: 400,000,000) ordinary shares of 10 cents each and 18,130,000 (2009: 18,130,000) class A ordinary shares of 10 cents each. At year-end 201,191,970 (2009: 201,183,898) ordinary shares and 10,408,650 (2009: 11,397,190) class A ordinary shares are in issue.

The movement in issued share capital is disclosed in note 22 to the annual financial statements. During the year the Company issued 8,072 (2009: Nil) listed ordinary shares of 10 cents each at R42.58 per share.

There was no movement (2009: Nil) in the treasury shares held by a subsidiary. This subsidiary held 17,982,056 (2009: 17,982,056) ordinary shares at year-end.

The number of ordinary shares held by the share incentive trust at year-end is 5,111,905 (2009: 6,758,105). A net number of 1,646,200 (2009: 1,812,830) ordinary shares were sold by the share incentive trust for R18,061,454 (2009: R13,880,913). No (2009: Nil) ordinary shares were issued to the trust.

The Company bought back and cancelled 988,540 (2009: 1,221,990) class A ordinary shares during the year at a premium of R11.24 (2009: R1.43) per share.

**BORROWINGS**

No new borrowings were obtained by Group companies, except by two foreign joint ventures (Namibia and Botswana) that obtained additional foreign funding due to expansions.

For further detail of the borrowings obtained refer to notes 25 and 48 of the annual financial statements. For the carrying amounts of property, plant and equipment, inventories and trade and other receivables encumbered refer to notes 12, 18 and 20 of the annual financial statements respectively.

**DIVIDENDS**

The board deemed it prudent not to declare a final dividend due to the settlement with the Competition Commission. A final dividend of R179,053,669 was declared for 2009, representing 89,0 cents per ordinary share.

No dividend has been declared for the year. In 2009 the total dividend for the year was R251,479,873, representing 125,0 cents per share.

**SUBSIDIARIES AND JOINT VENTURES**

The detail on interest in subsidiaries and loans to joint ventures are presented in note 49 to the annual financial statements. The interest of the holding company in the profits and losses of subsidiaries and joint ventures, after income tax expense and profit attributable to non-controlling interest, is as follows:

	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>Subsidiaries</b>		
Profits	<b>225 843</b>	607 502
Losses	<b>(27 031)</b>	(78 537)
<b>Joint ventures</b>		
Profits	<b>39 059</b>	32 846
Losses	<b>(174)</b>	(1 251)

**DIRECTORS' REPORT**  
**for the year ended 30 September 2010 (continued)**

**DIRECTORS**

The directors of the holding company, Pioneer Food Group Limited, are responsible for the activities and reports related to the Group. Full details of the directors appear on pages 10 to 11.

**SPECIAL RESOLUTIONS PASSED**

No special resolutions with a material impact on the Group were passed by Pioneer Food Group Limited or any of the Group subsidiaries.

**LITIGATION STATEMENT**

Refer to note 32 (contingent liabilities) of the annual financial statements for details on the status of the dispute with contract growers.

**EVENTS AFTER THE REPORTING PERIOD**

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

## ACCOUNTING POLICY for the year ended 30 September 2010

### 1. Basis of preparation

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

The consolidated annual financial statements of the Group are presented in accordance with, and comply with, International Financial Reporting Standards (IFRS) and International Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these financial statements. The consolidated annual financial statements are prepared on the historic cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

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

#### **New and amended accounting standards and interpretations effective in 2010**

The following standards, amendments and interpretations, none of which had a material impact on the operations of the Group, became effective for the current reporting period beginning on 1 October 2009:

##### ***Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements***

The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from *IAS 27* and replaced it with a requirement to present dividends as income in the separate financial statements of the investor.

The amendment also specifies the measurement of cost by a new company that is established as either a new parent or a new intermediate parent in a group reorganisation. If certain criteria are met, the new company measures cost as its share of the equity items in the subsidiary's separate financial statements.

##### ***Amendment to IFRS 2 – Share-based payments***

The amendment clarifies that vesting conditions are service conditions and performance conditions only. For performance conditions, the completion of a service period is required. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

##### ***IFRS 3 – Business combinations – Revised***

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at acquisition date with contingent payments classified as debt subsequently remeasured through other comprehensive income. There is also a choice on an acquisition-by-acquisition basis to measure non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The revised standard has no material impact on the Group's results. Refer to note 47 to the annual financial statements for detail on business combinations entered into during the year.

##### ***Amendment to IFRS 7 – Financial instruments: Disclosures***

The amendments introduce a three-level hierarchy for fair value measurement disclosure and require some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendments clarify and enhance existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

##### ***IFRS 8 – Operating segments***

During the year, the Group adopted *IFRS 8 – Operating Segments*. *IFRS 8* replaces *IAS 14 – Segment Reporting*. The core principle of *IFRS 8* is that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The standard adopts a 'management' approach for purposes of identifying operating segments and reporting segment information. This approach involves the identification of information used by management to make resource allocation and to assess performance.

## ACCOUNTING POLICY

for the year ended 30 September 2010 (continued)

### 1. Basis of preparation (continued)

#### New and amended accounting standards and interpretations effective in 2010 (continued)

##### *IFRS 8 – Operating segments (continued)*

*IFRS 8* is a disclosure standard and consequently has not impacted reported results. The operating segments of the Group are the same as the business segments previously reported in terms of *IAS 14 – Segment Reporting*. A restatement of comparatives has been performed in line with the requirements of the standard. Refer to segment information disclosed in note 45 to the annual financial statements.

##### *IAS 1 – Presentation of financial statements – Revised*

The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly.

The revised standard further requires an entity to present a statement of financial position as at the beginning of the earliest period when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when the entity reclassifies items in the financial statements.

##### *IAS 23 – Borrowing Costs – Revised*

The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of the asset. The option of immediately expensing these borrowing costs has been removed.

Refer to note 51 to the annual financial statements for the impact of this change in accounting policy on the Group's results.

##### *IAS 27 – Consolidated and separate financial statements – Revised*

*IAS 27 – Revised* requires the effects of all transactions with non-controlling interests (NCI) to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss.

Losses continue to be allocated to NCI, even if the allocation results in a deficit in the NCI balance.

##### *Amendment to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of financial statements*

The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required regarding the instruments affected by the amendments.

##### *Amendments to IAS 39 – Financial Instruments: Recognition and Measurement*

The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. Inflation may only be hedged in instances where changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

##### *IFRIC Interpretation 15 – Agreements for the Construction of Real Estate*

*IFRIC 15* addresses diversity in accounting for real estate sales. *IFRIC 15* clarifies how to determine whether an agreement is within the scope of *IAS 11 – Construction contracts* or *IAS 18 – Revenue* and when revenue from construction should be recognised.

##### *IFRIC Interpretation 17 – Distribution of Non-cash Assets to Owners*

*IFRIC 17* applies to the accounting for distributions of non-cash assets (commonly referred to as dividends in specie) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

**ACCOUNTING POLICY**  
**for the year ended 30 September 2010 (continued)**

**1. Basis of preparation (continued)**

**New and amended accounting standards and interpretations effective in 2010 (continued)**

*IFRIC Interpretation 18 – Transfers of Assets from Customers*

*IFRIC 18* clarifies the accounting treatment for transfers of property, plant and equipment received from customers. The interpretation applies to agreements with customers in which the entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

*AC 503 – Accounting for Black Economic Empowerment Transactions – Revised*

The Accounting Practices Committee has revisited *AC 503* in light of the amendments to *IFRS 2*. As a result of these amendments, paragraphs 18 to 25 and the related Illustrative Examples and Basis for Conclusions of *AC 503* have been revised to take into account the amended definition of vesting conditions and the accounting treatment of non-vesting conditions.

*AC 504: IAS 19 – Employee Benefits: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment*

The interpretation provides guidance on the application of *IFRIC 14 (AC 447)* in South Africa in relation to defined benefit pension obligations (governed by the Pension Funds Act, 1956) within the scope of *IAS 19 – Employee Benefits*.

*Improvements to IFRSs*

This is a collection of amendments to IFRSs. These amendments are the result of conclusions the International Accounting Standards Board (IASB) reached on proposals made in its annual improvements project for 2008 and 2009. The annual improvements project provides a vehicle for making non-urgent, but necessary amendments to IFRSs. Certain amendments resulted in consequential amendments to other IFRSs.

Some of the amendments to IFRSs that resulted from the 2009 annual improvements project of the IASB will only become effective for the Group as from 1 October 2010.

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

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

*Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards (effective from 1 January and 1 July 2010)*

The amendments address the retrospective application of IFRSs to particular situations and aim to ensure that entities applying IFRSs will not face undue cost or effort in the transition process. The amendments will have no effect on the Group's results in future periods.

*Amendments to IFRS 2 – Share-based Payments (effective 1 January 2010)*

Amendments to *IFRS 2* provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The entity receiving the goods or services will recognise the transaction as an equity-settled share-based payment transaction only if the awards granted are its own equity instruments or it has no obligation to settle the transaction. In all other circumstances, the entity will measure the transaction as a cash-settled share-based payment.

The entity responsible for settling the transaction will recognise it as an equity-settled share-based payment only if the transaction is settled in its own equity instruments. In all other circumstances, the transaction will be recognised by the entity that settles the award as a cash-settled share-based payment.

*Amendment to IAS 32 – Financial Instruments: Presentation (effective 1 February 2010)*

The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. The amendment states that, if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated. The amendment is not expected to impact the Group's results in future periods.

## ACCOUNTING POLICY

for the year ended 30 September 2010 (continued)

### 1. Basis of preparation (continued)

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

##### *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)*

IFRIC 19 considers that equity instruments issued to settle a liability (referred to as a “debt for equity swap”) represent ‘consideration paid’ and therefore requires a gain or loss to be recognised in profit or loss. The amount of the gain or loss recognised in profit or loss is determined as the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. The amendment is not expected to impact the Group’s results in future periods.

##### *Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement (effective 1 January 2011)*

An unintended consequence of the interpretation, prior to this amendment, was that *IFRIC 14* could prevent the recognition of an asset for any surplus arising from such voluntary prepayment of minimum funding contributions in respect of future service. The interpretation has been amended to require an asset to be recognised in these circumstances. The amendment will have no impact on the Group.

##### *Amended IAS 24 – Related Party Disclosures (effective 1 January 2011)*

Removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities; and clarifies and simplifies the definition of a related party (some entities will be required to make additional disclosures). The amendment will only impact the Group’s disclosure on related party transactions.

##### *IFRS 9 – Financial Instruments (effective 1 January 2013)*

The new standard was issued on 12 November 2009 and addresses classification and measurement of financial assets as the first part of the project to replace *IAS 39*. It replaces the multi-classification and measurement models in *IAS 39* with a single model that has only two classification categories: amortised cost and fair value. The Group is currently evaluating the impact of the new standard.

##### *Improvements to IFRSs*

This is a collection of amendments to IFRSs. These amendments are the result of conclusions the International Accounting Standards Board (IASB) reached on proposals made in its annual improvements project for 2009 and 2010. The annual improvements project provides a vehicle for making non-urgent, but necessary amendments to IFRSs. Certain amendments resulted in consequential amendments to other IFRSs.

Some of the amendments to IFRSs that resulted from the 2009 annual improvements project of the IASB became effective for the Group as from 1 October 2009.

##### *Use of adjusted measure*

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

##### *Items of a capital nature*

Income or expenditure of a capital nature on the face of the statement of comprehensive income, being all profit and loss items of a capital nature, is excluded in the calculation of headline earnings per share. The principal items that will be included under this measurement are: profits and losses on disposal and scrapping of property, plant and equipment, intangible assets and assets held-for-sale; impairments or reversal of impairments; any non-trading items such as profits and losses on disposal of available-for-sale financial assets, operations and subsidiaries.

### 2. Basis of consolidation

#### *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The consolidated annual financial statements include those of the Company and all its subsidiaries. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

## ACCOUNTING POLICY for the year ended 30 September 2010 (continued)

### 2. Basis of consolidation (continued)

#### *Subsidiaries (continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Subsidiaries are excluded from consolidation when control is intended to be temporary because the subsidiary is acquired and held exclusively with the view to its subsequent disposal in the next 12 months.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

In the stand-alone financial statements of the holding company the investment in the subsidiary company is stated at cost less impairment losses.

#### *Treasury shares*

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

#### *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

#### *Joint ventures*

The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group financial statements. The Group recognises the portion of gains and losses on the sale of assets by the Group to the joint venture to the extent that it is attributable to other venturers. The Group does not recognise the share of profits or losses from the joint venture that results from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Accounting policies of joint ventures have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

#### *Associates*

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

## ACCOUNTING POLICY

for the year ended 30 September 2010 (continued)

### 2. Basis of consolidation (continued)

#### *Associates (continued)*

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

### 3. Property, plant and equipment

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

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

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds. These include interest expenses calculated using the effective interest rate method, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings' interest cost. Where a range of debt instruments is used to borrow funds, or where the financing activities are coordinated centrally, a weighted average capitalisation rate is applied.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

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

The expected useful lives are as follows:

* Buildings	10 – 25 years
* Poultry houses	25 years
* Plant, machinery and equipment	3 – 30 years
* Vehicles	3 – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Profits and losses on disposals of fixed assets are determined by comparing proceeds with the carrying amounts. These profits and losses are included within 'items of a capital nature' in profit or loss.

### 4. Intangible assets

#### *Goodwill*

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

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

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

**ACCOUNTING POLICY**  
**for the year ended 30 September 2010 (continued)**

**4. Intangible assets (continued)**

*Trademarks and intellectual property*

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

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

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

*Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between 2 to 5 years.

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

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives of between 2 to 5 years.

**5. Impairment of non-financial assets**

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

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

**6. Financial assets**

**6.1 Classification**

The Group classifies its financial assets in the following categories:

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

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

## ACCOUNTING POLICY

### for the year ended 30 September 2010 (continued)

#### 6. Financial assets (continued)

##### 6.1 Classification (continued)

###### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held-for-trading unless they are designated as hedges. The Group's financial instruments at fair value through profit or loss comprise 'derivative financial instruments' not earmarked for hedging.

###### *Loans and receivables*

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

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

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

##### 6.2 Recognition and measurement

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

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

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

Gains or losses arising from changes in the fair value of available-for-sale financial assets are presented in other comprehensive income in the period in which they arise. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as 'items of a capital nature'. Dividend income from available-for-sale equity instruments is recognised in profit or loss as part of investment income when the Group's right to receive payment is established.

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

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### 6.3 Impairment

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss. Impairment testing on trade receivables is described in note 9 of the Accounting Policy.

**ACCOUNTING POLICY**  
**for the year ended 30 September 2010 (continued)**

**7. Biological assets**

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

Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

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

**8. Inventories**

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

- Raw material at actual cost on a weighted average cost basis.
- Own manufactured products at direct raw material and labour cost plus an appropriate portion of production overheads, on a weighted average cost basis.
- Consumable and trading stock at actual cost on a weighted average cost basis.
- Eggs purchased and pulp are valued at actual cost on a weighted average cost basis.

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

**9. Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

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

**10. Cash and cash equivalents**

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

**11. Share capital**

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

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

**12. Borrowings**

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

## ACCOUNTING POLICY

### for the year ended 30 September 2010 (continued)

#### 13. Provisions

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

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

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

#### 14. Trade payables

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

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

#### 15. Current and deferred income tax

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

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

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

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

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

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

**ACCOUNTING POLICY**  
**for the year ended 30 September 2010 (continued)**

**16. Secondary taxation on companies**

South African resident companies are subject to a dual corporate tax system. One part of the tax being levied on taxable income and the other, secondary tax on companies (STC), on distributed income. A company incurs an STC charge on the declaration or deemed declaration of dividends, as defined in the Income Tax Act, to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC consequence of dividends is recognised as a taxation charge in profit or loss in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable on the net amount at the current STC rate. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received, is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that dividends will be declared against which the unutilised STC credits will be utilised.

**17. Revenue recognition**

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

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

Revenue is recognised as follows:

***Sale of goods***

Sale of goods is recognised when a Group entity has delivered products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured. No element of financing is deemed present as sales are made within credit terms which are consistent with market practice.

***Sale of services***

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided.

**18. Recognition of interest income**

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

**19. Recognition of dividend income**

Dividend income is recognised when the right to receive payment is established.

**20. Research and development expenditure**

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technical feasibility, and its costs can be measured reliably. Other development expenditure that does not meet these criteria is recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised, from the point at which the asset is ready for use, on a straight-line basis over its useful life, not exceeding 5 years.

## ACCOUNTING POLICY

### for the year ended 30 September 2010 (continued)

#### 21. Foreign currency transactions

##### *Functional and presentation currency*

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

##### *Transactions and balances*

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

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

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

##### *Group companies*

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

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

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

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

#### 22. Accounting for leases: Group company is the lessee

##### *Finance leases*

Leases of property, plant and equipment, where the Group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges to achieve a constant rate on the capital balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

##### *Operating leases*

Leases of assets under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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

**ACCOUNTING POLICY**  
**for the year ended 30 September 2010 (continued)**

**23. Accounting for leases: Group company is the lessor**

*Operating leases*

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

**24. Employee benefits**

*Retirement scheme arrangements*

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

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

*Post-retirement medical benefits*

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

Independent actuaries annually determine the accumulated post-retirement medical aid obligation and the annual cost of these benefits. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in profit or loss over the expected remaining working life of the related existing employees, if such gains and losses exceed the closing balance of the prior year provision by more than 10%. Actuarial gains and losses relating to former employees are recognised immediately in profit or loss. The liability is calculated using the projected unit credit method.

*Share-based compensation*

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

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

*Broad-based employee share scheme*

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

The cost of cash-settled transactions is measured initially at fair value at the grant date using the *Actuarial Binomial Pricing Option Model*, taking into account the terms and conditions upon which the instruments were granted. Refer to note 23.2 for further detail. The fair value of the employee services received in exchange for the issue of class A ordinary shares is recognised as an expense over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each year-end reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

## ACCOUNTING POLICY

### for the year ended 30 September 2010 (continued)

#### 24. Employee benefits (continued)

##### *Other long-term employee benefits*

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

##### *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to: either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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

##### *Bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision when contractually obliged or where there is a past practice that has created a constructive obligation.

#### 25. Derivative financial instruments and hedging activities

Derivative financial instruments are mainly used to manage operational exposure to interest rate, foreign exchange and commodity price risks. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 19. Refer to note 52 for more detail on movements in the hedging reserve. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

##### *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting to hedge changes in the fair value of fixed price commodity purchase commitments, due to changes in the forward price in the market of the related commodity.

##### *Cash flow hedges*

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

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment. The gain or loss relating to the effective portion of interest rate swaps and interest rate collar agreements hedging variable interest rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in profit or loss within 'other income' or 'other operating expenses'.

**ACCOUNTING POLICY**  
**for the year ended 30 September 2010 (continued)**

**25. Derivative financial instruments and hedging activities (continued)**

*Cash flow hedges (continued)*

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised in profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to profit or loss.

*Embedded derivatives*

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

*Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss within 'other income' or 'other operating expenses'.

**26. Government grants**

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

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

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

**27. Dividend distribution**

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

**28. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as both the managing and financial directors.

**29. Borrowing costs**

Borrowing costs are expensed as incurred, except for borrowing cost directly attributable to the acquisition, construction or production of an asset, which necessarily takes a substantial period of time to prepare for its intended use, in which case it is capitalised as part of the cost of that asset.

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

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

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

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 September 2010

			<b>GROUP</b>	
	Notes	<b>2010 R'000</b>	2009 R'000	
Revenue		<b>15 731 322</b>	16 283 914	
Cost of goods sold		<b>(10 720 387)</b>	(11 732 874)	
Gross profit		<b>5 010 935</b>	4 551 040	
Other income		<b>141 566</b>	105 538	
Other gains/(losses) – net	4	<b>140 072</b>	179 910	
Distribution costs		<b>(1 325 221)</b>	(1 264 039)	
Administrative expenses		<b>(313 126)</b>	(311 584)	
Other operating expenses		<b>(2 247 047)</b>	(2 100 859)	
Competition Commission penalties	28	<b>(654 151)</b>	–	
Items of a capital nature	5	<b>(10 291)</b>	(68 022)	
Operating profit	3	<b>742 737</b>	1 091 984	
Investment income	6	<b>33 433</b>	28 715	
Finance costs	7	<b>(156 597)</b>	(224 554)	
Share of profit of associated companies		<b>92</b>	439	
Profit before income tax		<b>619 665</b>	896 584	
Income tax expense	8	<b>(383 921)</b>	(334 915)	
<b>Profit for the year</b>		<b>235 744</b>	561 669	
<b>Other comprehensive income/(loss)</b>				
Movement in cash flow hedging reserve		<b>31 549</b>	(9 195)	
Fair value adjustments				
For the year		<b>(44 083)</b>	(209 346)	
Current income tax effect		<b>4 558</b>	41 186	
Deferred income tax effect		<b>7 785</b>	12 563	
Reclassified to profit or loss		<b>87 902</b>	196 577	
Current income tax effect		<b>(9 801)</b>	(47 260)	
Deferred income tax effect		<b>(14 812)</b>	(2 915)	
Net fair value adjustment on available-for-sale financial assets		<b>3 186</b>	(164)	
Fair value adjustments				
For the year		<b>5 666</b>	1 196	
Deferred income tax effect		<b>(697)</b>	316	
Reclassified to profit or loss		<b>(1 783)</b>	(1 676)	
Movement on foreign currency translation reserve				
Currency translation differences		<b>(17 214)</b>	(25 233)	
<b>Total comprehensive income for the year</b>		<b>253 265</b>	527 077	
Profit for the year attributable to:				
Owners of the parent		<b>234 545</b>	560 519	
Non-controlling interest		<b>1 199</b>	1 150	
		<b>235 744</b>	561 669	
Total comprehensive income for the year attributable to:				
Owners of the parent		<b>252 066</b>	525 927	
Non-controlling interest		<b>1 199</b>	1 150	
		<b>253 265</b>	527 077	
Earnings per ordinary share (cents)	9	<b>132.5</b>	320.8	
Diluted earnings per ordinary share (cents)	9	<b>130.2</b>	315.7	
Dividend per ordinary share (cents)	10	<b>–</b>	125.0	

**STATEMENT OF FINANCIAL POSITION**  
as at 30 September 2010

		<b>GROUP</b>	
	Notes	<b>2010 R'000</b>	2009 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>4 365 205</b>	3 851 292
Property, plant and equipment	12	<b>3 564 955</b>	3 098 669
Intangible assets	13	<b>689 512</b>	648 909
Biological assets	14	<b>16 843</b>	14 004
Loans to joint ventures	15	<b>28 204</b>	35 466
Investment in associates	16	<b>7 031</b>	2 929
Available-for-sale financial assets	17	<b>39 079</b>	31 728
Trade and other receivables	20	<b>16 931</b>	16 930
Deferred income tax	26	<b>2 650</b>	2 657
<b>Current assets</b>		<b>4 512 022</b>	4 250 232
Inventories	18	<b>1 936 585</b>	1 950 316
Biological assets	14	<b>187 632</b>	151 732
Derivative financial instruments	19	<b>5 197</b>	114
Trade and other receivables	20	<b>1 669 148</b>	1 537 834
Current income tax		<b>3 544</b>	12 707
Cash and cash equivalents	21	<b>709 916</b>	597 529
<b>Total Assets</b>		<b>8 877 227</b>	8 101 524
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>		<b>4 751 433</b>	4 627 960
Share capital	22	<b>20 119</b>	20 118
Share premium		<b>1 210 486</b>	1 215 640
Treasury shares		<b>(232 108)</b>	(246 490)
Other reserves	24	<b>28 251</b>	(7 066)
Retained earnings		<b>3 724 685</b>	3 645 758
<b>Non-controlling interest</b>		<b>6 543</b>	5 792
<b>Total Equity</b>		<b>4 757 976</b>	4 633 752
<b>Non-current liabilities</b>		<b>2 073 993</b>	1 753 626
Borrowings	25	<b>946 158</b>	1 096 560
Derivative financial instruments	19	<b>5 660</b>	26 430
Deferred income tax	26	<b>519 124</b>	491 215
Provisions for other liabilities and charges	27	<b>109 105</b>	82 314
Share-based payment liability	29	<b>102 181</b>	57 107
Accrual for Competition Commission penalties	28	<b>391 765</b>	–
<b>Current liabilities</b>		<b>2 045 258</b>	1 714 146
Trade and other payables	30	<b>1 732 507</b>	1 494 133
Current income tax		<b>8 420</b>	5 167
Borrowings	25	<b>169 484</b>	161 092
Derivative financial instruments	19	<b>57 352</b>	53 607
Dividends payable		<b>495</b>	147
Loan from joint venture	15	<b>10 333</b>	–
Accrual for Competition Commission penalties	28	<b>66 667</b>	–
<b>Total Liabilities</b>		<b>4 119 251</b>	3 467 772
<b>Total Equity and Liabilities</b>		<b>8 877 227</b>	8 101 524

