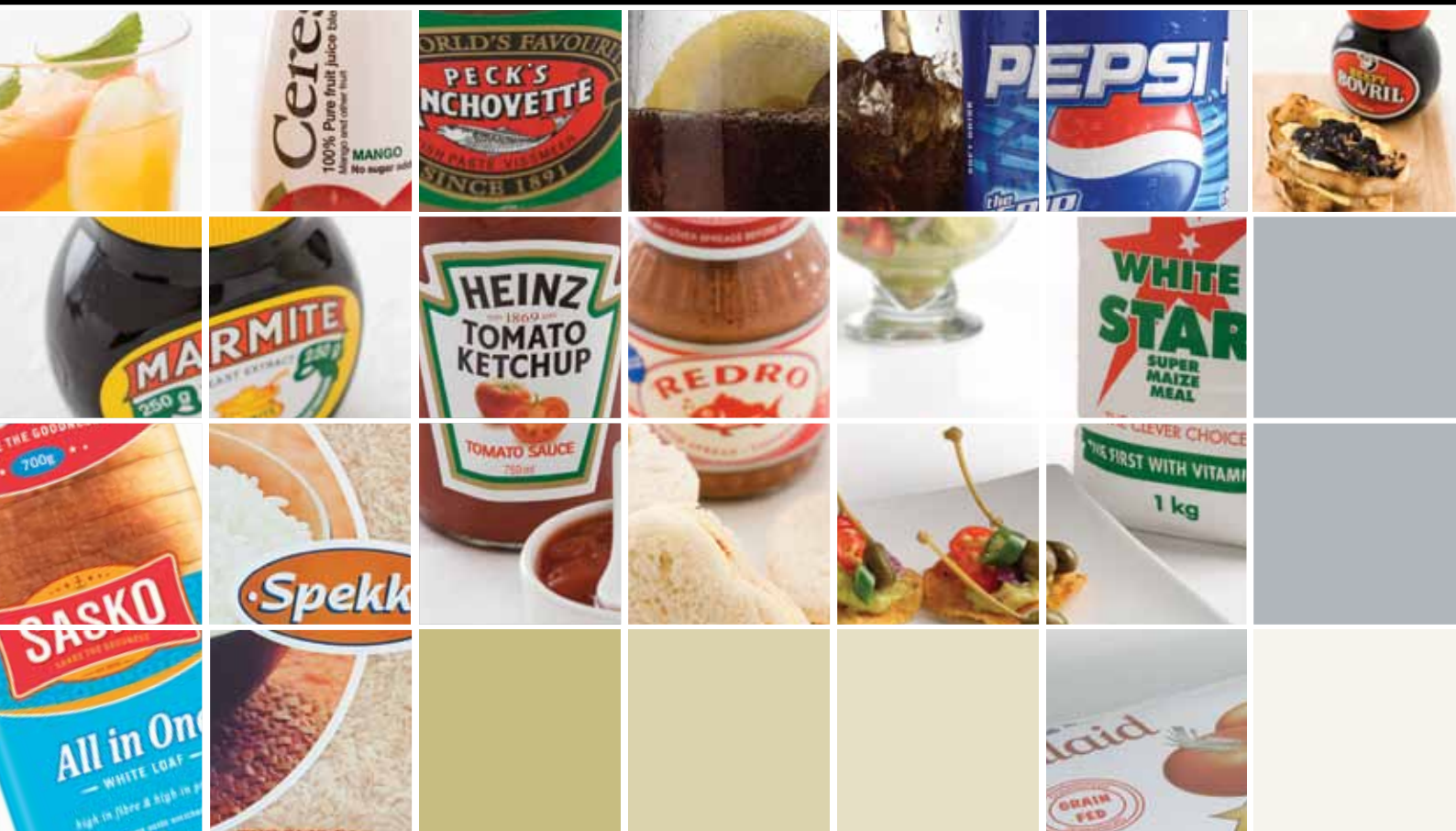


Producing some of South Africa's most recognisable brands



GROUP OVERVIEW (continued)

board of directors

HE (Boy) Blanckenberg (61)

BA Trade, Agricultural Diploma (Eisenburg)

Chairman of the Board, Chairman of Nomination Committee, Member of Human Resources Committee, Independent non-executive director

Mr Blanckenberg has been farming in the Klipheuwel area since 1970. He has served as board member and chairman of various organisations in the dairy industry. He is currently a director of companies and is the chairman of the board of Pioneer Foods. Director since 20 June 1997.

JA (Nols) Louw (65)

BSc Hons, B(B&A) (Hons)

Vice-chairman of the Board, Chairman of Human Resources Committee, Independent non-executive director

Mr Louw served as executive director of Malbak from 1969 to 1985. In 1986 he became managing director of Peppor and vice-chairman of Peppor in 1992. Mr Louw became chairman of Pep Limited in 1996, a position he held until 1997. Currently Mr Louw has various farming operations and is a director of companies, inter alia, of Shoprite Holdings Limited. Director since 28 April 1999.

WA (Willem) Agenbach (60)

MSc

Non-executive director, Member of Audit and Risk Committee

Mr Agenbach served on the board of Southern Associated Maltsters from 1994 to 2005. He also served on the board of Sasko from 1994 to 1997. He retired as chairman of Overberg Agri Ltd in 2008 and farms in the Overberg area, and is a director of companies. Director since 28 April 1999.

AW (Albie) Bester (65)

Non-executive director, Member of the Nomination Committee

Mr Bester has been farming in the Moorreesburg area since 1965. He has served on various managerial boards of public organisations and is currently also serving on the board of Moorreesburgse Koringboere (Pty) Ltd. Director since 22 February 2008.

GD (George) Eksteen (67)

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

Mr Eksteen farmed 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.

AE (Antonie) Jacobs (44)

CA(SA), MCom (Tax), LLB

Non-executive director, Member of Audit and Risk Committee

Mr Jacobs has many years experience in an investment management capacity