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 September 2010

	GROUP				
	Share capital R'000	Share premium R'000	Treasury shares R'000	Statutory reserve R'000	Translation reserve R'000
Balance as at 1 October 2009	20 118	1 215 640	(246 490)	4 483	(6 561)
Profit for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	(17 214)
Cash flow hedging					
Fair value adjustments to cash flow hedging reserve:					
For the year	-	-	-	-	-
Current income tax effect	-	-	-	-	-
Deferred income tax effect	-	-	-	-	-
Reclassified to profit or loss:	-	-	-	-	-
Current income tax effect	-	-	-	-	-
Deferred income tax effect	-	-	-	-	-
Net fair value adjustment on available-for-sale financial assets:					
For the year	-	-	-	-	-
Deferred income tax effect	-	-	-	-	-
Reclassified to profit or loss:	-	-	-	-	-
Currency translation differences	-	-	-	-	(17 214)
Statutory transfer	-	-	-	(372)	-
Employee share scheme – repurchase of class A ordinary shares from leavers	-	(5 497)	-	-	-
Disposal of shares of management share incentive scheme	-	-	-	-	-
Income tax effect of disposal of shares of management share incentive scheme	-	-	-	-	-
Dividends paid – net	-	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-
Employee share scheme – transfer tax on share transactions	-	-	-	-	-
Recognition of share-based payments – management scheme	-	-	-	-	-
Recognition of share-based payments – share appreciation rights	-	-	-	-	-
Deferred income tax on share-based payments	-	-	-	-	-
Ordinary shares issued – share appreciation rights	1	343	-	-	-
Movement of ordinary shares on share incentive trusts	-	-	14 382	-	-
<b>Balance as at 30 September 2010</b>	<b>20 119</b>	<b>1 210 486</b>	<b>(232 108)</b>	<b>4 111</b>	<b>(23 775)</b>

**GROUP**

Fair value reserve R'000	Hedging reserve R'000	Equity compensation reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Non-controlling interest R'000	Total equity R'000
<b>14 181</b>	<b>(63 548)</b>	<b>44 379</b>	<b>(7 066)</b>	<b>3 645 758</b>	<b>5 792</b>	<b>4 633 752</b>
-	-	-	-	<b>234 545</b>	<b>1 199</b>	<b>235 744</b>
<b>3 186</b>	<b>31 549</b>	-	<b>17 521</b>	-	-	<b>17 521</b>
-	<b>(44 083)</b>	-	<b>(44 083)</b>	-	-	<b>(44 083)</b>
-	<b>4 558</b>	-	<b>4 558</b>	-	-	<b>4 558</b>
-	<b>7 785</b>	-	<b>7 785</b>	-	-	<b>7 785</b>
-	<b>87 902</b>	-	<b>87 902</b>	-	-	<b>87 902</b>
-	<b>(9 801)</b>	-	<b>(9 801)</b>	-	-	<b>(9 801)</b>
-	<b>(14 812)</b>	-	<b>(14 812)</b>	-	-	<b>(14 812)</b>
<b>5 666</b>	-	-	<b>5 666</b>	-	-	<b>5 666</b>
<b>(697)</b>	-	-	<b>(697)</b>	-	-	<b>(697)</b>
<b>(1 783)</b>	-	-	<b>(1 783)</b>	-	-	<b>(1 783)</b>
-	-	-	<b>(17 214)</b>	-	-	<b>(17 214)</b>
-	-	-	<b>(372)</b>	<b>372</b>	-	-
-	-	-	-	-	-	<b>(5 497)</b>
-	-	-	-	<b>3 679</b>	-	<b>3 679</b>
-	-	-	-	<b>(1 633)</b>	-	<b>(1 633)</b>
-	-	-	-	<b>(157 940)</b>	-	<b>(157 940)</b>
-	-	-	-	-	<b>(448)</b>	<b>(448)</b>
-	-	-	-	<b>(96)</b>	-	<b>(96)</b>
-	-	<b>682</b>	<b>682</b>	-	-	<b>682</b>
-	-	<b>12 519</b>	<b>12 519</b>	-	-	<b>12 519</b>
-	-	<b>5 311</b>	<b>5 311</b>	-	-	<b>5 311</b>
-	-	<b>(344)</b>	<b>(344)</b>	-	-	-
-	-	-	-	-	-	<b>14 382</b>
<b>17 367</b>	<b>(31 999)</b>	<b>62 547</b>	<b>28 251</b>	<b>3 724 685</b>	<b>6 543</b>	<b>4 757 976</b>

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 30 September 2010 (continued)**

<b>GROUP</b>					
	Share capital R'000	Share premium R'000	Treasury shares R'000	Statutory reserve R'000	Translation reserve R'000
Balance as at 1 October 2008	20 118	1 216 258	(259 959)	4 021	18 672
Profit for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	(25 233)
Cash flow hedging					
Fair value adjustments to cash flow hedging reserve:					
For the year	-	-	-	-	-
Current income tax effect	-	-	-	-	-
Deferred income tax effect	-	-	-	-	-
Reclassified to profit or loss:	-	-	-	-	-
Current income tax effect	-	-	-	-	-
Deferred income tax effect	-	-	-	-	-
Net fair value adjustment on available-for-sale financial assets:					
For the year	-	-	-	-	-
Deferred income tax effect	-	-	-	-	-
Reclassified to profit or loss:	-	-	-	-	-
Currency translation differences	-	-	-	-	(25 233)
Statutory transfer	-	-	-	462	-
Employee share scheme – repurchase of class A ordinary shares from leavers	-	(618)	-	-	-
Disposal of shares of management share incentive scheme	-	-	-	-	-
Dividends paid – net	-	-	-	-	-
Non-controlling interest acquired	-	-	-	-	-
Employee share scheme – transfer tax on share transactions	-	-	-	-	-
Recognition of share-based payments – management scheme	-	-	-	-	-
Recognition of share-based payments – share appreciation rights	-	-	-	-	-
Deferred income tax on share-based payments	-	-	-	-	-
Movement of ordinary shares on share incentive trusts	-	-	13 469	-	-
<b>Balance as at 30 September 2009</b>	<b>20 118</b>	<b>1 215 640</b>	<b>(246 490)</b>	<b>4 483</b>	<b>(6 561)</b>

**GROUP**

Fair value reserve R'000	Hedging reserve R'000	Equity compensation reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Non-controlling interest R'000	Total equity R'000
14 345	(54 353)	33 862	16 547	3 263 768	6 073	4 262 805
-	-	-	-	560 519	1 150	561 669
(164)	(9 195)	-	(34 592)	-	-	(34 592)
-	(209 346)	-	(209 346)	-	-	(209 346)
-	41 186	-	41 186	-	-	41 186
-	12 563	-	12 563	-	-	12 563
-	196 577	-	196 577	-	-	196 577
-	(47 260)	-	(47 260)	-	-	(47 260)
-	(2 915)	-	(2 915)	-	-	(2 915)
1 196	-	-	1 196	-	-	1 196
316	-	-	316	-	-	316
(1 676)	-	-	(1 676)	-	-	(1 676)
-	-	-	(25 233)	-	-	(25 233)
-	-	-	462	(462)	-	-
-	-	-	-	-	-	(618)
-	-	-	-	412	-	412
-	-	-	-	(178 750)	-	(178 750)
-	-	-	-	352	(1 431)	(1 079)
-	-	-	-	(81)	-	(81)
-	-	5 090	5 090	-	-	5 090
-	-	4 911	4 911	-	-	4 911
-	-	516	516	-	-	516
-	-	-	-	-	-	13 469
14 181	(63 548)	44 379	(7 066)	3 645 758	5 792	4 633 752

**STATEMENT OF CASH FLOWS**  
for the year ended 30 September 2010

		<b>GROUP</b>	
	Notes	<b>2010 R'000</b>	2009 R'000
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>1 370 699</b>	1 653 636
Net cash profit from operating activities	37	<b>1 609 861</b>	1 509 743
Before Competition Commission penalties paid		<b>1 805 580</b>	1 509 743
Competition Commission penalties paid		<b>(195 719)</b>	–
Working capital changes	38	<b>95 147</b>	356 552
Cash effect from hedging activities		<b>18 724</b>	21 691
Net cash generated from operations		<b>1 723 732</b>	1 887 986
Income tax paid	40	<b>(353 033)</b>	(234 350)
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>(805 254)</b>	(463 884)
Additions to property, plant and equipment		<b>(563 834)</b>	(271 877)
Replacements of property, plant and equipment		<b>(141 206)</b>	(165 212)
Additions to intangible assets		<b>(45 943)</b>	(28 537)
Proceeds on disposal of property, plant, equipment and intangible assets	41	<b>41 589</b>	18 194
Proceeds on disposal of available-for-sale financial assets	42	<b>4 737</b>	5 739
Disposal of subsidiaries	43	<b>3 500</b>	–
Business combinations	44	<b>(144 692)</b>	(33 593)
Loans repaid by/(granted to) joint ventures		<b>17 595</b>	(5 597)
Investment in available-for-sale financial assets and associates		<b>(10 432)</b>	(7 080)
Loans granted to other parties		<b>(1)</b>	(4 636)
Interest received		<b>31 362</b>	26 973
Dividends received		<b>2 071</b>	1 742
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(448 609)</b>	(518 656)
Repayments of borrowings		<b>(137 561)</b>	(123 699)
Treasury shares – share incentive trusts		<b>14 382</b>	13 469
Employee share scheme – transfer tax on share transactions		<b>(96)</b>	(81)
Disposal of management share incentive scheme shares		<b>3 679</b>	412
Employees share scheme – repurchase of class A ordinary shares from leavers		<b>(5 497)</b>	(618)
Interest paid		<b>(162 983)</b>	(224 554)
Net transactions with non-controlling interest		<b>–</b>	(1 079)
Dividends paid to Group ordinary shareholders	39	<b>(157 592)</b>	(178 826)
Dividends paid to class A ordinary shareholders	29	<b>(2 941)</b>	(3 680)
Net increase in cash, cash equivalents and bank overdrafts		<b>116 836</b>	671 096
Net cash, cash equivalents and bank overdrafts at beginning of year		<b>592 116</b>	(78 980)
Net cash, cash equivalents and bank overdrafts at end of year		<b>708 952</b>	592 116

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010**

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>1. Accounting policies</b>		
The principal accounting policies incorporated in the preparation of these financial statements are set out on pages 47 to 61.		
<b>2. Critical accounting estimates and judgements</b>		
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.		
<b>Key assumptions and critical judgements</b>		
<i>Goodwill</i>		
The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy for goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 13 for key assumptions used.		
<i>Provisions for post-retirement medical benefits and long service awards</i>		
These provisions are determined by annual actuarial calculations. Refer to note 27 for estimates used in these calculations.		
<i>Property, plant and equipment</i>		
These items are depreciated over their useful lives, taking into account the residual value at the end of the item's useful life. Residual values and useful lives are based on industry knowledge and past experience with similar assets.		
<i>Intangible assets with finite useful lives</i>		
These items are amortised over their useful lives that are based on industry knowledge and past experience with similar assets.		
<i>Intangible assets with indefinite useful lives</i>		
Indefinite useful lives are allocated to intangible assets if there is no foreseeable limit to the period over which the Group expects to consume the future economic benefits embodied in the intangible asset. In making this assessment, management follows the guidance in <i>IAS 38 – Intangible Assets</i> . The Group has classified a number of its trademarks as indefinite life, as indicated in note 13, by considering amongst other factors these brands' history, current market share, brand development strategy and expected future benefits to be derived from these assets.		
<i>Share-based payments</i>		
The fair value of employee services received in exchange for the grant of options or class A ordinary shares is determined by reference to the fair value of the options granted and the shares issued. Refer to note 23 for assumptions used in these calculations.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>2. Critical accounting estimates and judgements (continued)</b>		
<i>Assessment of control over contract growers</i>		
The Group assesses whether it exercises control over contract growers based on an analysis of the activities of these entities, the Group's decision-making powers, its ability to obtain benefits from these entities and the residual risks regarding these entities that are retained by the Group. Based on this analysis the Group concluded that it does not control the activities of any contract grower.		
<i>Contingent liabilities – Dispute with egg contract producers</i>		
Based on legal opinion obtained, the Group determined that this dispute, as described in note 32, is a contingent liability and no provision was raised. The Group considers the guidance in IAS 37 – Provisions, Contingent Liabilities and Contingent Assets to distinguish between provisions and contingent liabilities.		
<b>3. Operating profit</b>		
Operating profit is calculated after taking into account other gains/(losses) – net (refer to note 4) and items of a capital nature (refer to note 5), as well as the following:		
<b>3.1 Operating income</b>		
Foreign exchange differences	<b>24 835</b>	60 378
Financial assets at fair value through profit or loss		
Foreign exchange contract fair value adjustments	<b>28 669</b>	60 290
Fair value adjustment on interest rate swaps	–	35
Fair value adjustment on interest rate collars	<b>814</b>	405
Fair value adjustment on futures	<b>6</b>	8 098
Administration fees received	<b>19</b>	1 106
Change in allowance for outstanding credit notes	<b>4 276</b>	–
Government grant amortisation	<b>794</b>	739
Post-retirement medical benefits (refer to note 27)		
Actuarial gain	–	114
Reversal of inventory previously written off	<b>10 052</b>	10 161

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>3. Operating profit (continued)</b>		
<b>3.2 Operating expenditure</b>		
Staff costs	<b>2 185 713</b>	1 999 334
Wages and salaries	<b>1 881 446</b>	1 731 074
Termination benefits	<b>2 069</b>	4 608
Other personnel costs	<b>112 836</b>	97 588
Pension costs	<b>128 146</b>	114 700
Share-based payments	<b>61 216</b>	51 364
Technical services from non-employees	<b>37 662</b>	25 169
Auditors' remuneration	<b>13 373</b>	11 409
Audit – current year	<b>10 130</b>	9 403
– under/(over) provision previous year	<b>93</b>	(30)
Tax related services	<b>1 034</b>	180
Other consultation services	<b>2 116</b>	1 856
Machine rental	<b>24 915</b>	22 477
Rental of vehicles	<b>9 125</b>	7 726
Rental of premises	<b>78 973</b>	87 691
Competition Commission penalties (refer to note 28)	<b>654 151</b>	–
Administrative penalties paid	<b>195 719</b>	–
Accrual for administrative penalties	<b>458 432</b>	–
Depreciation and amortisation (refer to note 51)	<b>298 422</b>	269 086
Own assets	<b>280 856</b>	249 333
Leased assets	<b>–</b>	87
Intangible assets	<b>17 566</b>	19 666
Inventory written off	<b>138 782</b>	191 977
Change in provision for impairment of trade receivables	<b>3 077</b>	2 533
Change in allowance for outstanding credit notes	<b>–</b>	1 528
Foreign exchange differences	<b>31 282</b>	60 341
Financial assets at fair value through profit or loss		
Foreign exchange contract fair value adjustments	<b>35 115</b>	64 340
Fair value of embedded derivative financial instruments	<b>181</b>	–
Fair value adjustment on interest rate collars	<b>55</b>	8 869

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>3. Operating profit (continued)</b>		
<b>3.2 Operating expenditure (continued)</b>		
Research and development costs	<b>31 183</b>	24 480
Administration fees paid	<b>1 098</b>	398
Post-retirement medical benefits (refer to note 27)	<b>982</b>	230
Actuarial loss	<b>793</b>	–
Other losses	<b>189</b>	230
Long service awards (refer to note 27)	<b>28 081</b>	6 064
Actuarial loss	<b>22 461</b>	1 044
Other losses	<b>5 620</b>	5 020
Share-based payments	<b>61 216</b>	51 364
Broad-based share incentive scheme	<b>48 015</b>	41 363
Share options	<b>682</b>	5 090
Share appreciation rights	<b>12 519</b>	4 911
<b>4. Other gains/(losses) – net</b>		
<b>Biological assets fair value adjustment</b>		
The adjustment of biological assets from cost to fair value includes a realised and unrealised component. The unrealised portion is reflected in the carrying amount of biological assets in the statement of financial position and the realised portion is reflected in cost of goods sold.		
Unrealised – reflected in carrying amount of biological assets	<b>18 412</b>	9 565
Realised – reflected in cost of goods sold	<b>121 660</b>	170 345
	<b>140 072</b>	179 910

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>5. Items of a capital nature</b>		
Net profit/(loss) on disposal of property, plant, equipment and intangible assets	<b>12 499</b>	(11 014)
Gross	<b>11 830</b>	(16 346)
Tax effect	<b>669</b>	5 332
Net profit on disposal of available-for-sale-financial assets	<b>1 535</b>	1 512
Gross	<b>1 783</b>	1 676
Tax effect	<b>(248)</b>	(164)
Net profit on disposal of subsidiaries	<b>1 194</b>	–
Gross	<b>293</b>	–
Tax effect	<b>901</b>	–
Impairment of property, plant and equipment (refer to note 12)	<b>(17 422)</b>	(6 272)
Gross	<b>(24 197)</b>	(8 711)
Tax effect	<b>6 775</b>	2 439
Impairment of goodwill	–	(44 641)
Gross	–	(44 641)
Tax effect	–	–
Utilisation of net capital loss to reduce capital gains effect	<b>379</b>	–
Gross	–	–
Tax effect	<b>379</b>	–
<b>Group total</b>	<b>(1 815)</b>	(60 415)
Gross	<b>(10 291)</b>	(68 022)
Tax effect	<b>8 476</b>	7 607
<p>During the current year an amount of R15,177,448 was received as insurance compensation for property, plant and equipment impaired in the previous year. The amount is included in net profit/(loss) on disposal of property, plant and equipment and intangible assets.</p>		
<b>6. Investment income</b>		
Interest income on financial assets: loans and receivables	<b>31 362</b>	26 973
Joint ventures	<b>2 212</b>	4 438
Accretions of discount	<b>456</b>	692
Call accounts and other	<b>28 694</b>	21 843
Dividend income on available-for-sale financial assets	<b>2 071</b>	1 742
Listed shares	<b>1 887</b>	1 105
Unlisted shares	<b>184</b>	637
	<b>33 433</b>	28 715

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>7. Finance costs</b>		
Interest cost on financial liabilities measured at amortised cost		
Joint ventures	<b>576</b>	321
Borrowings	<b>98 818</b>	147 675
Accretions of discount	<b>95</b>	–
Provisions: unwinding of discount	<b>8 054</b>	7 770
Call loans and bank overdrafts	<b>6 188</b>	47 548
Fair value loss on financial liabilities measured at fair value through profit or loss		
Interest rate collars: transfers from equity	<b>39 239</b>	–
Interest rate swaps: transfers from equity	<b>10 013</b>	21 240
Borrowing costs capitalised	<b>(6 386)</b>	–
	<b>156 597</b>	224 554
<b>8. Income tax expense</b>		
Current income tax	<b>340 907</b>	222 755
Current year	<b>340 299</b>	222 709
Under provision previous years	<b>608</b>	46
Deferred income tax	<b>25 348</b>	93 340
Current year	<b>24 739</b>	93 340
Rate change	<b>609</b>	–
Secondary taxation on companies	<b>17 666</b>	18 820
Current year	<b>17 666</b>	18 820
	<b>383 921</b>	334 915
The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory rate of 28% (2009: 28%) as follows:		
	%	%
Standard rate for companies	<b>28.0</b>	28.0
Increase/(decrease) in rate:		
Exempt income	<b>(0.1)</b>	(0.1)
Effect of assessed losses	<b>0.7</b>	1.0
Secondary taxation on companies	<b>2.8</b>	2.1
Under provision previous years	<b>0.1</b>	–
Non-deductible expenditure	<b>3.2</b>	3.5
Effect of Competition Commission penalties	<b>29.6</b>	–
Effect of capital gains tax	<b>(0.7)</b>	(0.2)
Other differences	<b>(1.6)</b>	(0.7)
Deferred income tax asset derecognised	<b>–</b>	3.8
Effective rate	<b>62.0</b>	37.4
	<b>R'000</b>	R'000
Gross calculated tax losses of certain subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies	<b>303 252</b>	283 740
Less: Utilised in reduction of deferred income tax	<b>(86 527)</b>	(79 135)
Net calculated tax losses carried forward	<b>216 725</b>	204 605
Tax relief at current tax rates	<b>60 683</b>	57 289
Utilisation of tax losses is dependent on sufficient taxable income being earned in the future by the subsidiaries concerned.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010 Number</b>	2009 Number
<b>9. Earnings per ordinary share</b>		
<i>Basic</i>		
The calculation of basic earnings per ordinary share is based on earnings attributable to owners of the Parent of R234,544,805 (2009: R560,519,314) divided by the weighted average ordinary shares in issue during the year of 177,040,288 (2009: 174,706,624).		
<i>Diluted</i>		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options and appreciation rights issued in terms of share incentive schemes have a dilutive effect on earnings per ordinary share. A calculation is done to determine the number of shares that could have been acquired at fair value (determined at the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options as well as share appreciation rights.		
The calculation of diluted earnings per ordinary share is based on earnings attributable to owners of the Parent of R234,544,805 (2009: R560,519,314) divided by the weighted average ordinary shares in issue during the year of 180,153,137 (2009: 177,534,380).		
<i>Reconciliation of weighted average ordinary shares in issue during the year:</i>		
Weighted average ordinary shares	<b>177 040 288</b>	174 706 624
Adjusted for share options and appreciation rights	<b>3 112 849</b>	2 827 756
Weighted average ordinary shares for diluted earnings	<b>180 153 137</b>	177 534 380
	<b>R'000</b>	R'000
<i>Reconciliation between earnings and headline earnings</i>		
Earnings attributable to owners of the parent	<b>234 545</b>	560 519
Items of a capital nature (refer to note 5)	<b>1 815</b>	60 415
Gross	<b>10 291</b>	68 022
Tax effect	<b>(8 476)</b>	(7 607)
Headline earnings	<b>236 360</b>	620 934
Adjusted for Competition Commission penalties	<b>654 151</b>	-
Adjusted headline earnings	<b>890 511</b>	620 934
Headline earnings per ordinary share (cents)	<b>133.5</b>	355.4
Adjusted headline earnings per ordinary share (cents)	<b>503.0</b>	355.4
Diluted earnings per ordinary share (cents)	<b>130.2</b>	315.7
<b>10. Dividend per ordinary share</b>		
Interim		
Nil cents (2009: 36,0 cents) per ordinary share	-	72 426
Final		
Nil cents (2009: 89,0 cents) per ordinary share	-	179 054
	-	251 480
Dividends payable are not accounted for until they have been declared by the board of directors. The statement of changes in equity does not reflect the final dividend payable. The final dividend for the year will be accounted for as an appropriation of retained earnings in the following year. Secondary taxation on companies (STC) will be applicable to the dividend paid at a rate of 10,0%.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>11. Directors' remuneration</b>		
Non-executive directors		
Fees	<b>2 087</b>	2 168
Executive directors paid by subsidiaries	<b>11 364</b>	19 199
Salaries	<b>9 341</b>	9 985
Retirement benefits	<b>1 275</b>	1 044
Bonuses and incentives	<b>748</b>	8 170
Annual remuneration	<b>13 451</b>	21 367
Paid by subsidiaries	<b>(11 364)</b>	(19 199)
Paid by the Company	<b>2 087</b>	2 168
Refer to note 56 for further detail.		
	<b>Number</b>	Number
	<b>'000</b>	'000
<i>Executive directors' share incentive scheme</i>		
Beginning of the year	<b>2 006</b>	2 278
Change in directorship	<b>(316)</b>	–
Redeemed	<b>(201)</b>	(404)
New offer at R24,20 per share (share appreciation rights)	–	132
New offer at R34,74 per share (share appreciation rights)	<b>446</b>	–
End of the year	<b>1 935</b>	2 006
At R8,65 per share, exercisable up to 27 May 2014	<b>773</b>	1 058
At R14,05 per share, exercisable up to 24 December 2014	<b>118</b>	228
At R21,86 per share, exercisable up to 25 January 2016	<b>142</b>	171
At R31,42 per share, exercisable up to 12 February 2017	<b>91</b>	113
At R25,00 per share, payable by 27 May 2014 (originating from rights offer)	<b>135</b>	150
At R25,48 per share, exercisable up to 9 June 2018 (share appreciation rights)	<b>124</b>	154
At R24,20 per share, exercisable up to 27 February 2019 (share appreciation rights)	<b>106</b>	132
At R34,74 per share, exercisable up to 9 February 2020 (share appreciation rights)	<b>446</b>	–
Shares under option and share appreciation rights	<b>1 935</b>	2 006
Refer to note 58 for further detail.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>12. Property, plant and equipment</b>		
Land and buildings	<b>1 172 528</b>	967 550
Plant, machinery and equipment	<b>2 124 594</b>	1 859 775
Vehicles	<b>267 833</b>	271 344
Net book value	<b>3 564 955</b>	3 098 669
Property, plant and equipment include items leased by the Group to third parties under operating leases with the following carrying amounts:		
Cost		
As at beginning of the year	<b>88 302</b>	68 519
Additions	<b>5 285</b>	27 650
Transfers	<b>(10 696)</b>	(6 180)
Disposals	<b>(897)</b>	(1 687)
	<b>81 994</b>	88 302
Accumulated depreciation		
As at beginning of the year	<b>31 580</b>	24 926
Charge for the year	<b>3 975</b>	4 122
Transfers	<b>(3 337)</b>	3 475
Depreciation on disposals	<b>(511)</b>	(943)
	<b>31 707</b>	31 580
Net book value	<b>50 287</b>	56 722
Refer to note 51 for further detail.		
Property, plant and equipment in the course of construction amounts to R326,699,998 (2009: R105,899,421).		
Land and buildings amounting to R29,375,000 (2009: R29,075,260) was in the process of being transferred in the name of the Group.		
A register with full detail of property, plant and equipment is available at the Company's registered office.		
Refer to note 25 for detail of property, plant and equipment encumbered as security for borrowings from financial institutions.		
No major change in the nature of property, plant and equipment or change in the policy regarding the use thereof took place during the financial year.		
During the current financial year borrowing costs of R6,386,420 (2009: Rnil) were capitalised against qualifying items of property, plant and equipment. The capitalisation rate used varied between 7,9% and 8,9%.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>12. Property, plant and equipment (continued)</b>		
<i>Impairment losses on property, plant and equipment</i>		
The recoverable amount of a cash-generating unit (CGU) is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management, covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 13. The growth rates do not exceed the long-term average growth rate for the food industry in which the CGU operates.		
During the year the Group re-assessed and impaired the carrying values of property, plant and equipment of the Kquality, Werda and Hooch businesses with amounts of R9,125,004, R8,858,818 and R6,213,257 before income tax. These impairment losses were calculated by comparing the carrying amount of the CGUs to the value-in-use of these CGUs. No material impairment losses on property, plant and equipment were recognised during 2009.		
Impairment losses on property, plant and equipment can be ascribed to the following operating segments:		
Bokomo Foods	<b>17 984</b>	–
Ceres Beverages	<b>6 213</b>	–
	<b>24 197</b>	–
<i>Change in estimates</i>		
During the current financial year, the Group re-assessed the useful lives and residual values of items of property, plant and equipment in line with the accounting policy and <i>IAS 16 – Property, Plant and Equipment</i> .		
The useful lives are estimated by management based on historic analysis, benchmarking and other available information. The residual values are based on the assessment of useful lives and other available information.		
Based on the latest available and reliable information there was a change in the estimated useful lives and residual values of certain items of property, plant and equipment. The effect of these changes on depreciation expense in the current year is an increase in the annual charge of R10,244,197 (2009: Rnil).		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>13. Intangible assets</b>		
Trademarks	<b>362 906</b>	364 847
Goodwill	<b>221 120</b>	222 625
Intellectual property	<b>32 122</b>	17 104
Computer software	<b>73 364</b>	44 333
Net book value	<b>689 512</b>	648 909
Refer to note 51 for further detail.		
Included in trademarks are the following trademarks with their carrying values and remaining amortisation periods:		
Ceres trademarks – indefinite life (2009: indefinite life)	<b>121 654</b>	121 654
Moir's – indefinite life (2009: indefinite life)	<b>55 741</b>	55 741
Marmite – indefinite life (2009: indefinite life)	<b>33 288</b>	33 288
Bovril – indefinite life (2009: indefinite life)	<b>33 886</b>	33 886
Pecks – indefinite life (2009: indefinite life)	<b>19 245</b>	19 245
Redro – indefinite life (2009: indefinite life)	<b>14 239</b>	14 239
Smash – indefinite life (2009: indefinite life)	<b>21 506</b>	21 506
Maizena – indefinite life (2009: indefinite life)	<b>18 820</b>	18 820
Wild Island – indefinite life (2009: indefinite life)	<b>17 144</b>	17 144
W Daly and W Daly & Sons – 19 years (2009: 20 years)	<b>7 773</b>	8 172
ProNutro – indefinite life (2009: indefinite life)	<b>3 450</b>	3 450
Nature's Source – indefinite life (2009: indefinite life)	<b>2 650</b>	2 650
Tower – indefinite life (2009: indefinite life)	<b>2 116</b>	2 116
Other – nil to 16 years (2009: nil to 17 years)	<b>11 394</b>	12 936
	<b>362 906</b>	364 847
<i>Impairment test for goodwill</i>		
Goodwill arising from a business combination is allocated, at acquisition, to the Company's CGUs that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated as follows:		
Sasko	<b>3 833</b>	3 597
Agri Business	–	–
Bokomo Foods	<b>160 892</b>	162 633
Ceres Beverages	<b>56 395</b>	56 395
	<b>221 120</b>	222 625

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>13. Intangible assets (continued)</b>		
<i>Impairment test for goodwill (continued)</i>		
The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management, covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the food industry in which the CGU operates.		
During 2009 the Group re-assessed and impaired the carrying values of goodwill and intangible assets of the Moir's business with an amount of R44,641,298. This impairment loss was calculated by comparing the carrying amount of the CGU to the value-in-use of this CGU. No impairment losses on goodwill and intangible assets were recognised during 2010.		
<i>Key assumptions used for value-in-use calculations:</i>		
Growth rates from 2,7% to 5,8% (2009: 0,0% to 5,4%)		
Discount rates from 4,8% to 26,2% (2008: 12,7% to 24,4%)		
These assumptions have been used for the analysis of each CGU within the business segment. Management determined the budgeted gross margins based on past performance and its expectations for market development. The growth rate used represents the long-term growth rate based on a medium-term outlook on forecasted inflation rates. The discount rate represents a pre-tax rate based on the weighted average cost of capital.		
<b>14. Biological assets</b>		
Vineyards	<b>16 843</b>	14 004
Livestock – poultry	<b>187 632</b>	151 732
	<b>204 475</b>	165 736
For the purposes of the statement of financial position, biological assets are presented as follows:		
Non-current assets	<b>16 843</b>	14 004
Current assets	<b>187 632</b>	151 732
	<b>204 475</b>	165 736
The Group is engaged in dried fruit and poultry production for supply to various customers. Poultry includes point-of-lay hens, day-old chicks, broilers and eggs.		
The fair value of vineyards is calculated as the future expected net cash flows from the asset, discounted at a current market-determined rate, over the remaining useful lives of the vineyards. A discount rate of 13,5% (2009: 16,0%) was used.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010 Number</b>	2009 Number
<b>14. Biological assets (continued)</b>		
At 30 September, the Group held the following biological assets:		
Chickens – laying	<b>4 482 529</b>	3 736 009
Chickens – broilers	<b>4 113 150</b>	3 401 223
Chickens – grand parents	<b>6 127</b>	5 666
Hatching eggs	<b>6 098 791</b>	6 875 159
Vineyards – hectares	<b>118</b>	118
Land (vegetables) – hectares	<b>–</b>	34
The following is the agricultural produce of the Group for the year ended 30 September:		
Dozens of eggs	<b>50 789 567</b>	35 465 954
Kilograms of meat	<b>57 865 603</b>	52 193 386
Number of day-old chicks	<b>57 352 791</b>	53 052 305
Number of point-of-lay hens	<b>5 592 744</b>	5 769 855
Number of culls	<b>2 070 378</b>	1 349 741
Rand value of vegetables produced	<b>–</b>	954 188
Kilograms of fresh grapes produced	<b>2 179 741</b>	1 122 609
	<b>R'000</b>	R'000
<b>15. Loans to/(from) joint ventures</b>		
Non-current assets	<b>28 204</b>	35 466
Current liabilities	<b>(10 333)</b>	–
Total unsecured loans	<b>17 871</b>	35 466
<i>Proportionately consolidated amounts of joint ventures included in the financial statements:</i>		
Non-current trade and other receivables	<b>202</b>	–
Deferred income tax assets	<b>28</b>	–
Non-current borrowings	<b>(19 624)</b>	(20 076)
Deferred income tax liabilities	<b>(18 199)</b>	(14 556)
Property, plant, equipment and intangible assets	<b>203 824</b>	171 397
Current assets	<b>188 592</b>	180 851
Current liabilities	<b>(104 945)</b>	(102 293)
Net assets	<b>249 878</b>	215 323
Revenue	<b>686 983</b>	667 364
Expenses	<b>(648 098)</b>	(635 769)
Profit after income tax	<b>38 885</b>	31 595
Net cash utilised	<b>(3 525)</b>	(14 322)
Refer to note 49 for further detail.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>16. Investment in associates</b>		
Unlisted shares at cost	<b>5 710</b>	1 700
Interest in retained earnings	<b>1 321</b>	1 229
	<b>7 031</b>	2 929
Refer to note 50 for further detail.		
<b>17. Available-for-sale financial assets</b>		
Shares in other companies		
<i>Listed</i>		
At cost	<b>19 003</b>	14 348
Fair value balance at end of year	<b>13 150</b>	9 570
Fair value balance at beginning of the year	<b>9 570</b>	12 654
Fair value adjustment for the year	<b>5 340</b>	(1 402)
Fair value adjustment reclassified to profit or loss	<b>(1 760)</b>	(1 682)
	<b>32 153</b>	23 918
<i>Unlisted</i>		
At cost	<b>186</b>	1 373
Fair value balance at end of year	<b>6 740</b>	6 437
Fair value balance at beginning of the year	<b>6 437</b>	3 829
Fair value adjustment for the year	<b>326</b>	2 602
Fair value adjustment reclassified to profit or loss	<b>(23)</b>	6
	<b>6 926</b>	7 810
Available-for-sale financial assets at fair value	<b>39 079</b>	31 728
A register with full detail is available at the Company's registered office.		
Available-for-sale financial assets are denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa. The fair values of listed shares are based on their current bid prices in an active market. The fair values of unlisted shares are based on quoted prices in an "over-the-counter" market for these shares.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>18. Inventories</b>		
Raw material	<b>1 084 326</b>	1 094 480
Manufactured products	<b>662 810</b>	650 085
Packaging and consumables	<b>189 449</b>	205 751
	<b>1 936 585</b>	1 950 316
<p>Inventory carried at net realisable value amounts to R31,285,937 (2009: R20,872,125).</p> <p>Inventories and biological assets, with carrying values of R2,021,769,734 (2009: R2,003,857,329), of certain Group companies are pledged as security for general and revolving banking facilities of some of the Group's subsidiaries.</p> <p>Refer to note 25 for more detail.</p>		
<b>19. Derivative financial instruments</b>		
Embedded derivatives	<b>(181)</b>	–
Foreign exchange contracts – not earmarked for hedging	<b>(8 694)</b>	(3 801)
Foreign exchange contracts – cash flow hedges	–	(3 648)
Interest rate collars – not earmarked for hedging	–	(3 461)
Interest rate swaps – cash flow hedges	–	(10 806)
Interest rate collars – cash flow hedges	<b>(48 940)</b>	(58 207)
	<b>(57 815)</b>	(79 923)
<p>For the purposes of the statement of financial position derivative financial instruments are presented as follows:</p>		
Current assets	<b>5 197</b>	114
Non-current liabilities	<b>(5 660)</b>	(26 430)
Current liabilities	<b>(57 352)</b>	(53 607)
	<b>(57 815)</b>	(79 923)
<p>Trading derivatives are classified as a current asset or liability. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability, if the maturity of the hedged item is less than 12 months. The carrying values of derivative financial instruments represent their fair values at the reporting date.</p> <p>Refer to note 52 for further detail.</p>		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>20. Trade and other receivables</b>		
Trade receivables	<b>1 597 362</b>	1 517 482
Allowance for outstanding credit notes	<b>(42 455)</b>	(46 731)
Provision for impairment	<b>(9 907)</b>	(6 830)
Net trade receivables	<b>1 545 000</b>	1 463 921
Staff	<b>1 111</b>	1 266
Prepayments	<b>17 923</b>	18 897
Receivables from related parties (refer to note 36)	<b>41 565</b>	31 290
Value-added tax	<b>42 921</b>	11 990
Loans	<b>16 931</b>	16 930
Other	<b>20 628</b>	10 470
	<b>1 686 079</b>	1 554 764
For the purposes of the statement of financial position trade and other receivables are presented as follows:		
Non-current assets	<b>16 931</b>	16 930
Current assets	<b>1 669 148</b>	1 537 834
	<b>1 686 079</b>	1 554 764
The carrying value of trade and other receivables approximates their fair value at reporting date.		
An allowance for outstanding credit notes is accounted for based on past experience.		
At year-end trade receivables with a carrying value of R1,665,819,515 (2009: R1,496,787,413) of certain Group companies were pledged as security for general and revolving banking facilities of some of the Group's subsidiaries.		
Refer to note 25 for more detail.		
Financial assets that are neither past due nor impaired are considered to be fully performing. The carrying amounts of fully performing financial assets included in trade and other receivables at year-end are:		
National customers	<b>792 020</b>	684 338
Other customers	<b>761 883</b>	749 377
	<b>1 553 903</b>	1 433 715
The credit quality of fully performing financial assets included in trade and other receivables is supported by the high proportion of the carrying value that can be ascribed to national customers, especially in the formal retail sector. The credit quality of the customer base is considered to be good based on historical default rates.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>20. Trade and other receivables (continued)</b>		
Financial assets included in trade and other receivables that are outside their normal payment terms are considered to be past due. The following represents an analysis of the past due number of days of financial assets that are past due but not impaired:		
National customers		
Up to 30 days	<b>7 289</b>	9 214
31 to 60 days	<b>13 489</b>	13 333
61 to 90 days	<b>2 137</b>	5 271
91 to 120 days	<b>909</b>	2 999
More than 120 days	<b>3 663</b>	3 843
	<b>27 487</b>	34 660
Other customers		
Up to 30 days	<b>17 407</b>	26 343
31 to 60 days	<b>13 326</b>	16 449
61 to 90 days	<b>4 039</b>	3 714
91 to 120 days	<b>1 651</b>	3 075
More than 120 days	<b>7 417</b>	5 915
	<b>43 840</b>	55 496
Staff		
Up to 30 days	<b>1</b>	2
31 to 60 days	<b>4</b>	1
61 to 90 days	<b>–</b>	2
91 to 120 days	<b>–</b>	–
More than 120 days	<b>–</b>	1
	<b>5</b>	6
<b>Total</b>	<b>71 332</b>	90 162
Individually impaired receivables where indicators of impairment are present, comprise of a number of non-material customers. The following trade receivables were impaired at year-end:		
National customers	<b>–</b>	–
Other customers	<b>9 907</b>	6 830
<b>Total</b>	<b>9 907</b>	6 830
No interest (2009: Rnil) was charged on impaired trade receivables.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>20. Trade and other receivables (continued)</b>		
Movements on the Group's provision for impairment of trade receivables are as follows:		
At 1 October	<b>6 830</b>	4 297
Provision for impairment of receivables raised	<b>6 516</b>	6 079
Receivables provision utilised during the year	<b>(464)</b>	(1 624)
Unused amounts reversed	<b>(2 975)</b>	(1 922)
At 30 September	<b>9 907</b>	6 830
The renegotiation of customer balances is considered on a case by case basis by the relevant credit managers. The carrying amount of trade receivables that would otherwise be past due or impaired whose terms have been renegotiated is as follows:		
National customers	-	-
Other customers	<b>1 434</b>	3 599
Total	<b>1 434</b>	3 599
The Group holds a number of categories of collateral as security for trade receivable balances. These collateral categories include mortgage bonds and notarial bonds, cession of trade receivables, various guarantees and letters of credit.		
Fair value of collateral held on past due and impaired trade receivables:		
National customers	-	-
Other customers	<b>15 819</b>	22 642
Total	<b>15 819</b>	22 642
The carrying amount of the Group's trade receivables is denominated in the following currencies:		
<i>Covered by means of foreign exchange contracts:</i>	<b>8 028</b>	10 608
Euro	-	1 374
US Dollar	<b>8 028</b>	9 234
<i>Uncovered:</i>	<b>1 589 334</b>	1 506 874
Euro	<b>6 319</b>	4 052
GBP	<b>25 600</b>	25 994
Botswana Pula	<b>20 062</b>	16 328
US Dollar	<b>30 253</b>	44 925
SA Rand	<b>1 494 277</b>	1 405 206
Other currencies	<b>12 823</b>	10 369
Total	<b>1 597 362</b>	1 517 482
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
GBP	<b>25 211</b>	25 600
Botswana Pula	<b>20 062</b>	16 328
Total	<b>45 273</b>	41 928
Other receivables are largely denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>21. Cash and cash equivalents</b>		
Cash at bank and on hand	<b>261 464</b>	301 401
Short-term bank deposits	<b>448 452</b>	296 128
	<b>709 916</b>	597 529
<p>The effective interest rate at reporting date on short-term bank deposits was between 1,2% and 5,8% (2009: 1,4% and 8,3%). These deposits have maturity days ranging from 1 day to 90 days (2009: from 1 day to 90 days).</p> <p>For the purposes of the statement of cash flows, the year-end cash, cash equivalents and bank overdrafts comprised of the following:</p>		
Cash and short-term deposits	<b>709 916</b>	597 529
Short-term borrowings		
Bank overdrafts	<b>(964)</b>	(5 413)
	<b>708 952</b>	592 116
<p>The Group's cash equivalents and short-term deposits are placed with creditable financial institutions with appropriate credit ratings.</p> <p>The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:</p>		
Euro	<b>939</b>	48
GBP	<b>19 690</b>	20 414
Botswana Pula	<b>4 432</b>	4 868
US Dollar	<b>3 771</b>	11 555
SA Rand	<b>675 355</b>	556 256
Other currencies	<b>5 729</b>	4 388
Total	<b>709 916</b>	597 529
<p>The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:</p>		
GBP	<b>18 920</b>	20 414
Botswana Pula	<b>4 432</b>	4 868
	<b>23 352</b>	25 282
<p>The majority of the Group's cash and cash equivalents is denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.</p> <p>The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.</p> <p><b>Restricted balances:</b> Cash and cash equivalents include restricted balances of R12,2 million (2009: R20,6 million). Restricted cash balances consists of initial margin balances with the JSE Limited which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the subsidiary company when the related derivative positions are closed.</p>		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>22. Share capital</b>		
Authorised – ordinary shares		
400,000,000 (2009: 400,000,000) ordinary shares of 10 cents each	<b>40 000</b>	40 000
Authorised – class A ordinary shares		
18,130,000 (2009: 18,130,000) class A ordinary shares of 10 cents each	<b>1 813</b>	1 813
Issued and fully paid – ordinary shares		
Beginning of year: 201,183,898 (2009: 201,183,898) ordinary shares of 10 cents each	<b>20 118</b>	20 118
8,072 (2009: Nil) ordinary shares of 10 cents each issued during the year to employees in terms of share appreciation rights scheme	<b>1</b>	–
At end of year: 201,191,970 (2009: 201,183,898) ordinary shares of 10 cents each	<b>20 119</b>	20 118
During the year the Company issued 8,072 (2009: Nil) ordinary shares of 10 cents each at R42,58 (2009: Rnil).		
Net treasury shares held by management share incentive trust		
Beginning of year: 6,758,105 (2009: 8,570,935) ordinary shares of 10 cents each	<b>676</b>	857
Net treasury shares sold: 1,646,200 (2009: 1,812,830) ordinary shares of 10 cents each	<b>(165)</b>	(181)
At end of year: 5,111,905 (2009: 6,758,105) ordinary shares of 10 cents each	<b>511</b>	676
Net treasury shares held by subsidiary		
Beginning and end of year: 17,982,056 (2009: 17,982,056) ordinary shares of 10 cents each	<b>1 798</b>	1 798

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>22. Share capital (continued)</b>		
<i>Net listed ordinary share capital</i>		
Issued and fully paid ordinary shares	<b>20 119</b>	20 118
Net treasury shares held by management share incentive trust	<b>(511)</b>	(676)
Net treasury shares held by subsidiary	<b>(1 798)</b>	(1 798)
	<b>17 810</b>	17 644
20,000,000 (2009: 20,000,000) unissued ordinary shares are under the control of the directors until the next annual general meeting.		
<i>Issued and fully paid – unlisted class A ordinary shares of 10 cents each</i>		
11,397,190 (2009: 12,619,180) treasury shares held by employee share scheme trust at beginning of year	<b>1 140</b>	1 262
988,540 (2009: 1,221,990) bought back and cancelled	<b>(99)</b>	(122)
10,408,650 (2009: 11,397,190) treasury shares held by employee share scheme trust at end of year	<b>1 041</b>	1 140
Class A ordinary shares are not listed on the JSE Limited. These shares have full voting rights, similar to those of ordinary shares.		
<b>23. Share-based payments</b>		
<b>23.1 Management share incentive scheme</b>		
	<b>Number</b>	Number
	<b>'000</b>	'000
<i>Number of shares made available</i>		
Unallocated under control of directors	<b>608</b>	550
Shares under option in terms of option scheme:		
Number at the end of the year	<b>4 504</b>	6 208
Number at the beginning of the year	<b>6 208</b>	8 069
Redeemed	<b>(1 646)</b>	(1 813)
Expired	<b>(58)</b>	(48)
	<b>5 112</b>	6 758

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>																						
	<b>2010 Number '000</b>	2009 Number '000																					
<b>23. Share-based payments (continued)</b>																							
<b>23.1 Management share incentive scheme (continued)</b>																							
<i>Number of options</i>																							
At R3,30 per share, exercisable up to 18 October 2010	–	10																					
At R8,65 per share, exercisable up to 27 May 2014	<b>1 810</b>	3 021																					
At R14,05 per share, exercisable up to 24 December 2014	<b>995</b>	1 278																					
At R21,86 per share, exercisable up to 25 January 2016	<b>896</b>	984																					
At R31,42 per share, exercisable up to 12 February 2017	<b>421</b>	524																					
At R25,00 per share, payable by 1 February 2010	–	1																					
At R25,00 per share, payable by 18 October 2010	–	1																					
At R25,00 per share, payable by 27 May 2014	<b>382</b>	389																					
	<b>4 504</b>	6 208																					
<p>The weighted average share price at the exercise date, for share options exercised during the year, was R39,89 (2009: R28,06).</p> <p>The fair values were calculated using the <i>Actuarial Binomial Option Pricing Model</i>. The principal assumptions for the last grant (during 2007) were as follows:</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;"><b>Number</b></th> <th style="text-align: center;">Number</th> </tr> </thead> <tbody> <tr> <td>Weighted average share price at grant date (cents per share)</td> <td style="text-align: right;"><b>1 269</b></td> <td style="text-align: right;">1 269</td> </tr> <tr> <td>Weighted average exercise price (cents per share)</td> <td style="text-align: right;"><b>1 214</b></td> <td style="text-align: right;">1 214</td> </tr> <tr> <td>Expected volatility</td> <td style="text-align: right;"><b>20.0% to 33.8%</b></td> <td style="text-align: right;">20.0% to 33.8%</td> </tr> <tr> <td>Expected life (years)</td> <td style="text-align: right;"><b>4 to 6</b></td> <td style="text-align: right;">4 to 6</td> </tr> <tr> <td>Risk free rate</td> <td style="text-align: right;"><b>7.2% to 9.7%</b></td> <td style="text-align: right;">7.2% to 9.7%</td> </tr> <tr> <td>Expected dividend yield</td> <td style="text-align: right;"><b>2.7% to 4.4%</b></td> <td style="text-align: right;">2.7% to 4.4%</td> </tr> </tbody> </table> <p>Expected volatility was determined by calculating the historical volatility of the share price of a similar JSE listed entity in the food sector.</p> <p>The cost accounted for during the current year amounts to R682,000 (2009: R5,089,600).</p>				<b>Number</b>	Number	Weighted average share price at grant date (cents per share)	<b>1 269</b>	1 269	Weighted average exercise price (cents per share)	<b>1 214</b>	1 214	Expected volatility	<b>20.0% to 33.8%</b>	20.0% to 33.8%	Expected life (years)	<b>4 to 6</b>	4 to 6	Risk free rate	<b>7.2% to 9.7%</b>	7.2% to 9.7%	Expected dividend yield	<b>2.7% to 4.4%</b>	2.7% to 4.4%
	<b>Number</b>	Number																					
Weighted average share price at grant date (cents per share)	<b>1 269</b>	1 269																					
Weighted average exercise price (cents per share)	<b>1 214</b>	1 214																					
Expected volatility	<b>20.0% to 33.8%</b>	20.0% to 33.8%																					
Expected life (years)	<b>4 to 6</b>	4 to 6																					
Risk free rate	<b>7.2% to 9.7%</b>	7.2% to 9.7%																					
Expected dividend yield	<b>2.7% to 4.4%</b>	2.7% to 4.4%																					

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010 Number</b>	2009 Number
<b>23. Share-based payments (continued)</b>		
<b>23.2 Broad-based employee share scheme</b>		
<p>During 2006 the Group introduced a broad-based employee share scheme for all employees, other than management qualifying for the share-based compensation scheme. In terms of the scheme, employees received class A ordinary shares with full voting rights and dividend rights equal to 30% of that of ordinary shares. Once the notional threshold debt has been repaid, class A ordinary shares will convert into ordinary shares. The vesting period is expected to be approximately 20 years.</p> <p>In case of termination of employment prior to the final date the resultant actions depend on whether the employee is considered to be a "good leaver" or an "other leaver".</p> <p>An employee is considered to be a "good leaver" if employment is terminated because of:</p> <ul style="list-style-type: none"> <li>– Death</li> <li>– Permanent disability</li> <li>– Retirement</li> <li>– Retrenchment</li> <li>– Sale of business</li> <li>– Termination for a reason that in the discretion of the board has the effect of qualifying the employee as a "good leaver"</li> <li>– Any other reason after the lapse of a period of five years</li> </ul> <p>An employee is considered to be an "other leaver" in the event that termination takes place within a period of five years for any reason other than that constituting a "good leaver", or an employee fails to adhere to the provisions of the scheme.</p> <p>The class A ordinary shares of "good leavers" will be purchased by the Company at a price equal to the market value of an ordinary share, less the notional threshold debt. The purchase price will, at the option of the Company, either be settled in cash, or utilised on behalf of the "good leaver" to subscribe for ordinary shares at the market value of ordinary shares.</p> <p>The class A ordinary shares of "other leavers" will be purchased by the Company at R0,01.</p> <p><i>Reconciliation of number of class A ordinary shares</i></p>		
Balance at beginning of the year	<b>11 397 190</b>	12 619 180
Good leavers – purchased by the Company	<b>(484 610)</b>	(412 160)
Other leavers – purchased by the Company	<b>(503 930)</b>	(809 830)
Outstanding at year-end	<b>10 408 650</b>	11 397 190

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010 Number</b>	2009 Number
<b>23. Share-based payments (continued)</b>		
<b>23.2 Broad-based employee share scheme (continued)</b>		
The estimated fair value of a class A ordinary share on 30 September 2010 was R21.36 (2009: R15.29). The fair value per class A ordinary share was used to calculate the total cost of the scheme in terms of <i>IFRS 2 – Share-based payments</i> . The cost accounted for during the current year amounts to R48,015,171 (2009: R41,363,286).		
These fair values were calculated using the <i>Actuarial Binomial Option Pricing Model</i> . The principal assumptions were as follows:		
Ordinary share price at 30 September (cents per share)	<b>4 760</b>	3 350
Notional loan amount at 30 September (cents per share)	<b>2 792</b>	2 651
Prime rate at 30 September	<b>9,5%</b>	10,5%
Expected volatility	<b>17,4% to 28,1%</b>	25,0% to 33,3%
Expected duration to repay notional debt (years)	<b>15,5</b>	16,5
Expected dividend yield	<b>4,0%</b>	2,8%
Risk free rate	<b>6,1% to 7,8%</b>	6,9% to 8,7%
Expected volatility was determined by calculating the volatility of a share price of a similar JSE listed entity in the food industry.		
The principal assumptions used to calculate the expected number of shares that will vest, are as follows:		
Expected rate of “other leavers” (per annum)	<b>5%</b>	5%
Expected rate of “leavers” (including “other leavers”) (per annum)	<b>10%</b>	10%
<b>23.3 Management share appreciation rights scheme</b>		
The Group adopted a share appreciation rights scheme for qualifying management during the year ended 30 September 2008. The share appreciation rights vest over a five-year period. Share appreciation rights that remain unexercised after a period of 10 years from the date of grant, expire.		
The exercise of vested share appreciation rights entitles the employee to ordinary shares in Pioneer Food Group Limited. This number of shares is calculated by dividing the amount by which the share price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the share price at the exercise date.		
	<b>Number '000</b>	Number '000
<b>Number of share appreciation rights made available</b>		
Number at the beginning of the year	<b>1 986</b>	1 249
Expired/forfeited	<b>(83)</b>	(53)
Redeemed	<b>(20)</b>	–
New allocation at R24,20 per share	–	790
New allocation at R34,73 per share	<b>2 544</b>	–
Number at the end of the year	<b>4 427</b>	1 986
<b>Number of share appreciation rights</b>		
At R25,48 per share, exercisable up to 9 June 2018	<b>1 163</b>	1 201
At R24,20 per share, exercisable up to 27 February 2019	<b>745</b>	785
At R34,73 per share, exercisable up to 9 February 2020	<b>2 519</b>	–
	<b>4 427</b>	1 986

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010 Number</b>	2009 Number
<b>23. Share-based payments (continued)</b>		
<b>23.3 Management share appreciation rights scheme (continued)</b>		
Share appreciation rights were granted on 9 February 2010 (2009: 27 February 2009) at a strike price of R34,73 (2009: R24,20). Vesting takes place over a five-year period with the first 20% of the share appreciation rights vesting on 9 February 2011 (2009: 27 February 2010).		
The net estimated weighted average fair value per share appreciation right at 30 September 2010 is R8,83 (2009: R7,06). The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of <i>IFRS 2 – Share-based payments</i> . The cost accounted for in the current year amounts to R12,518,700 (2009: R4,910,800).		
The principal assumptions were as follows:		
Weighted average share price at grant date (cents per share)	<b>3 273</b>	2 626
Expected volatility	<b>22,0% to 30,9%</b>	22,0% to 30,9%
Expected dividend yield	<b>3,2% to 4,1%</b>	3,3% to 4,0%
Risk free rate	<b>7,0% to 8,9%</b>	7,0% to 8,9%
Expected life (years)	<b>3 to 6</b>	3 to 6
Expected volatility was determined by calculating the volatility of the share price of a similar JSE listed entity in the food industry.		
	<b>R'000</b>	R'000
<b>24. Other reserves</b>		
Statutory reserve (insurance captive)	<b>4 111</b>	4 483
Fair value reserve	<b>17 367</b>	14 181
Foreign currency translation reserve	<b>(23 775)</b>	(6 561)
Hedging reserve	<b>(31 999)</b>	(63 548)
Equity compensation reserve	<b>62 547</b>	44 379
	<b>28 251</b>	(7 066)
The statutory reserve relates to a wholly-owned subsidiary of the Group and in-house insurance company, Sasguard Insurance Company Limited. In terms of the short-term insurance act the subsidiary is required to retain certain minimum statutory reserves.		
The fair value reserve relates to the difference between the fair value and book value of investments in listed and unlisted shares, classified as available-for-sale financial assets.		
The foreign currency translation reserve relates to exchange differences arising from translation of foreign subsidiaries' and joint ventures' statements of comprehensive income at average exchange rates for the year and their statements of financial position at the ruling exchange rates at the reporting date if the functional currency differs.		
The hedging reserve relates to the change in fair value of derivative financial instruments. These derivative financial instruments include futures, forward exchange contracts and interest rate derivatives.		
Refer to note 52 for more detail.		
The fair value of share options and share appreciation rights issued to qualifying management are accounted for in the equity compensation reserve over the respective vesting periods. The reserve is adjusted at each reporting date when the entity revises its estimates of the number of share options and share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to this reserve in equity for equity-settled plans.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>25. Borrowings</b>		
<i>Non-Current</i>		
Secured financing		
Syndicated and other	<b>934 722</b>	1 076 484
Unsecured financing	<b>11 436</b>	20 076
Total non-current	<b>946 158</b>	1 096 560
<i>Current</i>		
Secured financing		
Syndicated and other	<b>153 043</b>	138 497
Unsecured financing	<b>15 477</b>	17 182
Bank overdrafts	<b>964</b>	5 413
Total current	<b>169 484</b>	161 092
Total borrowings	<b>1 115 642</b>	1 257 652
Refer to note 48 for further detail.		
The level of borrowings is within the limits prescribed by the articles of association of the Company and its subsidiaries.		
During 2008 the Group obtained syndicated financing of R1,3 billion in the form of bullet and amortising loans. These loans are secured by mortgages over certain immovable properties with carrying values of R558,304,838 (2009: R421,465,083) at year-end as well as notarial bonds over certain items of plant and equipment with carrying values of R757,092,381 (2009: R834,760,374) at year-end. These loan facilities are also secured by general notarial bonds over all movable assets of Pioneer Foods (Pty) Limited, Ceres Fruit Juices (Pty) Limited, Continental Beverages (Pty) Limited and Retail Brands Interafrica (Pty) Limited.		
Short-term facilities utilised of R84,040,227 (2009: R80,527,643) are secured by pledges over certain Group companies' inventories, biological assets and trade receivables (outstanding for less than 90 days). Per the syndicated financing agreement, the carrying value of the specified inventories and trade receivables should at all times, be at least twice the value of these facilities utilised. At year-end inventories (including biological assets) and trade receivables pledged as security for this purpose amounted to R2,016,386,000 (2009: R1,999,673,000) and R1,631,228,000 (2009: R1,474,105,000) respectively.		
The carrying values of borrowings approximate their fair values at the reporting date and are denominated in the following currencies:		
GBP	<b>10 766</b>	18 814
Botswana Pula	<b>12 556</b>	5 413
SA Rand	<b>1 092 320</b>	1 233 425
Total	<b>1 115 642</b>	1 257 652
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
GBP	<b>10 766</b>	18 814
Botswana Pula	<b>12 556</b>	5 413
	<b>23 322</b>	24 227

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>26. Deferred income tax</b>		
Balance at beginning of year	<b>488 558</b>	406 171
Charge in profit or loss	<b>24 739</b>	93 340
Deferred income tax on swaps and collars charged to equity	<b>6 005</b>	(5 595)
Foreign exchange translation adjustment	<b>156</b>	(473)
Rate change	<b>609</b>	–
Deferred income tax on foreign exchange contracts charged to equity	<b>1 021</b>	(4 053)
Deferred income tax on share-based payment of share appreciation rights	<b>(5 311)</b>	(516)
Deferred income tax on fair value adjustments of available-for-sale financial assets charged to equity	<b>697</b>	(316)
	<b>516 474</b>	488 558
Due to the following temporary differences:		
Capital allowances, including trademarks	<b>623 532</b>	565 261
Inventories	<b>(6 024)</b>	5 268
Biological assets	<b>40 350</b>	40 051
Provision for post-retirement medical benefits and long service awards	<b>(30 550)</b>	(23 048)
Leave accrual	<b>(29 748)</b>	(30 155)
Prepaid expenses	<b>5 723</b>	4 166
Provision for impairment of trade receivables	<b>(1 201)</b>	(3 065)
Rebates, growth incentives and settlement discount accruals	<b>(16 480)</b>	(18 697)
Assessed losses	<b>(24 573)</b>	(22 469)
Hire-purchases and leased assets	–	160
Re-insurance commission received in advance	<b>(525)</b>	(296)
Fair value adjustments on available-for-sale financial assets	<b>2 520</b>	1 823
Allowance for credit notes	<b>(11 725)</b>	(11 442)
Derivative financial instruments	<b>(13 857)</b>	(21 499)
Deferred income	<b>(5 992)</b>	(5 467)
Other	<b>(14 976)</b>	7 967
	<b>516 474</b>	488 558
For the purpose of the statement of financial position deferred income tax is presented as follows:		
Non-current assets	<b>2 650</b>	2 657
Non-current liabilities	<b>(519 124)</b>	(491 215)
	<b>(516 474)</b>	(488 558)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>27. Provisions for other liabilities and charges</b>		
<b>27.1 Post-retirement medical benefits</b>		
Balance at beginning of year	<b>57 142</b>	55 200
Interest cost	<b>5 531</b>	5 403
Actuarial loss/(gain)	<b>793</b>	(114)
Service cost	<b>189</b>	230
Payments	<b>(3 829)</b>	(3 577)
	<b>59 826</b>	57 142
 <i>Post-retirement medical benefits</i>		
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	<b>58 410</b>	55 216
Unrecognised actuarial gain	<b>1 416</b>	1 926
	<b>59 826</b>	57 142
 The historical present values for the previous three years of the unfunded obligation were as follows:		
2008 – R55,200,000		
2007 – R52,697,000		
2006 – R51,799,000		
 The Group expects to pay R4,102,423 (2009: R3,794,360) in terms of the post-retirement medical benefit plan within the next 12 months.		
 Existing provisions are based on the following important assumptions:		
<i>Post-retirement medical benefits</i>		
Medical inflation rate: 9,1% (2009: 10,0%) p.a.		
Investment rate of return: 9,1% (2009: 10,0%) p.a.		
The date of the most recent actuarial valuation is 1 October 2010.		
 <i>The effect of a 1% increase in the assumed health cost trend is as follows:</i>		
Increase in the defined benefit obligation	<b>7 265</b>	4 761
Increase in the aggregate of current service and interest cost	<b>710</b>	710
 <i>The effect of a 1% decrease in the assumed health cost trend is as follows:</i>		
Decrease in the defined benefit obligation	<b>6 027</b>	7 490
Decrease in the aggregate of current service and interest cost	<b>585</b>	587

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>27. Provisions for other liabilities and charges (continued)</b>		
<b>27.2 Long service awards</b>		
Balance at beginning of year	<b>25 172</b>	23 093
Interest cost	<b>2 523</b>	2 367
Actuarial loss	<b>22 461</b>	1 044
Service cost	<b>5 620</b>	5 020
Payments	<b>(6 497)</b>	(6 352)
	<b>49 279</b>	25 172
 <i>Long service awards</i>		
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	<b>49 279</b>	25 172
 Existing provisions are based on the following important assumptions:		
<i>Long service awards</i>		
Discount rate: 8,1% (2009: 10,0%) p.a.		
Salary increases: 8,0% (2009: 6,0%) p.a.		
Normal retirement age: 60 (2009: 60) years		
The date of the most recent actuarial valuation is 1 October 2010.		
 <b>27.3 Total provision for other liabilities and charges</b>		
Consists of:		
Post-retirement medical benefits	<b>59 826</b>	57 142
Long service awards	<b>49 279</b>	25 172
	<b>109 105</b>	82 314
 For the purpose of the statement of financial position the total provision for other liabilities and charges is presented as follows:		
Non-current liabilities	<b>109 105</b>	82 314
Current liabilities	-	-
	<b>109 105</b>	82 314

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>28. Accrual for Competition Commission penalties</b>		
Accrued during the year	<b>654 151</b>	–
Amounts paid during the year	<b>(195 719)</b>	–
	<b>458 432</b>	–
For the purpose of the statement of financial position the accrual for Competition Commission penalties is presented as follows:		
Non-current liabilities	<b>391 765</b>	–
Current liabilities	<b>66 667</b>	–
	<b>458 432</b>	–
<p>Pioneer Foods and the Competition Commission (“the Commission”) agreed on 2 November 2010 to a full and final settlement on the bread, milling and other investigations conducted by the Commission.</p> <p>The salient provisions of the settlement agreement, which was approved by the Competition Tribunal (“the Tribunal”) on 30 November 2010, are as follows:</p> <ol style="list-style-type: none"> <li>1. Pioneer Foods will pay administrative penalties of R500 million to the Commission. The Commission will pay this sum to the National Revenue fund.</li> <li>2. Pioneer Foods has furthermore committed to a reduction in its gross profit, amounting to R160 million when benchmarked against an agreed base period, in respect of a selection of defined wheaten flour and bread products.</li> <li>3. These figures exclude the administrative penalty of R195,718,614 imposed by the Tribunal in the bread matter which was paid by Pioneer Foods in April 2010.</li> <li>4. The settlement amounts in par 1 and 2 were provided for in the 2010 financial year and will become payable as follows: <ul style="list-style-type: none"> <li>R66,666,667 within five days of confirmation of the settlement agreement as an order of the Tribunal (“the first payment date”), R216,666,667 on the first anniversary of the first payment date and R216,666,667 on the second anniversary of the first payment date. Payments have been discounted at a rate of 6,6%.</li> </ul> </li> <li>5. Pioneer Foods furthermore undertook not to reduce its committed cumulative capital expenditure from 2010 to 2013 as a result of the settlement agreement, and commits to increasing the capital expenditure by R150 million over the same period. This R150 million commitment is included in the capital commitments as disclosed in note 33.</li> </ol>		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>29. Share-based payment liability</b>		
Balance at beginning of year	<b>57 107</b>	19 424
Share-based payment	<b>48 015</b>	41 363
Dividends paid on class A ordinary shares	<b>(2 941)</b>	(3 680)
	<b>102 181</b>	57 107
<b>30. Trade and other payables</b>		
Trade payables	<b>1 315 897</b>	1 076 899
Accrued expenses	<b>100 949</b>	83 586
Related parties (refer to note 36)	<b>13 441</b>	8 875
Deferred revenue	<b>38 317</b>	50 438
Value-added tax	<b>1 357</b>	1 209
Accrual for leave	<b>113 378</b>	109 649
Accrual for 13th cheque	<b>59 445</b>	53 663
Other	<b>89 723</b>	109 814
	<b>1 732 507</b>	1 494 133
The carrying amounts of the Group's trade payables are denominated in the following currencies:		
<i>Covered by means of foreign exchange contracts:</i>	<b>154 519</b>	53 345
Euro	<b>7 599</b>	1 002
GBP	<b>1 095</b>	–
US Dollar	<b>145 825</b>	51 629
Other currencies	<b>–</b>	714
<i>Uncovered:</i>	<b>1 161 378</b>	1 023 554
Euro	<b>712</b>	9 280
GBP	<b>24 203</b>	21 566
Botswana Pula	<b>5 571</b>	2 594
US Dollar	<b>4 245</b>	3 933
SA Rand	<b>1 125 994</b>	984 014
Other currencies	<b>653</b>	2 167
Total	<b>1 315 897</b>	1 076 899
The following balances, included in the summary above, are denominated in the functional currencies of the relevant entities:		
GBP	<b>23 069</b>	20 153
Botswana Pula	<b>5 571</b>	2 594
	<b>28 640</b>	22 747
Other payables are mostly denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>31. Financial risk management</b>		
<b>31.1 Financial risk factors</b>		
The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.		
The board approved an overall decision-making framework in terms of which financial risks are evaluated, managed and hedged by executive management.		
<i>(a) Market risk</i>		
<i>(i) Interest rate risk</i>		
The Group's interest rate risk arises from both financial assets and financial liabilities.		
Financial liabilities exposed to interest rate risk include interest-bearing short- and long-term borrowings, bank overdrafts and call loans. The Group only borrows at variable interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.		
The interest rate profile as at 30 September is summarised as follows:		
Variable rate	<b>1 115 642</b>	1 257 652
Fixed rate	–	–
Total loans	<b>1 115 642</b>	1 257 652
Percentage of total loans:		
	<b>%</b>	<b>%</b>
Variable rate	<b>100.0</b>	100.0
Fixed rate	–	–
Total loans	<b>100.0</b>	100.0
Refer to note 48 for detail regarding interest rates.		
Based on various scenarios the Group manages its interest rate risk by entering into floating-to-fixed interest rate swaps, zero-cost interest rate collar contracts or any other applicable hedging instruments. The portion of interest-bearing borrowings to be hedged is determined based on macro-economic factors. It is the Group's policy to hedge at least 50% of all its major interest-bearing borrowings for three years rolling through appropriate hedging instruments. The main purpose of the Group's hedging strategy is to hedge the Group against a possible increase in interest rates; however, the Group also contracts for sharing in the up-side of a possible decrease in interest rates. Where such instruments qualify for hedge accounting, hedge accounting principles are applied in accounting for these hedging instruments.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000

**31. Financial risk management (continued)**

**31.1 Financial risk factors (continued)**

*(a) Market risk (continued)*

*(i) Interest rate risk (continued)*

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

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

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

Cash and short-term bank deposits are invested at variable rates. At year-end R448,452,359 (2009: R296,128,471) was invested at rates that varied from 1,2% to 5,8% (2009: 1,4% to 8,3%).

At year-end loans to joint ventures were granted interest free or at variable rates from 8,5% to 9,5% (2009: 9,5% to 10,5%).

*(ii) Foreign exchange risk*

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

The Group manages short-term foreign exchange exposure relating to trade imports and exports, in terms of formal foreign exchange policies with prescribed limits. Foreign exchange risk arising from capital imports is hedged in total by means of foreign exchange contracts or other appropriate hedging instruments. On a case by case basis, depending on potential profit or loss volatility caused by the fair value movement of the derivative, management decides whether or not to apply hedge accounting.

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

Refer to note 52 for detail of foreign exchange contracts at year-end.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	GROUP	
	2010 R'000	2009 R'000

**31. Financial risk management (continued)**

**31.1 Financial risk factors (continued)**

*(a) Market risk (continued)*

*(iii) Price risk*

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

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

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

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

Refer to note 52 for detail of commodity instruments at year-end.

*(iv) Sensitivity analysis*

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

**Change in foreign currency**

Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US Dollar of 9,0% (2009: 7,0%), GBP of 11,0% (2009: 16,0%), Botswana Pula of 1,0% (2009: 4,0%), Euro of 4,0% (2009: 8,5%) and Swedish Kronen of 4,0% (2009: Nil%), with all other variables held constant.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>31. Financial risk management (continued)</b>		
<b>31.1 Financial risk factors (continued)</b>		
<i>(a) Market risk (continued)</i>		
<i>(iv) Sensitivity analysis (continued)</i>		
<b>Change in foreign currency (continued)</b>		
<i>Rand depreciates against foreign currencies</i>		
– Increase/(decrease) in profit after tax		
Trade receivables	<b>4 816</b>	3 174
Trade payables	<b>(1 009)</b>	(3 341)
Cash and cash equivalents	<b>3</b>	–
Derivative financial instruments not earmarked for hedging	<b>19 662</b>	8 832
– Increase in equity after tax		
Derivative financial instruments earmarked for hedging	<b>–</b>	5 432
	<b>23 472</b>	14 097
If the rand appreciates against these currencies the impact will be an increase/ (decrease) in reserves of the same amount.		
<b>Change in interest rate</b>		
The summary below reflects the results of an expected change in the prime interest rate of 0,5% (2009: 0,5%) with all other variables held constant.		
<i>Interest rate increases</i>		
– Increase/(decrease) in profit after tax		
Short-term bank deposits	<b>772</b>	1 329
Interest-bearing borrowings	<b>(3 739)</b>	(4 346)
Derivative financial instruments not earmarked for hedging	<b>–</b>	3
– Decrease in equity after tax		
Derivative financial instruments earmarked for hedging	<b>(2 489)</b>	(5 534)
	<b>(5 456)</b>	(8 548)
<i>Interest rates decrease</i>		
If the prime interest rate decreases, the impact will be an increase in the profit after tax of the same amount on financial instruments other than interest rate swaps and collars.		
Derivative financial instruments affected by changes in the interest rate include interest rate swaps and interest rate collars. The effect of a decrease in the prime interest rate of 0,5% (2009: 0,5%) on these derivative financial instruments will result in:		
– Decrease in profit after tax		
Derivative financial instruments not earmarked for hedging	<b>–</b>	(3)
– Increase in equity after tax		
Derivative financial instruments earmarked for hedging	<b>4 723</b>	5 615
	<b>4 723</b>	5 612
<b>Change in commodity prices</b>		
Derivative financial instruments affected by changes in the commodity prices relate to futures and options. The summary below reflects the results of an expected change in the wheat price of 2,0% (2009: 10,0%) and a change in the maize price of 1,0% (2009: 30,0%), with all other variables held constant.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	GROUP	
	2010 R'000	2009 R'000
<b>31. Financial risk management (continued)</b>		
<b>31.1 Financial risk factors (continued)</b>		
<i>(a) Market risk (continued)</i>		
<i>(iv) Sensitivity analysis (continued)</i>		
<b>Change in commodity prices (continued)</b>		
<i>Commodity price increase</i>		
– Increase in profit after tax		
Derivative financial instruments	134	1,503
– Increase in equity after tax		
Derivative financial instruments earmarked for hedging	2 606	20 940
If these prices would decrease it will result in a decrease in reserves of the same amount.		
<b>Change in security prices</b>		
Available-for-sale financial assets relate to investments in securities. The summary below reflects the results of an expected change in the security prices of 14,0% (2009: 14,0%), with all other variables held constant.		
<i>Security prices increase</i>		
– Increase in equity after tax		
Available-for-sale financial instruments	3 241	2 639
If these prices would decrease it will result in a decrease in reserves of the same amount.		
<i>(b) Credit risk</i>		
Financial assets that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents, derivative financial instruments and deposits with financial institutions, as well as credit exposure to trade receivables, including outstanding receivables and committed transactions.		
The Group's credit risk exposure relating to cash and cash equivalents, derivative financial instruments and deposits with financial institutions is managed on a Group level. Cash equivalents and short-term deposits are placed with a limited group of creditable financial institutions, all of which have F1 to F2 short-term fitch credit ratings.		
The Group's credit risk exposure relating to trade receivables is managed on a decentralised basis. Trade receivables are subject to credit limits, control and approval procedures. The credit quality of customers is assessed, taking into account its financial position, past experience with the customer and other factors when approving new customers and determining or revising individual credit limits. The utilisation of credit limits is regularly monitored.		
Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas.		
The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as well as financial guarantees of R99,343,843 (2009: R128,717,193) issued.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

		<b>GROUP</b>	
		<b>2010</b>	2009
		<b>R'000</b>	R'000
<b>31. Financial risk management (continued)</b>			
<b>31.1 Financial risk factors (continued)</b>			
<i>(c) Liquidity risk</i>			
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.			
The Group manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generating capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate. The Group's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity as well as significant liquid resources.			
Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held short-term bank deposits of R448,452,358 (2009: R296,128,471).			
At year-end the Group has borrowing facilities in the form of committed borrowings as well as overnight facilities at the four major South African banks. Sufficient collateral in the form of inventory, biological assets, trade receivables and property, plant and equipment are provided as security for the debt. The Group also has the option to repay long-term debt as excess cash flow is available, without incurring any penalties.			
The Group tends to have significant fluctuations in short-term borrowings due to seasonal factors. Consequently, Group policy requires that sufficient borrowing facilities are available to exceed projected peak borrowings.			
The Group's unutilised borrowing facilities are as follows:			
Total borrowing facilities		<b>3 828 700</b>	3 515 580
Net interest-bearing liabilities		<b>(405 726)</b>	(660 123)
		<b>3 422 974</b>	2 855 457
Refer to note 53 for a maturity analysis that analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.			
<b>31.2 Capital risk management</b>			
For capital management purposes the current level of capital in the Group is defined as the difference between the total assets and total liabilities of the Group. The capital employed is managed on a basis that enables the Group to continue operating as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.			
The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and bank overdrafts as disclosed in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as capital and reserves attributable to owners of the parent as shown in the consolidated statement of financial position.			
The main focus of the Group's capital management is to ensure liquidity, in the form of short-term borrowing facilities, in order to have sufficient available funding for the Group's working capital requirements.			

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000

**31. Financial risk management (continued)**

**31.3 Fair values**

Effective 1 October 2009 the Group adopted the amendment to *IFRS 7 – Financial Instruments: Disclosures* for financial instruments that are measured at fair value in the statement of financial position. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>31. Financial risk management (continued)</b>		
<b>31.3 Fair values (continued)</b>		
The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair values of long-term investments and long-term borrowings are not materially different from the carrying amounts.		
Refer to note 55 for detail on fair value measurements by level of fair value measurement hierarchy.		
<b>32. Contingent liabilities</b>		
Guarantees in terms of loans by third parties to contracted service providers	<b>99 344</b>	128 717
Other guarantees	<b>549</b>	27 751
Share of items of joint ventures	<b>5 890</b>	–
Third-party claims	<b>881</b>	–
	<b>106 664</b>	156 468
<b>Litigation</b>		
<i>Land claims</i>		
Regional Land Claim Commissioners acknowledged claims against the land of a Group company, in terms of the provisions of sections 2 and 11 of the Restitution of Land Rights Act of 1994 (as amended), during 2007.		
The valuations of the Commissioners were accepted for the two farms involved and negotiations with the Commissioners regarding the proposed sale for R10,5 million are ongoing. The impact of discontinuing production at these two units is immaterial.		
It is not anticipated that any material transactions will arise from these land claims.		
<i>Dispute with egg contract producers</i>		
As previously reported, claims were received from some contract producers for the alleged breach of the terms of specific supply agreements. The claimants withdrew these claims in arbitration proceedings and submitted new claims to the Western Cape High Court: Cape Town.		
Pioneer Foods has filed answering pleas to all these claims. In several of these matters counter claims to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producers are being quantified and will be filed.		
The Court is unlikely to hear these matters in the foreseeable future. Management remains convinced, based on legal advice regarding the legal merits of the claims against the Group, that the Group will not incur any material liability in respect of this matter.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>33. Commitments</b>		
<b>33.1 Operating lease commitments</b>		
Not later than 1 year	<b>43 715</b>	33 422
Later than 1 year, but not later than 5 years	<b>89 055</b>	79 948
Later than 5 years	<b>1 593</b>	2 633
	<b>134 363</b>	116 003
The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between five and ten years, and the majority of lease agreements are renewable at the end of the lease period at market rates.		
The Group also leases various items of plant and machinery under cancellable operating lease agreements. The Group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to profit or loss during the year is disclosed in note 3.		
<b>33.2 Operating lease receivables</b>		
The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:		
Not later than 1 year	<b>2 344</b>	2 326
Later than 1 year, but not later than 5 years	<b>907</b>	3 076
	<b>3 251</b>	5 402
<b>33.3 Future capital commitments</b>		
Contractually committed	<b>627 417</b>	376 669
Approved by the board, but not yet contractually committed	<b>674 399</b>	698 014
– for next financial year	<b>324 688</b>	486 257
– for year following next financial year	<b>349 711</b>	211 757
Share of items of joint ventures	<b>47 895</b>	39 047
	<b>1 349 711</b>	1 113 730
Allocated as follows:		
Property, plant and equipment	<b>1 349 711</b>	1 113 730
The expenditure will be financed from operating income and borrowed funds, in accordance with the budget approved by the board of directors.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>34. Retirement benefits</b>		
The Group contributes to retirement and provident funds for all its employees which are administered by several service providers. These retirement and provident funds are defined contribution plans which are arranged and governed by the Pension Fund Act of 1956.		
<b>35. Government grants</b>		
Cumulative amounts received	<b>7 661</b>	7 490
Cumulative amounts amortised	<b>(4 422)</b>	(3 628)
Receipts deferred	<b>3 239</b>	3 862
The Group obtained and deferred as income a government grant of R171,242 (2009: R718,461). The Group benefits from such assistance for capital expenditure.		
<b>36. Related party transactions</b>		
During the financial year the Company and its subsidiaries conducted the following transactions with joint ventures, associates, parties exercising significant influence and key management personnel:		
<b>36.1 Sale of goods</b>		
Key management personnel	<b>8 053</b>	7 387
Joint ventures	<b>165 162</b>	192 784
Associates	<b>36 592</b>	33 164
Parties exercising significant influence	<b>27 871</b>	21 848
<b>36.2 Purchase of goods</b>		
Key management personnel	<b>5 464</b>	11 448
Joint ventures	<b>15 782</b>	14 911
Associates	<b>45 788</b>	44 133
Parties exercising significant influence	<b>46 385</b>	33 567
<b>36.3 Net interest received</b>		
Joint ventures	<b>1 637</b>	4 117
<b>36.4 Key management personnel compensation</b>		
Salaries and other short-term employee benefits	<b>134 127</b>	101 127
Post-employment benefits	<b>10 584</b>	10 251
Other long-term benefits	<b>1 191</b>	1 268
Share-based payments	<b>12 078</b>	11 014
	<b>157 980</b>	123 660

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	GROUP	
	2010 R'000	2009 R'000
<b>36. Related party transactions (continued)</b>		
<b>36.5 Year-end balances arising from sales/purchases of goods/services</b>		
<i>Receivable from related parties</i>		
Parties exercising significant influence	10 740	2 237
Key management personnel	–	739
Associates	3 068	2 550
Joint ventures	27 757	25 764
	<b>41 565</b>	31 290
<i>Payable to related parties</i>		
Parties exercising significant influence	2 714	563
Associates	8 581	6 577
Joint ventures	2 146	1 735
	<b>13 441</b>	8 875
<b>36.6 Loans to related parties</b>		
<i>Loans to joint ventures</i>		
Beginning of year	35 466	29 869
Loans advanced during the year	65 061	26 588
Loan repayments received	(84 748)	(25 800)
Interest charged	2 212	4 438
Interest received	(576)	(321)
Fair value adjustment	456	692
End of year	<b>17 871</b>	35 466
Above-mentioned amounts represent the Group's proportionate share.		
<b>37. Net cash profit from operating activities</b>		
Profit before income tax	619 665	896 584
Adjusted for:		
Depreciation	298 422	269 086
Impairment of property, plant, equipment and intangible assets	24 197	53 352
Net (profit)/loss on disposal of property, plant, equipment and intangible assets	(11 830)	16 346
Net profit on disposal of available-for-sale financial assets	(1 783)	(1 676)
Net profit on disposal of subsidiaries	(293)	–
Unrealised losses on foreign exchange contracts and on foreign exchange	6 317	8 569
Fair value adjustment on interest rate swaps and collars	(814)	4 774
Fair value of embedded derivative financial instruments	181	–
Change in provision for impairment of trade receivables	3 077	2 533
Change in allowance for outstanding credit notes	(4 276)	1 528
Share-based payments	61 216	51 364
Changes in provisions for post-retirement medical benefits and long service awards	37 117	13 950
Accrual for Competition Commission penalties	458 432	–
Biological non-current asset adjustments	(2 839)	(2 067)
Dividends received	(2 071)	(1 742)
Interest received	(31 362)	(26 973)
Interest paid	156 597	224 554
Share of profit of associated companies	(92)	(439)
	<b>1 609 861</b>	1 509 743

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>38. Working capital changes</b>		
Decrease in inventory	<b>44 006</b>	234 896
(Increase)/decrease in trade and other receivables	<b>(130 111)</b>	148 941
Increase/(decrease) in trade and other payables	<b>230 172</b>	(1 160)
Increase in current biological assets	<b>(35 900)</b>	(8 366)
Net changes to derivative financial instruments (assets and liabilities)	<b>(2 694)</b>	(7 830)
Provisions paid	<b>(10 326)</b>	(9 929)
	<b>95 147</b>	356 552
<b>39. Dividends paid to Group ordinary shareholders</b>		
Amounts unpaid at beginning of year	<b>(147)</b>	(223)
As disclosed in statement of changes in equity	<b>(157 940)</b>	(178 750)
Dividends – ordinary shareholders	<b>(179 054)</b>	(205 207)
Dividends received on treasury shares of share incentive trusts	<b>5 110</b>	8 115
Dividends received on treasury shares of subsidiary	<b>16 004</b>	18 342
Amounts unpaid at end of year	<b>495</b>	147
	<b>(157 592)</b>	(178 826)
<b>40. Income tax paid</b>		
Amounts unpaid at beginning of year	<b>7 540</b>	20 839
As disclosed in profit or loss	<b>(358 573)</b>	(241 575)
Income tax effect of disposal of shares of management share incentive scheme	<b>(1 633)</b>	–
Hedging reserve – reversal of previous year income tax to profit or loss	<b>(4 866)</b>	(10 940)
Hedging reserve – income tax current year	<b>(377)</b>	4 866
Amounts unpaid at end of year	<b>4 876</b>	(7 540)
	<b>(353 033)</b>	(234 350)
<b>41. Proceeds on disposal of property, plant, equipment and intangible assets</b>		
Book value of property, plant, equipment and intangible assets	<b>29 759</b>	34 540
Net profit/(loss) on disposal of property, plant, equipment and intangible assets	<b>11 830</b>	(16 346)
	<b>41 589</b>	18 194
<b>42. Proceeds on disposal of available-for-sale financial assets</b>		
Book value of available-for-sale financial assets	<b>2 954</b>	4 063
Net profit on disposal of available-for-sale financial assets	<b>1 783</b>	1 676
	<b>4 737</b>	5 739
<b>43. Net disposal of subsidiaries</b>		
Effect on movement of:		
Property, plant and equipment	<b>3 207</b>	–
Net profit on disposal of subsidiaries	<b>293</b>	–
Total proceeds	<b>3 500</b>	–

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>44. Business combinations</b>		
Effect on movement of:		
Property, plant and equipment	<b>100 378</b>	27 638
Intangible assets	<b>14 459</b>	4 877
Inventories	<b>30 275</b>	1 078
Trade and other receivables	<b>4</b>	–
Trade and other payables	<b>(424)</b>	–
	<b>144 692</b>	33 593
Refer to note 47 for further detail.		
<b>45. Segment information</b>		
Management has determined the operating segments based on the reports reviewed on a regular basis by the chief operating decision maker (“CODM”) in order to make strategic decisions.		
Operating segments are divided into the following:		
Sasko		
Agri Business		
Bokomo Foods		
Ceres Beverages		
Unallocated		
Sasko includes products such as wheaten flour, maize meal, rice, pasta, bread, the foreign African businesses and the business of Bowman Ingredients. Agri Business includes eggs, broilers and animal feeds. Bokomo Foods include breakfast cereals, dried fruit and other fast moving consumer goods and the Heinz Foods SA and Bokomo Foods (UK) businesses. Ceres Beverages include fruit juices, fruit concentrate mixtures and carbonated soft drinks.		
The segment results disclosed per segment below is the CODM's measure of each segment's operational performance. The measure represents adjusted operating profit before items of a capital nature, after non-controlling interest before tax, including dividend income.		
External revenue and all other items of income, expenses, profits and losses reported in the segment report is measured in a manner consistent with that in the statement of comprehensive income.		
Segment assets consist of property, plant and equipment, intangible assets, inventories, biological assets, trade and other receivables and derivative financial instrument assets and exclude cash and cash equivalents, available-for-sale financial assets, loans to joint ventures, investment in associates, deferred and current income tax assets and loans receivable.		
Segment liabilities consist of trade and other payables, provisions for other liabilities and charges, share-based payment liabilities and derivative financial instrument liabilities, and exclude borrowings, current and deferred income tax liabilities, loans to joint ventures and dividends payable.		
Segment capital expenditure consists of additions and replacements of property, plant, equipment and intangible assets.		
Unallocated amounts include non-qualifying operating segments.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>45. Segment information (continued)</b>		
<b>Segment revenue</b>	<b>15 934 236</b>	16 511 218
Sasko	<b>8 314 068</b>	8 876 723
Agri Business	<b>2 453 181</b>	2 599 399
Bokomo Foods	<b>2 683 248</b>	2 625 014
Ceres Beverages	<b>2 483 739</b>	2 410 082
Less: Internal revenue	<b>(202 914)</b>	(227 304)
Sasko	<b>(117 659)</b>	(144 691)
Agri Business	<b>(29 335)</b>	(24 051)
Bokomo Foods	<b>(36 275)</b>	(37 573)
Ceres Beverages	<b>(19 645)</b>	(20 989)
External revenue	<b>15 731 322</b>	16 283 914
Sasko	<b>8 196 409</b>	8 732 032
Agri Business	<b>2 423 846</b>	2 575 348
Bokomo Foods	<b>2 646 973</b>	2 587 441
Ceres Beverages	<b>2 464 094</b>	2 389 093
<b>Operating profit before items of a capital nature</b>	<b>753 028</b>	1 160 006
Sasko	<b>327 470</b>	926 270
Agri Business	<b>136 943</b>	80 327
Bokomo Foods	<b>230 655</b>	195 373
Ceres Beverages	<b>165 247</b>	98 623
Unallocated	<b>(107 287)</b>	(140 587)
Add: Dividend income		
Unallocated	<b>2 071</b>	1 742
Less: Non-controlling interest (before income tax)		
Bokomo Foods	<b>(1 572)</b>	(1 530)
<b>Adjusted operating profit before items of a capital nature</b>	<b>753 527</b>	1 160 218
Sasko	<b>327 470</b>	926 270
Agri Business	<b>136 943</b>	80 327
Bokomo Foods	<b>229 083</b>	193 843
Ceres Beverages	<b>165 247</b>	98 623
Unallocated	<b>(105 216)</b>	(138 845)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>45. Segment information (continued)</b>		
<b>A reconciliation of the adjusted operating profit before items of a capital nature to operating profit before income tax is provided below:</b>		
Adjusted operating profit before items of a capital nature per segment report	<b>753 527</b>	1 160 218
Adjusted for:		
Items of a capital nature	<b>(10 291)</b>	(68 022)
Interest income	<b>31 362</b>	26 973
Finance costs	<b>(156 597)</b>	(224 554)
Share of profit of associated companies	<b>92</b>	439
Non-controlling interest before income tax added back	<b>1 572</b>	1 530
Profit before income tax per statement of comprehensive income	<b>619 665</b>	896 584
<b>Total segment assets</b>	<b>8 069 872</b>	7 401 578
Sasko	<b>3 303 029</b>	3 174 153
Agri Business	<b>1 085 381</b>	905 514
Bokomo Foods	<b>1 901 479</b>	1 631 638
Ceres Beverages	<b>1 533 872</b>	1 295 647
Unallocated	<b>246 111</b>	394 626
<b>A reconciliation of the segments' assets to the Group's assets is provided below:</b>		
Segment assets per segment report	<b>8 069 872</b>	7 401 578
Adjusted for:		
Loans to joint ventures	<b>28 204</b>	35 466
Investment in associates	<b>7 031</b>	2 929
Available-for-sale financial assets	<b>39 079</b>	31 728
Loans receivable	<b>16 931</b>	16 930
Current and deferred income tax assets	<b>6 194</b>	15 364
Cash and cash equivalents	<b>709 916</b>	597 529
Total assets per statement of financial position	<b>8 877 227</b>	8 101 524
<b>Total segment liabilities</b>	<b>2 465 237</b>	1 713 591
Sasko	<b>1 204 326</b>	576 277
Agri Business	<b>261 240</b>	317 500
Bokomo Foods	<b>361 081</b>	317 846
Ceres Beverages	<b>375 817</b>	287 140
Unallocated	<b>262 773</b>	214 828
<b>A reconciliation of the segments' liabilities to the Group's liabilities is provided below:</b>		
Segment liabilities per segment report	<b>2 465 237</b>	1 713 591
Adjusted for:		
Non-current and current borrowings	<b>1 115 642</b>	1 257 652
Current and deferred income tax liabilities	<b>527 544</b>	496 382
Loan to joint venture	<b>10 333</b>	–
Dividends payable	<b>495</b>	147
Total liabilities per statement of financial position	<b>4 119 251</b>	3 467 772

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>45. Segment information (continued)</b>		
<b>Total segment capital expenditure (excluding business combinations)</b>	<b>750 983</b>	465 626
Sasko	<b>211 573</b>	88 281
Agri Business	<b>88 407</b>	74 797
Bokomo Foods	<b>192 230</b>	157 975
Ceres Beverages	<b>180 967</b>	128 209
Unallocated	<b>77 806</b>	16 364
<b>Total segment capital expenditure (business combinations)</b>	<b>114 837</b>	32 515
Sasko	<b>6 527</b>	–
Agri Business	<b>83 810</b>	–
Bokomo Foods	–	27 815
Ceres Beverages	<b>24 500</b>	4 700
<b>Total segment depreciation and amortisation</b>	<b>298 422</b>	269 086
Sasko	<b>124 865</b>	111 017
Agri Business	<b>24 280</b>	21 094
Bokomo Foods	<b>61 636</b>	54 397
Ceres Beverages	<b>60 673</b>	55 034
Unallocated	<b>26 968</b>	27 544
<b>Items of a capital nature per segment</b>		
Profit/(loss) before income tax on disposal of property, plant and equipment	<b>11 830</b>	(16 346)
Sasko	<b>316</b>	(1 971)
Agri Business	<b>(888)</b>	(1 711)
Bokomo Foods	<b>12 282</b>	(13 123)
Ceres Beverages	<b>(19)</b>	289
Unallocated	<b>139</b>	170
Profit before income tax on available-for-sale financial assets and subsidiaries		
Unallocated	<b>2 076</b>	1 676
Impairment before income tax of property, plant, equipment and intangible assets	<b>(24 197)</b>	(53 352)
Bokomo Foods	<b>(17 984)</b>	(53 352)
Ceres Beverages	<b>(6 213)</b>	–
Items of a capital nature before income tax	<b>(10 291)</b>	(68 022)
Income tax effect	<b>8 476</b>	7 607
Items of a capital nature after income tax	<b>(1 815)</b>	(60 415)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>45. Segment information (continued)</b>		
<b>Other material items of income or expenses per segment</b>		
Inventory written-off per segment	<b>138 782</b>	191 977
Sasko	<b>31 489</b>	46 629
Agri Business	<b>14 716</b>	8 529
Bokomo Foods	<b>50 787</b>	101 437
Ceres Beverages	<b>41 790</b>	35 382
Share-based payments per segment	<b>61 216</b>	51 364
Sasko	<b>30 459</b>	25 988
Agri Business	<b>8 858</b>	7 333
Bokomo Foods	<b>9 708</b>	8 789
Ceres Beverages	<b>4 797</b>	6 183
Unallocated	<b>7 394</b>	3 071
Competition Commission penalties per segment		
Sasko	<b>654 151</b>	–
<i>Geographical information</i>		
The Group mainly operates in South Africa. Other operations are located in Africa with one subsidiary in the United Kingdom. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.		
Revenue derived by Group companies domiciled in the Republic of South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.		
Segment revenue	<b>15 863 496</b>	16 436 787
South Africa	<b>15 286 875</b>	15 838 903
Foreign countries	<b>576 621</b>	597 884
Less: Internal revenue	<b>(132 174)</b>	(152 873)
South Africa	<b>(132 174)</b>	(152 873)
Foreign countries	–	–
External revenue	<b>15 731 322</b>	16 283 914
South Africa	<b>15 154 701</b>	15 686 030
Foreign countries	<b>576 621</b>	597 884
Total segment non-current assets	<b>4 365 205</b>	3 851 292
South Africa	<b>4 224 730</b>	3 615 636
Foreign countries	<b>140 475</b>	235 656
Total segment capital expenditure (excluding business combinations)	<b>750 983</b>	465 626
South Africa	<b>720 684</b>	449 087
Foreign countries	<b>30 299</b>	16 539
Total segment capital expenditure (business combinations)	<b>114 837</b>	32 515
South Africa	<b>108 589</b>	32 515
Foreign countries	<b>6 248</b>	–

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010 R'000</b>	2009 R'000
<b>45. Segment information (continued)</b>		
<b>Information regarding major customers</b>		
During the period under review, revenue from certain customers exceeded 10% of Group revenue:		
Customer A	<b>2 658 160</b>	2 693 583
Customer B	<b>1 741 507</b>	1 631 463
Revenue derived from these customers is reported within the Sasko, Bokomo Foods, Agri Business and Ceres Beverages segments.		
<b>46. Events after the reporting period</b>		
No final dividend (2009: 89,0 cents) per ordinary share has been declared for the year. Refer to note 10.		
Pioneer Foods entered into a settlement agreement with the Competition Commission on 2 November 2010. Detail of this agreement is disclosed in note 28. This settlement agreement must still be confirmed by an order of the Competition Tribunal.		
The assets of Mynsar Eggs were acquired on 1 November 2010. An estimate of the financial effects is disclosed in note 47.2.		
No other events that may have a material effect on the Group occurred after the end of the reporting period.		
<b>47. Business combinations</b>		
<b>47.1 Before year-end</b>		
<b>47.1.1 Egglard poultry farm</b>		
The assets and liabilities of this business were acquired on 1 January 2010 and can be summarised as follows:		
<b>Fair Value</b>		
Land and buildings	<b>29 008</b>	–
Plant and equipment	<b>21 533</b>	–
Vehicles	<b>448</b>	–
Inventory	<b>6 076</b>	–
Trade and other payables	<b>(120)</b>	–
Purchase consideration – settled in cash	<b>56 945</b>	–
<b>Carrying Value</b>		
As the Group acquired the assets and liabilities of this business rather than the shares of the legal entity that previously owned such assets and liabilities, it is impracticable to disclose the carrying amounts in the accounting records of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.		
<b>Contribution since acquisition:</b>		
Revenue	<b>25 277</b>	–
Operating loss before finance cost and income tax	<b>(3 253)</b>	–
<b>Pro forma contribution assuming the acquisition was at the beginning of the year:</b>		
Revenue	<b>33 702</b>	–
Operating loss before finance cost and income tax	<b>(4 338)</b>	–

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	GROUP	
	2010 R'000	2009 R'000
<b>47. Business combinations (continued)</b>		
<b>47.1 Before year-end (continued)</b>		
<b>47.1.2 Opdiefontein poultry farm</b>		
The assets and liabilities of this business were acquired on 1 March 2010 and can be summarised as follows:		
<b>Fair Value</b>		
Land and buildings	8 471	–
Plant and equipment	24 150	–
Vehicles	200	–
Inventory	10 406	–
Trade and other payables	(74)	–
Purchase consideration – settled in cash	<b>43 153</b>	–
<b>Carrying Value</b>		
As the Group acquired the assets and liabilities of this business rather than the shares of the legal entity that previously owned such assets and liabilities, it is impracticable to disclose the carrying amounts in the accounting records of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.		
<b>Contribution since acquisition:</b>		
Revenue	46 713	–
Operating profit before finance cost and income tax	6 705	–
<b>Pro forma contribution assuming the acquisition was at the beginning of the year:</b>		
Revenue	80 079	–
Operating profit before finance cost and income tax	11 494	–
<b>47.1.3 Liptons</b>		
The assets of this business were acquired on 1 September 2010 and can be summarised as follows:		
<b>Fair Value</b>		
Plant and equipment	10 300	–
Intellectual property	14 200	–
Inventory	11 500	–
Purchase consideration – settled in cash	<b>36 000</b>	–
<b>Carrying Value</b>		
As the Group acquired the assets of this business rather than the shares of the legal entity that previously owned such assets, it is impracticable to disclose the carrying amounts in the accounting records of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.		
<b>Contribution since acquisition:</b>		
Revenue	3 409	–
Operating profit before finance cost and income tax	301	–
<b>Pro forma contribution assuming the acquisition was at the beginning of the year:</b>		
Revenue	40 910	–
Operating profit before finance cost and income tax	3 607	–

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>	
	<b>2010</b>	<b>2009</b>
	<b>R'000</b>	<b>R'000</b>
<b>47. Business combinations (continued)</b>		
<b>47.1 Before year-end (continued)</b>		
<b>47.1.4 Richmark Poultry</b>		
The assets and liabilities of this business were acquired on 1 April 2010 by a joint venture of the Group. The 50% share of the assets and liabilities that the Group acquired is summarised as follows:		
<b>Fair Value</b>		
Land and buildings	<b>16</b>	–
Plant and equipment	<b>3 764</b>	–
Vehicles	<b>2 468</b>	–
Inventory	<b>2 253</b>	–
Trade and other receivables	<b>4</b>	–
Trade and other payables	<b>(230)</b>	–
Purchase consideration – settled in cash	<b>8 275</b>	–
<b>Carrying Value</b>		
As the Group acquired the assets and liabilities of this business rather than the shares of the legal entity that previously owned such assets and liabilities, it is impracticable to disclose the carrying amounts in the accounting records of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.		
<b>Share of contribution since acquisition:</b>		
Revenue	<b>16 408</b>	–
Operating profit before finance cost and income tax	<b>771</b>	–
<b>Pro forma share of contribution assuming the acquisition was at the beginning of the year:</b>		
Revenue	<b>32 816</b>	–
Operating profit before finance cost and income tax	<b>1 542</b>	–
<b>47.1.5 Maize in Minute</b>		
The assets of this business were acquired on 10 May 2010 by a joint venture of the Group. The 50% share of the assets that the Group acquired is summarised as follows:		
<b>Fair Value</b>		
Plant and equipment	<b>20</b>	–
Inventory	<b>40</b>	–
	<b>60</b>	–
Goodwill	<b>259</b>	–
Purchase consideration – settled in cash	<b>319</b>	–
<b>Carrying Value</b>		
As the Group acquired the assets of this business rather than the shares of the legal entity that previously owned such assets, it is impracticable to disclose the carrying amounts in the accounting records of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.		
<b>Share of contribution since acquisition:</b>		
Revenue	<b>20</b>	–
Operating profit before finance cost and income tax	<b>4</b>	–
<b>Pro forma share of contribution assuming the acquisition was at the beginning of the year:</b>		
Revenue	<b>36</b>	–
Operating profit before finance cost and income tax	<b>6</b>	–

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>47. Business combinations (continued)</b>		
<b>47.2 Subsequent to year-end</b>		
<b>47.2.1 Mynsar Eggs</b>		
The assets and liabilities of this business were acquired on 1 November 2010 and can be summarised as follows:		
<b>Fair Value</b>		
Land and buildings	<b>6 650</b>	–
Plant and equipment	<b>14 811</b>	–
Vehicles	<b>364</b>	–
Inventory	<b>5 164</b>	–
Deferred income tax	<b>(3 104)</b>	–
Trade and other payables	<b>(261)</b>	–
Goodwill	<b>11 279</b>	–
Purchase consideration – settled in cash	<b>34 903</b>	–
<b>Carrying Value</b>		
As the Group acquired the assets and liabilities of this business rather than the shares of the legal entity that previously owned such assets and liabilities, it is impracticable to disclose the carrying amounts in the accounting records of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

			<b>GROUP</b>	
	Year of redemption	Interest rate at year-end (%)	<b>2010 R'000</b>	2009 R'000
<b>48. Borrowings</b>				
<b>48.1 Secured financing</b>			<b>1 087 765</b>	1 214 981
<i>Syndicated loans:</i>				
Quarterly payments (amortising loans)	2013	7,5–7,7	<b>462 827</b>	593 116
Instalments from R6,193,204 to R15,446,191 (2009: R6,295,025 to R15,700,323).				
Quarterly payments (bullet loans)	2013	7,8	<b>602 690</b>	603 050
Instalments (interest only) from R2,915,116 to R5,807,795 (2009: from R3,305,170 to R6,805,085).				
Secured by mortgages over immovable property, special notarial bonds over specific items of property, plant and equipment and general notarial bonds over all movable assets of specific Group subsidiaries. Refer to note 25 for further detail.				
<i>Other loans:</i>				
Monthly payments	2025	10,0	<b>1 002</b>	–
Instalment of R21,625 (2009: Rnil). Secured by mortgages over land and buildings of Plot 10, Brakwater which had a carrying value of R29 million at year-end.				
Monthly payments	2014	9,5	<b>10 480</b>	–
Instalment of R537,853 (2009: Rnil). Secured by mortgage bonds over plot 22031, Gaborone West, extension 13, over plot 31425, Gaborone and over lot 22032, Gaborone. All movable and immovable assets, including inventories and trade and other receivables, of this foreign joint venture are encumbered by a deed of hypothecation.				
Monthly payments	–	–	–	257
Various loans with fixed repayment dates. Secured by a charge over specific freehold assets of the subsidiary company.				
Semi-annual payments	2013	2,7	<b>10 766</b>	18 558
Instalment of R1,462,188 (2009: R2,588,803). Secured by a charge over specific freehold assets of the subsidiary company.				

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

			<b>GROUP</b>	
	Year of redemption	Interest rate at year-end (%)	<b>2010 R'000</b>	2009 R'000
<b>48. Borrowings (continued)</b>				
<b>48.2 Unsecured financing</b>			<b>26 913</b>	37 258
Loans			<b>9 964</b>	16 271
Variable interest rates with no fixed terms of repayment.				
Loans			<b>11 360</b>	11 360
Interest free loans with no fixed terms of repayment.				
Quarterly payments (bullet loans)	2019	9,5	<b>5 589</b>	9 627
Instalments (interest only).				
Total amount owing			<b>1 114 678</b>	1 252 239
Portion of liabilities payable within one year included in current liabilities			<b>(168 520)</b>	(155 679)
<i>Secured financing</i>				
Syndicated and other			<b>(153 043)</b>	(138 497)
<i>Unsecured financing</i>				
Loans			<b>(15 477)</b>	(17 182)
			<b>946 158</b>	1 096 560

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

<b>GROUP</b>					
Name of subsidiary (Pty) Ltd (except where indicated otherwise)	Country of incorporation	Issued share capital of subsidiary		Percentage interest	
		2010 R	2009 R	2010 %	2009 %
(except where indicated otherwise)					
<b>49. Interest in subsidiaries and interest in and loans to joint ventures</b>					
<b>49.1 Subsidiaries</b>					
<b>49.1.1 Manufacturing</b>					
Barvale	\$ South Africa	–	92 200	–	100
Belso's Holdings Ltd	€ United Kingdom	<b>GBP1</b>	GBP1	<b>100</b>	100
Belso's Properties Ltd	€ United Kingdom	<b>GBP1</b>	GBP1	<b>100</b>	100
Belso's (UK) Cereals Ltd	€ United Kingdom	<b>GBP1</b>	GBP1	<b>100</b>	100
Bokomo Foods (UK) Ltd	United Kingdom	<b>GBP2 500 120</b>	GBP2 500 120	<b>100</b>	100
Bokomo Uganda	Uganda	<b>US\$335 400 500</b>	US\$335 400 500	<b>100</b>	100
Bokomo Zambia Ltd	Zambia				
– Ordinary shares		<b>K1 800 000</b>	K1 800 000	<b>100</b>	100
– Preference shares		<b>K200 000</b>	K200 000	<b>100</b>	100
Ceres Fruit Juices	South Africa	<b>100 000</b>	100 000	<b>100</b>	100
Continental Beverages	South Africa	<b>1 000</b>	1 000	<b>100</b>	100
Grain Health Foods (UK) Ltd	€ United Kingdom	<b>GBP1</b>	GBP1	<b>100</b>	100
Laeveld Neute	\$ South Africa	–	1	–	100
Maitland Vinegar Works	South Africa	<b>460 593</b>	460 593	<b>74.8</b>	74.8
Pioneer Foods	South Africa	<b>252</b>	252	<b>100</b>	100
Retail Brands Interafrica	South Africa	<b>1 000</b>	1 000	<b>100</b>	100
Safari Nuts	@ South Africa	–	204	–	100
Sasko Pasta	South Africa	<b>1 000</b>	1 000	<b>100</b>	100
<b>49.1.2 Properties and letting</b>					
Saslink Leasing	& South Africa	<b>1</b>	1	<b>100</b>	100
Sasned	€ South Africa	<b>2</b>	2	<b>100</b>	100
<b>49.1.3 Investments</b>					
Ceres Fruit Juices Investment Holdings	€ South Africa	<b>200</b>	200	<b>100</b>	100
Ceres Investment Company	€ South Africa	<b>195 000</b>	195 000	<b>100</b>	100
Pioneer Foods Holdings Ltd	South Africa	<b>220</b>	220	<b>100</b>	100
<b>49.1.4 Services</b>					
Sasguard Insurance Company Ltd	South Africa	<b>30 000</b>	30 000	<b>100</b>	100

Notes:

@ Deregistered during 2010.

€ Dormant at 30 September 2010.

\$ Sold during 2010.

& Dormant at 30 September 2010 after assets and liabilities were sold to another Group company during the year.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

<b>GROUP</b>					
Name of joint venture (Pty) Ltd	Country of incorporation	Percentage interest		Loans	
		2010 %	2009 %	2010 R'000	2009 R'000
<b>49. Interest in subsidiaries and interest in and loans to joint ventures (continued)</b>					
<b>49.2 Joint ventures</b>					
<b>49.2.1 Manufacturing</b>					
Alpen Food Company South Africa	South Africa	<b>50</b>	50	<b>4 193</b>	4 142
Bokomo Botswana	Botswana	<b>50</b>	50	–	–
Bokomo Namibia	Namibia	<b>50</b>	50	–	8 434
Bowman Ingredients (SA)	South Africa	<b>50</b>	50	<b>(7 056)</b>	(1 804)
Non-current asset: Interest-free loan				<b>3 277</b>	(1 804)
Current liability: Interest-bearing loan				<b>(10 333)</b>	–
Heinz Foods SA	South Africa	<b>50</b>	50	<b>16 949</b>	20 999
Lohmann Breeding SA	South Africa	<b>50</b>	50	<b>750</b>	750
Sosoy	South Africa	<b>50</b>	50	<b>2 945</b>	2 945
<b>49.2.2 Properties and letting</b>					
Amigear Ventures	Botswana	<b>49</b>	–	<b>90</b>	–
				<b>17 871</b>	35 466

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

GROUP							
Name of associate (Pty) Ltd	Country of incorporation	Percentage interest		Cost of shares		Loans	
		2010 %	2009 %	2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>50. Investment in associates</b>							
<i><b>Farming</b></i>							
Bergsig Breeders	South Africa	<b>28</b>	28	<b>1 700</b>	1 700	-	-
Mynsar Eggs	South Africa	<b>35</b>	-	<b>4 010</b>	-	-	-
Total				<b>5 710</b>	1 700	-	-
Interest in retained profit and reserves				<b>1 321</b>	1 229		
Balance beginning of year				<b>1 229</b>	790		
Profit for the year				<b>92</b>	439		
				<b>7 031</b>	2 929		
Directors' valuation of unlisted shares				<b>7 031</b>	2 929		
The following is the summarised statement of financial position of the above-mentioned associated companies:							
Non-current assets				<b>25 492</b>	16 841		
Current assets				<b>24 403</b>	17 123		
<b>Total assets</b>				<b>49 895</b>	33 964		
Non-current liabilities				<b>26 825</b>	17 683		
Current liabilities				<b>19 310</b>	7 651		
Total liabilities				<b>46 135</b>	25 334		
Capital and reserves				<b>3 760</b>	8 630		
<b>Total equity and liabilities</b>				<b>49 895</b>	33 964		
The following is the summarised profit or loss of the associated companies (after interest was acquired):							
Revenue				<b>47 641</b>	39 973		
Operating profit				<b>4 472</b>	4 653		
Net profit after income tax				<b>1 051</b>	1 568		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

**GROUP**

**51. Property, plant, equipment and intangible assets**

**51.1 Property, plant and equipment**

**Own assets**

				<b>Leased Assets</b>	
	<b>Land and buildings R'000</b>	<b>Plant, machinery &amp; equipment R'000</b>	<b>Vehicles R'000</b>	<b>Plant, machinery &amp; equipment R'000</b>	<b>Vehicles R'000</b>
<b>30 September 2010</b>					
<b>Cost</b>					
At 1 October 2009	1 187 208	3 192 032	467 351	-	40
Additions	210 772	460 570	33 698	-	-
Transfers	(5 745)	5 747	605	-	(40)
Disposal of subsidiaries	(3 023)	(571)	(105)	-	-
Business combinations	37 495	59 767	3 116	-	-
Borrowing costs capitalised	2 527	3 859	-	-	-
Foreign exchange adjustment	(8 131)	(9 627)	(608)	-	-
Disposals	(11 005)	(59 432)	(24 998)	-	-
At 30 September 2010	<b>1 410 098</b>	<b>3 652 345</b>	<b>479 059</b>	-	-
<b>Accumulated depreciation</b>					
At 1 October 2009	219 658	1 332 257	196 007	-	40
Charge for the year	25 811	223 100	31 945	-	-
Transfers	3	(3)	260	-	(40)
Disposal of subsidiaries	(37)	(383)	(72)	-	-
Impairments	347	23 415	435	-	-
Foreign exchange adjustment	(3 501)	(6 494)	(446)	-	-
Depreciation on disposals	(4 711)	(44 141)	(16 903)	-	-
At 30 September 2010	<b>237 570</b>	<b>1 527 751</b>	<b>211 226</b>	-	-
<b>Net book value at 30 September 2010</b>	<b>1 172 528</b>	<b>2 124 594</b>	<b>267 833</b>	-	-
<b>Total – 2010</b>	<b>3 564 955</b>			-	
<b>Total property, plant and equipment – 2010</b>	<b>3 564 955</b>				
<b>30 September 2009</b>					
<b>Cost</b>					
At 1 October 2008	1 031 820	2 977 680	460 035	7 112	40
Additions	98 207	315 412	23 470	-	-
Transfers	51 813	(50 437)	768	(6 831)	-
Business combinations	21 132	6 506	-	-	-
Foreign exchange adjustment	(7 609)	(14 148)	(381)	-	-
Disposals	(8 155)	(42 981)	(16 541)	(281)	-
At 30 September 2009	1 187 208	3 192 032	467 351	-	40
<b>Accumulated depreciation</b>					
At 1 October 2008	198 231	1 157 750	172 178	5 802	40
Charge for the year	23 355	194 376	31 602	87	-
Transfers	3	5 613	20	(5 636)	-
Impairments	-	8 711	-	-	-
Foreign exchange adjustment	(645)	(9 948)	(159)	-	-
Depreciation on disposals	(1 286)	(24 245)	(7 634)	(253)	-
At 30 September 2009	219 658	1 332 257	196 007	-	40
<b>Net book value at 30 September 2009</b>	<b>967 550</b>	<b>1 859 775</b>	<b>271 344</b>	-	-
<b>Total – 2009</b>	<b>3 098 669</b>			-	
<b>Total property, plant and equipment – 2009</b>	<b>3 098 669</b>				

The capitalisation rate used to determine the amount of interest incurred eligible for capitalisation varied from 8,6% to 8,9% for the year ended 30 September 2010.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

GROUP				
<b>51. Property, plant, equipment and intangible assets (continued)</b>				
<b>51.2 Intangible assets</b>				
	Trademarks R'000	Goodwill R'000	Intellectual Property R'000	Computer Software R'000
<b>30 September 2010</b>				
<b>Cost</b>				
At 1 October 2009	477 505	284 977	22 785	132 018
Additions	–	–	2 162	43 781
Transfers	–	–	–	(567)
Business combinations	–	259	14 200	–
Foreign exchange adjustment	(144)	(1 768)	–	(85)
Disposals	–	–	–	(98)
At 30 September 2010	<b>477 361</b>	<b>283 468</b>	<b>39 147</b>	<b>175 049</b>
<b>Accumulated depreciation</b>				
At 1 October 2009	112 658	62 352	5 681	87 685
Charge for the year	1 922	–	1 344	14 300
Transfers	–	–	–	(220)
Foreign exchange adjustment	(125)	(4)	–	(61)
Depreciation on disposals	–	–	–	(19)
At 30 September 2010	<b>114 455</b>	<b>62 348</b>	<b>7 025</b>	<b>101 685</b>
<b>Net book value at 30 September 2010</b>	<b>362 906</b>	<b>221 120</b>	<b>32 122</b>	<b>73 364</b>
<b>Total intangible assets – 2010</b>	<b>689 512</b>			
<b>30 September 2009</b>				
<b>Cost</b>				
At 1 October 2008	477 851	287 278	19 859	98 937
Additions	–	–	–	28 537
Transfers	–	–	–	4 687
Business combinations	–	1 951	2 926	–
Foreign exchange adjustment	(346)	(4 252)	–	(50)
Disposals	–	–	–	(93)
At 30 September 2009	477 505	284 977	22 785	132 018
<b>Accumulated depreciation</b>				
At 1 October 2008	110 808	17 719	3 614	72 269
Charge for the year	2 041	–	2 067	15 558
Impairments	–	44 641	–	–
Foreign exchange adjustment	(191)	(8)	–	(49)
Depreciation on disposals	–	–	–	(93)
At 30 September 2009	112 658	62 352	5 681	87 685
<b>Net book value at 30 September 2009</b>	<b>364 847</b>	<b>222 625</b>	<b>17 104</b>	<b>44 333</b>
<b>Total intangible assets – 2009</b>	<b>648 909</b>			

The capitalisation rate used to determine the amount of interest incurred eligible for capitalisation varied from 8,6% to 8,9% for the year ended 30 September 2010.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	GROUP					
	2010 '000 Foreign Amount	2010 R'000 Rand Amount	2010 R'000 Fair Value	2009 '000 Foreign Amount	2009 R'000 Rand Amount	2009 R'000 Fair Value
<b>52. Derivative financial instruments</b>						
<b>52.1 Derivative instruments earmarked for hedging (cash flow hedges)</b>						
<b>52.1.1 Commodity instruments</b>						
Futures			1 345			(17 379)
<b>52.1.2 Currency forward contracts</b>						
<i>Purchases of foreign exchange contracts</i>						
United States dollar	-	-	-	14 487	107 783	(3 648)
<b>52.1.3 Interest rate derivatives</b>			<b>(45 785)</b>			(67 233)
<i>Swaps</i>			-			(10 806)
<i>Collars</i>			<b>(48 940)</b>			(58 207)
Ineffective portion not designated for hedging			2			815
Portion of next collar settlement recognised			3 153			-
Portion of next swap settlement recognised			-			965
<b>Hedging reserve</b>			<b>(44 440)</b>			(88 260)
<b>52.2 Other derivative instruments</b>						
<b>52.2.1 Currency forward contracts</b>						
<i>Purchases of foreign exchange contracts</i>						
United States dollar	39 605	280 191	(12 735)	18 841	145 812	(2 976)
Euro	8 678	84 430	(709)	2 997	33 901	(634)
Australian dollar	-	-	-	261	1 767	(277)
Swiss frank	4 050	29 828	1 053	-	-	-
GBP	211	2 353	(72)	-	-	-
New Zealand dollar	34	178	(6)	-	-	-
<i>Sales of foreign exchange contracts</i>						
United States dollar	5 359	37 703	3 775	1 233	9 368	74
Euro	-	-	-	125	1 392	12
<b>52.2.2 Interest rate derivatives</b>						
<i>Collars</i>			-			(3 461)
<b>52.3 Embedded derivative financial instruments</b>						
<i>Options – supplier purchase contracts</i>			<b>(181)</b>			-

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>		
	<b>Capital R'000</b>	<b>Interest R'000</b>	<b>Total R'000</b>
<b>53. Maturity analysis of financial liabilities</b>			
<b>30 September 2010</b>			
Not later than 1 year			
Borrowings excluding bank overdrafts and call loans	<b>168 520</b>	<b>78 697</b>	<b>247 217</b>
Trade and other payables	<b>1 520 010</b>	–	<b>1 520 010</b>
Cash flow hedges earmarked for hedging	<b>43 280</b>	–	<b>43 280</b>
Other derivative financial instruments	<b>14 072</b>	–	<b>14 072</b>
Dividends payable	<b>495</b>	–	<b>495</b>
Loan to joint venture	<b>10 333</b>	<b>583</b>	<b>10 916</b>
Financial guarantees	<b>99 344</b>	–	<b>99 344</b>
	<b>1 856 054</b>	<b>79 280</b>	<b>1 935 334</b>
Between 1 and 2 years			
Borrowings excluding bank overdrafts and call loans	<b>158 666</b>	<b>67 897</b>	<b>226 563</b>
Cash flow hedges earmarked for hedging	<b>5 660</b>	–	<b>5 660</b>
	<b>164 326</b>	<b>67 897</b>	<b>232 223</b>
Between 2 and 5 years			
Borrowings excluding bank overdrafts and call loans	<b>787 492</b>	<b>55 897</b>	<b>843 389</b>
	<b>787 492</b>	<b>55 897</b>	<b>843 389</b>
Total			
Borrowings excluding bank overdrafts and call loans	<b>1 114 678</b>	<b>202 491</b>	<b>1 317 169</b>
Trade and other payables	<b>1 520 010</b>	–	<b>1 520 010</b>
Cash flow hedges earmarked for hedging	<b>48 940</b>	–	<b>48 940</b>
Other derivative financial instruments	<b>14 072</b>	–	<b>14 072</b>
Dividends payable	<b>495</b>	–	<b>495</b>
Loan to joint venture	<b>10 333</b>	<b>583</b>	<b>10 916</b>
Financial guarantees	<b>99 344</b>	–	<b>99 344</b>
	<b>2 807 872</b>	<b>203 074</b>	<b>3 010 946</b>

Note: Financial liabilities do not include provisions, accruals for 13th cheque, deferred revenue, leave, accrual for Competition Commission penalties and VAT amounts payable.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>GROUP</b>		
	<b>Capital R'000</b>	<b>Interest R'000</b>	<b>Total R'000</b>
<b>53. Maturity analysis of financial liabilities (continued)</b>			
<b>30 September 2009</b>			
Not later than 1 year			
Borrowings excluding bank overdrafts and call loans	155 679	101 025	256 704
Trade and other payables	1 279 174	–	1 279 174
Cash flow hedges earmarked for hedging	46 231	–	46 231
Other derivative financial instruments	7 376	–	7 376
Dividends payable	147	–	147
Financial guarantees	128 717	–	128 717
	1 617 324	101 025	1 718 349
Between 1 and 2 years			
Borrowings excluding bank overdrafts and call loans	148 236	91 314	239 550
Cash flow hedges earmarked for hedging	22 461	–	22 461
	170 697	91 314	262 011
Between 2 and 5 years			
Borrowings excluding bank overdrafts and call loans	948 324	146 896	1 095 220
Cash flow hedges earmarked for hedging	3 969	–	3 969
	952 293	146 896	1 099 189
Total			
Borrowings excluding bank overdrafts and call loans	1 252 239	339 235	1 591 474
Trade and other payables	1 279 174	–	1 279 174
Cash flow hedges earmarked for hedging	72 661	–	72 661
Other derivative financial instruments	7 376	–	7 376
Dividends payable	147	–	147
Financial guarantees	128 717	–	128 717
	2 740 314	339 235	3 079 549

Note: Financial liabilities do not include provisions, accruals for 13th cheque, deferred revenue, leave, accrual for Competition Commission penalties and VAT amounts payable.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	<b>Loans and receivables R'000</b>	<b>Assets at fair value through profit or loss R'000</b>	<b>Available- for-sale R'000</b>	<b>Total R'000</b>
<b>54. Financial instruments by category</b>				
<b>30 September 2010</b>				
<b>Assets as per statement of financial position</b>				
Loans to joint ventures	<b>28 204</b>	–	–	<b>28 204</b>
Available-for-sale financial assets	–	–	<b>39 079</b>	<b>39 079</b>
Derivative financial instruments	–	<b>5 197</b>	–	<b>5 197</b>
Trade and other receivables (refer to note 1 below)	<b>1 625 235</b>	–	–	<b>1 625 235</b>
Cash and cash equivalents	<b>709 916</b>	–	–	<b>709 916</b>
<b>Total</b>	<b>2 363 355</b>	<b>5 197</b>	<b>39 079</b>	<b>2 407 631</b>
	<b>Liabilities at fair value through profit or loss R'000</b>	<b>Derivatives used for hedging R'000</b>	<b>Other financial liabilities R'000</b>	<b>Total R'000</b>
<b>Liabilities as per statement of financial position</b>				
Borrowings	–	–	<b>1 115 642</b>	<b>1 115 642</b>
Derivative financial instruments	<b>14 072</b>	<b>48 940</b>	–	<b>63 012</b>
Trade and other payables (refer to note 2 below)	–	–	<b>1 520 010</b>	<b>1 520 010</b>
Dividends payable	–	–	<b>495</b>	<b>495</b>
Loan to joint venture	–	–	<b>10 333</b>	<b>10 333</b>
<b>Total</b>	<b>14 072</b>	<b>48 940</b>	<b>2 646 480</b>	<b>2 709 492</b>

Note 1: Financial assets do not include prepaid expenses and VAT amounts receivable.

Note 2: Financial liabilities do not include provisions, deferred revenue, accruals for 13th cheque, leave, accrual for Competition Commission penalties and VAT amounts payable.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

<b>GROUP</b>				
	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Available- for-sale R'000	Total R'000
<b>54. Financial instruments by category (continued)</b>				
<b>30 September 2009</b>				
<b>Assets as per statement of financial position</b>				
Loans to joint ventures	35 466	–	–	35 466
Available-for-sale financial assets	–	–	31 728	31 728
Derivative financial instruments	–	114	–	114
Trade and other receivables (refer to note 1 below)	1 523 877	–	–	1 523 877
Cash and cash equivalents	597 529	–	–	597 529
<b>Total</b>	<b>2 156 872</b>	<b>114</b>	<b>31 728</b>	<b>2 188 714</b>
	Liabilities at fair value through profit or loss R'000	Derivatives used for hedging R'000	Other financial liabilities R'000	Total R'000
<b>Liabilities as per statement of financial position</b>				
Borrowings	–	–	1 257 652	1 257 652
Derivative financial instruments	7 376	72 661	–	80 037
Trade and other payables (refer to note 2 below)	–	–	1 279 174	1 279 174
Dividends payable	–	–	147	147
<b>Total</b>	<b>7 376</b>	<b>72 661</b>	<b>2 536 973</b>	<b>2 617 010</b>

Note 1: Financial assets do not include prepaid expenses and VAT amounts receivable.

Note 2: Financial liabilities do not include provisions, deferred revenue, accruals for 13th cheque, leave and VAT amounts payable.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

	GROUP			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>55. Fair value categories of financial instruments measured at fair value</b>				
<b>30 September 2010</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets				
– Listed securities	32 153	–	–	32 153
– Unlisted securities (traded over-the-counter)	–	6 926	–	6 926
Derivative financial instruments				
– Foreign exchange contracts	–	4 218	–	4 218
– Embedded derivatives	–	979	–	979
<b>Total</b>	<b>32 153</b>	<b>12 123</b>	<b>–</b>	<b>44 276</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments				
– Foreign exchange contracts	–	12 912	–	12 912
– Embedded derivatives	–	1 160	–	1 160
– Interest rate collars	–	48 940	–	48 940
<b>Total</b>	<b>–</b>	<b>63 012</b>	<b>–</b>	<b>63 012</b>
<b>30 September 2009</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets				
– Listed securities	23 918	–	–	23 918
– Unlisted securities (traded over-the-counter)	–	7 810	–	7 810
Derivative financial instruments				
– Foreign exchange contracts	–	114	–	114
<b>Total</b>	<b>23 918</b>	<b>7 924</b>	<b>–</b>	<b>31 842</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments				
– Foreign exchange contracts	–	7 563	–	7 563
– Interest rate collars	–	61 668	–	61 668
– Interest rate swaps	–	10 806	–	10 806
<b>Total</b>	<b>–</b>	<b>80 037</b>	<b>–</b>	<b>80 037</b>

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

GROUP							
	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Fringe benefits R'000	Retirement fund contribu- tions R'000	Directors' fees R'000	Total R'000
<b>56. Directors' remuneration</b>							
<b>30 September 2010</b>							
<b>Executives</b>							
WA Hanekom	4 128	89	371	-	494	-	5 082
LR Cronjé	1 941	152	182	-	297	-	2 572
MT Swanepoel (Note 1)	783	77	-	-	100	-	960
TA Carstens	2 040	131	195	-	384	-	2 750
Total executives	<b>8 892</b>	<b>449</b>	<b>748</b>	<b>-</b>	<b>1 275</b>	<b>-</b>	<b>11 364</b>
<b>Non-executives</b>							
ZL Combi (Note 3)	-	5	-	-	-	177	182
Dr MI Survé	-	10	-	-	-	171	181
HE Blanckenberg (Note 2)	-	20	-	-	-	175	195
JA Louw (Note 2)	-	14	-	-	-	100	114
WA Agenbach (Note 1)	-	10	-	-	-	58	68
AW Bester (Note 2)	-	10	-	-	-	75	85
MM du Toit (Note 3)	-	5	-	-	-	73	78
GD Eksteen	-	20	-	-	-	150	170
AE Jacobs (Note 2)	-	13	-	-	-	75	88
Prof ASM Karaan (Note 3)	-	1	-	-	-	73	74
NS Mjoli-Mncube	-	69	-	-	-	150	219
JF Mouton	-	12	-	-	-	149	161
AH Sangqu	-	50	-	-	-	200	250
AC Singleton (Note 1)	-	19	-	-	-	58	77
Dr FA Sonn (Note 1)	-	1	-	-	-	58	59
JH van Niekerk (Note 2)	-	11	-	-	-	75	86
Total non-executives	<b>-</b>	<b>270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 817</b>	<b>2 087</b>
Total directors	<b>8 892</b>	<b>719</b>	<b>748</b>	<b>-</b>	<b>1 275</b>	<b>1 817</b>	<b>13 451</b>
	<b>(Note 4)</b>						

Notes:

1: Resigned 19 February 2010.

2: Resigned 29 March 2010.

3: Appointed 29 March 2010.

4: Represent incentives upon achieving predetermined BEE scorecard for 2009.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>GROUP</b>						
	Basic salary R'000	Travel allowances R'000	Bonuses and incentives R'000	Fringe benefits R'000	Retirement fund contributions R'000	Directors' fees R'000	Total R'000
<b>56. Directors' remuneration (continued)</b>							
<b>30 September 2009</b>							
<b>Executives</b>							
WA Hanekom	3 953	89	3 242	–	278	–	7 562
LR Cronjé	1 751	152	1 622	–	222	–	3 747
MT Swanepoel	1 717	186	1 598	182	222	–	3 905
TA Carstens	1 795	160	1 708	–	322	–	3 985
Total executives	9 216	587	8 170	182	1 044	–	19 199
<b>Non-executives</b>							
HE Blanckenberg	–	10	–	–	–	312	322
JA Louw	–	3	–	–	–	180	183
WA Agenbach	–	10	–	–	–	135	145
AW Bester	–	4	–	–	–	135	139
GD Eksteen	–	4	–	–	–	135	139
JN Hamman (Note 1)	–	5	–	–	–	53	58
AE Jacobs	–	3	–	–	–	127	130
NS Mjoli-Mncube	–	66	–	–	–	135	201
JF Mouton (Note 2)	–	–	–	–	–	37	37
AH Sangqu	–	40	–	–	–	180	220
AC Singleton	–	46	–	–	–	135	181
Dr FA Sonn	–	2	–	–	–	135	137
Dr MI Survé	–	2	–	–	–	135	137
JH van Niekerk	–	4	–	–	–	135	139
Total non-executives	–	199	–	–	–	1 969	2 168
Total directors	9 216	786	8 170	182	1 044	1 969	21 367

Notes:

1: Resigned 20 February 2009.

2: Appointed 20 May 2009.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2010 (continued)

GROUP				
	Number of shares			% of issued ordinary share capital
	Direct	Indirect	Total	
<b>57. Directors' interest in shares</b>				
The direct and indirect interests of the directors in the issued share capital of the Company are reflected in the table below:				
<b>30 September 2010</b>				
WA Hanekom	624 999	441 890	1 066 889	0.53
LR Cronjé	395 000	55 000	450 000	0.22
TA Carstens	405 999	–	405 999	0.20
ZL Combi (29 March 2010)**	–	–	–	–
Dr MI Survé	–	–	–	–
MM du Toit (29 March 2010)**	–	–	–	–
GD Eksteen	–	573 927	573 927	0.29
Prof ASM Karaan (29 March 2010)**	–	–	–	–
NS Mjoli-Mncube	–	–	–	–
JF Mouton	–	–	–	–
AH Sangqu	–	–	–	–
	<b>1 425 998</b>	<b>1 070 817</b>	<b>2 496 815</b>	<b>1.24</b>
<b>30 September 2009</b>				
WA Hanekom	524 999	441 890	966 889	0.48
LR Cronjé	375 000	55 000	430 000	0.21
MT Swanepoel (19 February 2010)*	360 000	–	360 000	0.18
TA Carstens	380 665	–	380 665	0.19
HE Blanckenberg (29 March 2010)*	170 748	249 895	420 643	0.21
JA Louw (29 March 2010)*	–	66 170	66 170	0.03
WA Agenbach (19 February 2010)*	38 057	–	38 057	0.02
AW Bester (29 March 2010)*	–	–	–	–
GD Eksteen	–	573 927	573 927	0.28
AE Jacobs (29 March 2010)*	–	–	–	–
NS Mjoli-Mncube	–	–	–	–
JF Mouton	–	–	–	–
AH Sangqu	–	–	–	–
AC Singleton (19 February 2010)*	–	–	–	–
Dr FA Sonn (19 February 2010)*	–	31 700	31 700	0.02
Dr MI Survé	–	–	–	–
JH van Niekerk (29 March 2010)*	–	–	–	–
	1 849 469	1 418 582	3 268 051	1.62

\* Resigned during the year

\*\* Appointed during the year

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

GROUP										
Directors	Number of options initially allocated	Date awarded	Strike price (cents)	Exercisable up to date	Number of options exercised	Number of options redeemed cumulative	Number of options redeemed in current year	Share price at date of redemption (cents)	Value increase from strike price to price at redemption Rand	Number of options not redeemed
<b>58. Directors' share options and share appreciation rights</b>										
<b>58.1 Directors' share options</b>										
Detail of directors' share options are shown below:										
<b>30 September 2010</b>										
WA Hanekom	722 500	2004/05/27	865	2014/05/27	722 500	160 000	100 000	4 015	3 150 000	562 500
	73 550	2004/12/24	1 405	2014/12/24	-	-	-	-	-	73 550
	78 545	2006/01/25	2 186	2016/01/25	-	-	-	-	-	78 545
	47 740	2007/02/12	3 142	2017/02/12	-	-	-	-	-	47 740
	68 122	2008/05/26	2 500	2014/05/27	-	-	-	-	-	68 122
LR Cronjé	367 900	2004/05/27	865	2014/05/27	367 900	157 000	35 000	4 015	1 102 500	210 900
	43 950	2004/12/24	1 405	2014/12/24	-	-	-	-	-	43 950
	32 716	2006/01/25	2 186	2016/01/25	-	-	-	-	-	32 716
	21 006	2007/02/12	3 142	2017/02/12	-	-	-	-	-	21 006
	28 369	2008/05/26	2 500	2014/05/27	-	-	-	-	-	28 369
TA Carstens	374 500	2004/05/27	865	2014/05/27	374 500	374 500	-	-	-	-
	66 300	2004/12/24	1 405	2014/12/24	66 300	66 300	66 300	4 015	1 730 430	-
	30 492	2006/01/25	2 186	2016/01/25	-	-	-	-	-	30 492
	22 677	2007/02/12	3 142	2017/02/12	-	-	-	-	-	22 677
	38 508	2008/05/26	2 500	2014/05/27	-	-	-	-	-	38 508
Total value increase									<b>5 982 930</b>	
<b>30 September 2009</b>										
WA Hanekom	722 500	2004/05/27	865	2014/05/27	722 500	60 000	-	-	-	662 500
	73 550	2004/12/24	1 405	2014/12/24	-	-	-	-	-	73 550
	78 545	2006/01/25	2 186	2016/01/25	-	-	-	-	-	78 545
	47 740	2007/02/12	3 142	2017/02/12	-	-	-	-	-	47 740
	68 122	2008/05/26	2 500	2014/05/27	-	-	-	-	-	68 122
LR Cronjé	367 900	2004/05/27	865	2014/05/27	367 900	122 000	30 000	2 900	610 500	245 900
	43 950	2004/12/24	1 405	2014/12/24	-	-	-	-	-	43 950
	32 716	2006/01/25	2 186	2016/01/25	-	-	-	-	-	32 716
	21 006	2007/02/12	3 142	2017/02/12	-	-	-	-	-	21 006
	28 369	2008/05/26	2 500	2014/05/27	-	-	-	-	-	28 369
MT Swanepoel*	374 500	2004/05/27	865	2014/05/27	374 500	225 000	-	-	-	149 500
	44 600	2004/12/24	1 405	2014/12/24	-	-	-	-	-	44 600
	29 686	2006/01/25	2 186	2016/01/25	-	-	-	-	-	29 686
	21 006	2007/02/12	3 142	2017/02/12	-	-	-	-	-	21 006
	15 372	2008/05/26	2 500	2014/05/27	-	-	-	-	-	15 372
TA Carstens	374 500	2004/05/27	865	2014/05/27	374 500	374 500	374 500	2 900	7 621 075	-
	66 300	2004/12/24	1 405	2014/12/24	-	-	-	-	-	66 300
	30 492	2006/01/25	2 186	2016/01/25	-	-	-	-	-	30 492
	22 677	2007/02/12	3 142	2017/02/12	-	-	-	-	-	22 677
	38 508	2008/05/26	2 500	2014/05/27	-	-	-	-	-	38 508
Total value increase									<b>8 231 575</b>	

\* Resigned 19 February 2010.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 September 2010 (continued)

GROUP

Directors	Number of SARs initially allocated	Date awarded	Strike price (cents)	Exercisable up to date	Number of SARs exercised	Number of SARs redeemed cumulative	Number of SARs redeemed in current year	Share price at date of redemption (cents)	Value increase from strike price to price at redemption Rand	Number of SARs not redeemed
<b>58. Directors' share options and share appreciation rights (continued)</b>										
<b>58.2 Directors' share appreciation rights (SARs)</b>										
Detail of directors' share appreciation rights are shown below:										
<b>30 September 2010</b>										
WA Hanekom	61 931	2008/06/09	2 548	2018/06/09	-	-	-	-	-	61 931
	52 264	2009/02/27	2 420	2019/02/27	-	-	-	-	-	52 264
	210 622	2010/02/09	3 474	2020/02/09	-	-	-	-	-	210 622
LR Cronjé	30 024	2008/06/09	2 548	2018/06/09	-	-	-	-	-	30 024
	25 785	2009/02/27	2 420	2019/02/27	-	-	-	-	-	25 785
	116 167	2010/02/09	3 474	2020/02/09	-	-	-	-	-	116 167
TA Carstens	31 790	2008/06/09	2 548	2018/06/09	-	-	-	-	-	31 790
	27 595	2009/02/27	2 420	2019/02/27	-	-	-	-	-	27 595
	119 546	2010/02/09	3 474	2020/02/09	-	-	-	-	-	119 546
<b>30 September 2009</b>										
WA Hanekom	61 931	2008/06/09	2 548	2018/06/09	-	-	-	-	-	61 931
	52 264	2009/02/27	2 420	2019/02/27	-	-	-	-	-	52 264
LR Cronjé	30 024	2008/06/09	2 548	2018/06/09	-	-	-	-	-	30 024
	25 785	2009/02/27	2 420	2019/02/27	-	-	-	-	-	25 785
MT Swanepoel*	30 024	2008/06/09	2 548	2018/06/09	-	-	-	-	-	30 024
	25 785	2009/02/27	2 420	2019/02/27	-	-	-	-	-	25 785
TA Carstens	31 790	2008/06/09	2 548	2018/06/09	-	-	-	-	-	31 790
	27 595	2009/02/27	2 420	2019/02/27	-	-	-	-	-	27 595

\* Resigned 19 February 2010.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

**GROUP**

**59. Shareholder information**

**Shareholder spread**

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
<i>Ordinary shares</i>				
Individuals	3 936	78.0	27 285 444	13.6
Nominees and trusts	655	13.0	12 409 461	6.2
Investment companies and corporate bodies	453	9.0	161 497 065	80.2
	<b>5 044</b>	<b>100.0</b>	<b>201 191 970</b>	<b>100.0</b>

**Non-public/public shareholders**

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2010 is as follows:

**Analysis of shareholding – ordinary shares**

Public shareholding	5 036	99.9	97 896 125	48.7
Non-public shareholding				
Directors (including subsidiary directors)	4	0.1	2 496 815	1.2
Pioneer Foods Share Incentive Trust	1	–	5 111 905	2.5
Pioneer Foods (Pty) Ltd	1	–	17 982 056	8.9
Agri Voedsel Beleggings (Pty) Ltd	1	–	55 627 707	27.6
Moorreesburgse Koringboere (Pty) Ltd	1	–	22 077 362	11.1
	<b>5 044</b>	<b>100.0</b>	<b>201 191 970</b>	<b>100.0</b>

**Distribution of ordinary shareholders**

Number of shares				
1–1 000 shares	2 533	50.2	916 222	0.5
1 001–10 000 shares	1 703	33.8	6 105 379	3.0
10 001–50 000 shares	525	10.4	12 004 085	6.0
50 001–100 000 shares	127	2.5	9 033 457	4.5
100 001–500 000 shares	124	2.5	24 632 740	12.2
500 001 shares and over	32	0.6	148 500 087	73.8
	<b>5 044</b>	<b>100.0</b>	<b>201 191 970</b>	<b>100.0</b>

**60. Restatement of financial information for comparative periods**

*IAS 7 – Statement of Cash Flows* has been amended and requires changes in interests in a subsidiary that do not result in a loss of control to be recorded in financing activities as opposed to investing activities. This amendment is effective retrospectively, resulting in the restatement of the statement of cash flows. An amount of R1,079,360 was reallocated from investment activities to financing activities for the year ended 30 September 2009.

## COMPANY ANNUAL FINANCIAL STATEMENTS

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**PIONEER FOOD GROUP LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 September 2010

		<b>COMPANY</b>	
	Notes	<b>2010</b> <b>R'000</b>	2009 R'000
Other income		<b>1 818</b>	3 200
Administrative expenses		<b>(2 392)</b>	(1 201)
Other operating expenses		<b>(1 818)</b>	(1 992)
Operating (loss)/profit	3	<b>(2 392)</b>	7
Investment income	4	<b>179 060</b>	208 891
Profit before income tax		<b>176 668</b>	208 898
Income tax expense	5	<b>(763)</b>	(50)
Profit for the year		<b>175 905</b>	208 848
Other comprehensive income/(loss)		–	–
<b>Total comprehensive income for the year</b>		<b>175 905</b>	208 848
Profit for the year attributable to:			
Owners of the Company		<b>175 905</b>	208 848
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>175 905</b>	208 848

PIONEER FOOD GROUP LIMITED

STATEMENT OF FINANCIAL POSITION  
as at 30 September 2010

		COMPANY	
	Notes	2010 R'000	2009 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	8	155 648	106 951
<b>Current assets</b>			
Trade and other receivables		569	–
Loan to subsidiary		2 206 660	2 027 451
Current income tax		55	152
Cash and cash equivalents	9	2 043	1 750
<b>Total Assets</b>		<b>2 364 975</b>	2 136 304
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital – Ordinary shares	10	20 119	20 118
Share capital – Class A ordinary shares	10	1 041	1 140
Share premium		1 211 207	1 216 262
Other reserves		37 512	36 830
Retained earnings		338 305	341 550
<b>Non-current liabilities</b>			
Share-based payment liability	11	102 181	57 107
<b>Current liabilities</b>			
Trade and other payables	12	426	276
Loan from subsidiary		653 689	462 874
Dividends payable		495	147
<b>Total Liabilities</b>		<b>756 791</b>	520 404
<b>Total Equity and Liabilities</b>		<b>2 364 975</b>	2 136 304

**PIONEER FOOD GROUP LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 30 September 2010**

COMPANY						
	Share capital ordinary shares R'000	Share capital class A ordinary shares R'000	Share premium R'000	Equity compen- sation reserve R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2009	20 118	1 140	1 216 262	36 830	341 550	1 615 900
Profit for the year	-	-	-	-	175 905	175 905
Recognition of share-based payments	-	-	-	682	-	682
Share appreciation rights scheme – issue of ordinary shares	1	-	343	-	-	344
Employee share scheme – repurchase of class A ordinary shares from leavers	-	(99)	(5 398)	-	-	(5 497)
Final dividend for 2009	-	-	-	-	(179 054)	(179 054)
Employee share scheme – transfer tax on share transactions	-	-	-	-	(96)	(96)
Balance as at 30 September 2010	<b>20 119</b>	<b>1 041</b>	<b>1 211 207</b>	<b>37 512</b>	<b>338 305</b>	<b>1 608 184</b>
Balance as at 1 October 2008	20 118	1 262	1 216 758	31 740	337 990	1 607 868
Profit for the year	-	-	-	-	208 848	208 848
Recognition of share-based payments	-	-	-	5 090	-	5 090
Employee share scheme – repurchase of class A ordinary shares from leavers	-	(122)	(496)	-	-	(618)
Final dividend for 2008	-	-	-	-	(132 781)	(132 781)
Interim dividend for 2009	-	-	-	-	(72 426)	(72 426)
Employee share scheme – transfer tax on share transactions	-	-	-	-	(81)	(81)
Balance as at 30 September 2009	20 118	1 140	1 216 262	36 830	341 550	1 615 900

**PIONEER FOOD GROUP LIMITED**

**STATEMENT OF CASH FLOWS**

for the year ended 30 September 2010

		<b>COMPANY</b>	
		<b>2010</b>	2009
		<b>R'000</b>	R'000
Notes			
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(3 477)</b>	(267)
	Net cash (loss)/profit from operating activities	<b>(2 392)</b>	7
	Working capital changes	<b>(419)</b>	(43)
	Income tax paid	<b>(666)</b>	(231)
	<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>(149)</b>	2
	Loans granted to related parties	<b>(179 209)</b>	(208 889)
	Interest received	<b>6</b>	2
	Dividends received	<b>179 054</b>	208 889
	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>3 919</b>	266
	Share appreciation rights – issue of ordinary shares	<b>344</b>	–
	Class A ordinary shares bought back	<b>(5 593)</b>	(699)
	Dividends paid to ordinary shareholders	<b>(178 706)</b>	(205 283)
	Dividends paid to class A ordinary shareholders	<b>(2 941)</b>	(3 680)
	Proceeds from loan from subsidiary	<b>190 815</b>	209 928
	Net increase in cash and cash equivalents	<b>293</b>	1
	Net cash and cash equivalents at beginning of year	<b>1 750</b>	1 749
	Net cash and cash equivalents at end of year	<b>2 043</b>	1 750

**PIONEER FOOD GROUP LIMITED**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010**

	<b>COMPANY</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>1. Accounting policies</b>		
The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to note 1 of the Group financial statements.		
<b>2. Critical accounting estimates and judgements</b>		
The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.		
<b>3. Operating profit</b>		
Operating profit is calculated after taking into account the following:		
<b>3.1 Other income</b>		
Administration fees received	<b>1 818</b>	3 200
<b>3.2 Operating expenditure</b>		
Administration fees paid	–	1 200
Auditors' remuneration		
Audit – current year	<b>226</b>	–
Consulting fees	<b>892</b>	–
Legal fees	<b>23</b>	–
Shareholder communication	<b>1 080</b>	–
<b>4. Investment income</b>		
Interest income on financial assets: loans and receivables		
Cash and cash equivalents	<b>6</b>	2
Dividends received		
Unlisted shares in subsidiary: Pioneer Foods Holdings Limited	<b>179 054</b>	208 889
	<b>179 060</b>	208 891
<b>5. Income tax expense</b>		
Current income tax		
Current year	–	2
Secondary taxation on companies		
Current year	<b>763</b>	48
	<b>763</b>	50
The income tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory rate of 28% (2009: 28%) as follows:		
	%	%
Standard rate for companies	<b>28.0</b>	28.0
Increase/(decrease) in rate:		
Exempt income	<b>(28.4)</b>	(28.0)
Secondary taxation on companies	<b>0.4</b>	–
Non-deductible expenditure	<b>0.4</b>	–
Effective rate	<b>0.4</b>	–

PIONEER FOOD GROUP LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 September 2010 (continued)

	COMPANY	
	2010 R'000	2009 R'000
<b>6. Dividend per ordinary share</b>		
Interim		
Nil cents (2009: 36,0 cents) per ordinary share	–	72 426
Final		
Nil cents (2009: 89,0 cents) per ordinary share	–	179 054
	–	251 480
<p>Dividends payable are not accounted for until they have been declared by the board of directors. The statement of changes in equity does not reflect the final dividend payable. The final dividend for the year will be accounted for as an appropriation of retained earnings in the following year. Secondary taxation on companies (STC) will be applicable to the dividend paid at a rate of 10,0%.</p>		
<b>7. Directors' remuneration</b>		
Non-executive directors		
Fees	<b>2 087</b>	2 168
	<b>2 087</b>	2 168
<b>8. Investment in subsidiaries</b>		
<i>Unlisted – at cost</i>		
Pioneer Foods Holdings Limited	–	–
<i>Capital contribution towards subsidiaries</i>		
Pioneer Foods (Pty) Limited	<b>149 469</b>	100 772
Ceres Fruit Juices (Pty) Limited	<b>6 179</b>	6 179
	<b>155 648</b>	106 951
<b>9. Cash and cash equivalents</b>		
Cash at bank and on hand	<b>2 043</b>	1 750
For the purposes of the cash flow statement, the year-end cash, cash equivalents and bank overdrafts comprise the following:		
Cash and short-term investments	<b>2 043</b>	1 750
<b>10. Share capital</b>		
Refer to note 22 of the Group financial statements.		
<b>11. Share-based payment liability</b>		
Balance at beginning of year	<b>57 107</b>	19 424
Share-based payment	<b>48 015</b>	41 363
Dividends paid to class A ordinary shares	<b>(2 941)</b>	(3 680)
	<b>102 181</b>	57 107

**PIONEER FOOD GROUP LIMITED**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 September 2010 (continued)**

	<b>COMPANY</b>	
	<b>2010 R'000</b>	2009 R'000
<b>12. Trade and other payables</b>		
Trade payables	<b>11</b>	–
Accrued expenses	<b>30</b>	–
Value-added tax	<b>160</b>	276
Other	<b>225</b>	–
	<b>426</b>	276
<b>13. Related party transactions</b>		
During the financial year the Company conducted the following transactions with its subsidiaries:		
<b>13.1 Sale of services</b>		
Administration fees charged to Pioneer Foods (Pty) Limited	<b>1 818</b>	3 200
<b>13.2 Purchase of services</b>		
Administration fees charged by Pioneer Foods (Pty) Limited	–	1 200
<b>13.3 Loans to related parties</b>		
Loan to Pioneer Foods Holdings Limited		
Beginning of year	<b>2 027 451</b>	1 818 562
Loans advanced during the year	<b>179 209</b>	208 889
End of year	<b>2 206 660</b>	2 027 451
Unsecured interest-free loan with no fixed terms of repayment.		
<b>13.4 Loans from related parties</b>		
Loan from Pioneer Foods (Pty) Limited		
Beginning of year	<b>462 874</b>	252 946
Loans received during the year	<b>377 768</b>	216 186
Loan repayments made	<b>(186 953)</b>	(6 258)
End of year	<b>653 689</b>	462 874
Unsecured interest-free loan with no fixed terms of repayment.		
<b>14. Net cash (loss)/profit from operating activities</b>		
Reconciliation of profit before income tax and cash (loss)/profit from operating activities:		
Profit before income tax	<b>176 668</b>	208 898
Adjusted for:		
Dividends received	<b>(179 054)</b>	(208 889)
Interest received	<b>(6)</b>	(2)
	<b>(2 392)</b>	7
<b>15. Working capital changes</b>		
Increase in trade and other receivables	<b>(569)</b>	–
Increase/(decrease) in trade and other payables	<b>150</b>	(43)
	<b>(419)</b>	(43)

PIONEER FOOD GROUP LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 September 2010 (continued)

	COMPANY	
	2010 R'000	2009 R'000
<b>16. Income tax paid</b>		
Amounts unpaid at beginning of year	152	(29)
As disclosed in profit or loss	(763)	(50)
Amounts unpaid at end of year	(55)	(152)
	<b>(666)</b>	<b>(231)</b>
<b>17. Dividends paid</b>		
<i>Ordinary shareholders</i>		
Amounts unpaid at beginning of year	(147)	(223)
As disclosed in statement of changes in equity	(179 054)	(205 207)
Amounts unpaid at end of year	495	147
	<b>(178 706)</b>	<b>(205 283)</b>
<i>Class A ordinary shareholders</i>		
As accounted for against share-based payment liability	(2 941)	(3 680)
	<b>(2 941)</b>	<b>(3 680)</b>

	COMPANY		
	Capital R'000	Interest R'000	Total R'000
<b>18. Maturity analysis of financial liabilities</b>			
<b>30 September 2010</b>			
Not later than 1 year			
Borrowings inter group	653 689	–	653 689
Trade and other payables	266	–	266
Dividends payable	495	–	495
	<b>654 450</b>	<b>–</b>	<b>654 450</b>
<b>30 September 2009</b>			
Not later than 1 year			
Borrowings inter group	462 874	–	462 874
Dividends payable	147	–	147
	463 021	–	463 021

Note: Trade and other payables do not include amounts for value-added tax payable.

**PIONEER FOOD GROUP LIMITED**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 September 2010 (continued)**

	<b>COMPANY</b>
	<b>Loans and receivables R'000</b>
<b>19. Financial instruments by category</b>	
<b>30 September 2010</b>	
<b>Assets as per statement of financial position</b>	
Trade and other receivables	569
Loan to subsidiary	2 206 660
Cash and cash equivalents	2 043
<b>Total</b>	<b>2 209 272</b>
	<b>Other financial liabilities R'000</b>
<b>Liabilities as per statement of financial position</b>	
Borrowings from related parties	653 689
Trade and other payables (refer to note)	266
Dividends payable	495
<b>Total</b>	<b>654 450</b>
Note: Trade and other payables do not include amounts for value-added tax payable.	

	<b>COMPANY</b>
	Loans and receivables R'000
<b>30 September 2009</b>	
<b>Assets as per statement of financial position</b>	
Loan to subsidiary	2 027 451
Cash and cash equivalents	1 750
<b>Total</b>	<b>2 029 201</b>
	Other financial liabilities R'000
<b>Liabilities as per statement of financial position</b>	
Borrowings from related parties	462 874
Dividends payable	147
<b>Total</b>	<b>463 021</b>
Note: Trade and other payables do not include amounts for value-added tax payable.	

## ADMINISTRATIVE INFORMATION

### Financial calendar

Financial year-end	30 September
Annual General Meeting	18 February 2011

### Reports

Interim report for the half year until March 2011	May 2011
Announcement of results for the year	December 2011
Annual Report	December 2011

## ADMINISTRATION

### Holding Company

Pioneer Food Group Limited  
Registration number: 1996/017676/06

### Country of incorporation

South Africa

### Date of incorporation

13 June 1997  
(date of the merger between Sasko (Pty) Limited and Bokomo (Pty) Limited)

### Share code

PFG

### Company Secretary and registered office

TF Hendrickse  
32 Market Street, Paarl, 7646  
PO Box 20, Huguenot, 7645  
Tel: 021 807-5100  
Fax: 021 807-5280  
e-mail: thendri2@pioneerfoods.co.za  
internet address: www.pioneerfoods.co.za

### Sponsor

PSG Capital (Pty) Limited  
(Registration number: 2006/015817/07)  
1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600  
PO Box 7403, Stellenbosch, 7599  
Tel: 021 887-9602  
Fax: 021 887-9624

### Dividends

Interim – Announcement	May 2011
– Payment	July 2011
Final – Announcement	December 2011
– Payment	February 2012

### Bankers

The Standard Bank of South Africa Limited  
Absa Bank Limited  
Nedbank Limited  
FirstRand Bank Limited  
Old Mutual Specialised Finance (Pty) Limited  
The Hongkong and Shanghai Banking Corporation Limited

### ISIN code

ZAE000118279

### Auditors

PricewaterhouseCoopers Inc.  
(Registration number: 1998/012055/21)  
PricewaterhouseCoopers Building  
Zomerlust Estate  
Berg River Boulevard  
Paarl  
7646

### Transfer Secretary

Computershare Investor Services (Pty) Limited  
70 Marshall Street, Johannesburg, 2001  
PO Box 61051, Marshalltown, 2107  
Tel: 011 370-5000  
Fax: 011 688-5209

**NOTICE OF ANNUAL GENERAL MEETING  
for the year ended 30 September 2010**

The fourteenth annual general meeting of Pioneer Food Group Limited ("Pioneer Foods" or "the Company") will be held on Friday, 18 February 2011, at 9:00 at Lemoenkloof Guest House, Paarl to transact the following business:

1. To receive, consider and approve the annual financial statements for the year ending 30 September 2010.
2. To approve the remuneration of the non-executive directors for the year ending 30 September 2010.
3. To confirm the reappointment of PricewaterhouseCoopers Inc. as auditor for the ensuing year on the recommendation of the audit and risk committee.
4. To confirm the auditor's remuneration for the year ended 30 September 2010 as determined by the audit and risk committee.

To consider, and if deemed fit, pass, with or without modification, the following ordinary resolutions:

**5. ORDINARY RESOLUTION NUMBER 1**

"Resolved that the unissued shares in the Company, limited to 10% of the shares in issue as at 30 September 2010, be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act 61 of 1973 as amended ("the Companies Act"), the articles of association of the Company, and the provisions of the Listings Requirements of the JSE Limited ("JSE")."

**6. ORDINARY RESOLUTION NUMBER 2**

"Resolved that the directors of the Company be and are hereby authorised by way of a general authority, to allot and issue any of the unissued shares, placed under their control for cash, as they in their discretion may deem fit, without restriction, subject to the Companies Act, the articles of association of the Company and the provisions of the Listings Requirements of the JSE, and subject to the proviso that the aggregate number of shares that may be allotted and issued in terms of this resolution is limited to 10% of the shares in issue as at 30 September 2010, provided that:

- the approval shall be valid until the date of the next annual general meeting of the Company, provided it shall not extend beyond 15 months from the date of this resolution;
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;
- the general issues of shares for cash in the aggregate in any one financial year may not exceed 10% of the applicant's issued share capital (number of securities) of that class. The securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;
- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE should be consulted for a ruling if the applicant's securities have not traded in such 30 business day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties; and
- any such issue will only be securities of a class already in issue."

At least 75% of the shareholders present in person or by proxy and entitled to vote at the annual general meeting must cast their vote in favour of this resolution.

**7. ORDINARY RESOLUTION NUMBER 3**

To elect directors. The following directors have been duly nominated, and directors who retire by rotation in terms of the Company's articles of association and being eligible, have offered themselves for re-election.

**NOTICE OF ANNUAL GENERAL MEETING  
for the year ended 30 September 2010 (continued)**

**7.1 AW Bester**

Mr Bester is a former non-executive director of Pioneer Foods.

**7.2 ZL Combi**

Mr Combi was appointed as the independent non-executive chairman of the board of Pioneer Foods on 29 March 2010. He is the executive chairman of Thembeke Capital. He serves on various listed and unlisted companies' boards, including PSG Group, IQuad Group, JSE, as well as the Absa Bank Advisory Committee (Western Cape). Mr Combi is a member of the Human Capital Committee and Nomination Committee of Pioneer Foods.

**7.3 MM du Toit**

Mr Du Toit was appointed as an independent non-executive director of the board of Pioneer Foods on 29 March 2010. He was a founding member of Coronation Fund Managers and he held the position of chief executive officer of the company from 1997 to 2007. Mr Du Toit is a director of a number of companies including PSG Group, chairman of KWV Holdings and runs an investment management business, Rootstock Investment Management. He is a member of the Human Capital Committee of Pioneer Foods.

**7.4 GD Eksteen**

Mr Eksteen has been a non-executive director of Pioneer Foods for eight years. He farms in the Malmesbury area. He currently serves on the board of Zeder Investments and is also the chairman of Kaap Agri. He is a member of the Human Capital Committee and Nomination Committee of Pioneer Foods.

**7.5 AE Jacobs**

Mr Jacobs is a former independent non-executive director of Pioneer Foods and was re-appointed on 14 October 2010. He is the chief executive officer of Zeder Investments. He has served on the boards of various investment holding companies with diversified interests, such as Winecorp and Spier Holdings. He is a member of the Audit and Risk Committee of Pioneer Foods.

**7.6 ASM Karaan**

Prof Karaan was appointed as an independent non-executive director of the board of Pioneer Foods on 29 March 2010. He is the Dean of the Faculty of Agri Sciences at Stellenbosch University and serves on the board of Kaap Agri, as well as various other boards. He is a member of Government's Planning Commission. He is a member of the Audit and Risk Committee of Pioneer Foods.

**7.7 NS Mjoli-Mncube**

Ms Mjoli-Mncube has been an independent non-executive director of Pioneer Foods for five years. She is a former executive director of the National Urban Reconstruction and Housing Agency. Ms Mjoli-Mncube is a director of various companies. She is a member of the Audit and Risk Committee of Pioneer Foods.

**7.8 IR More O'Ferrall**

Mr More O'Ferrall is the Business Operations Manager of the ink supplies divisions of Hewlett Packard in South Africa. He is the former General Manager of Felda Bridge Industries and the former Factory Manager of United SA Brush Company. Earlier in his career, Mr More O'Ferrall worked in the planning and supply chain department of a division of Unilever Foods in South Africa.

**By order of the board**

**TF Hendrickse (Company Secretary)**

**23 December 2010**

**PROXY FORM**

**PIONEER FOOD GROUP LIMITED**

Incorporated in the Republic of South Africa  
(Registration Nr 1996/017676/06)  
("Pioneer Foods" or "the Company")

**Annexure to the Notice of the Annual General Meeting**

I/We, the undersigned (print) \_\_\_\_\_  
(name of shareholder)

of \_\_\_\_\_  
(address)

being a shareholder of the Company, do hereby appoint

\_\_\_\_\_ (name of proxy)

of \_\_\_\_\_ (address)

or failing him, the chairman of the meeting as my/our proxy to represent me/us, to talk and to vote on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 18 February 2011, at Paarl at 09:00 or at any adjournment thereof:

		In favour of	Against	Abstain from voting
1	To receive, consider and approve the annual financial statements for the year ending 30 September 2010.			
2	To approve the remuneration of the non-executive directors for the year ending 30 September 2010.			
3	To confirm the reappointment of PricewaterhouseCoopers Inc. as auditor for the ensuing year on the recommendation of the audit and risk committee.			
4	To confirm the auditor's remuneration for the year ended 30 September 2010 as determined by the audit and risk committee.			
5	Ordinary Resolution Number 1: Placing of unissued shares in the Company under the control of the directors.			
6	Ordinary Resolution Number 2: General Authority to issue shares for cash.			
7	Ordinary Resolution Number 3: To elect directors:			
7.1	• AW Bester			
7.2	• ZL Combi			
7.3	• MM du Toit			
7.4	• GD Eksteen			
7.5	• AE Jacobs			
7.6	• ASM Karaan			
7.7	• NS Mjoli-Mncube			
7.8	• IR More O'Ferrall			

Please indicate instructions to proxy by way of a cross in the relevant space provided.

Signed at \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_ 2011.

\_\_\_\_\_  
Signature

- Notes:**
- (1) Members entitled to attend and vote at a meeting are entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote thereat in their stead.
  - (2) This proxy form must be deposited with the Company Secretary not less than 24 hours before the commencement of the meeting. Postal address: The Company Secretary, Pioneer Food Group Ltd, PO Box 20, Huguenot, 7645.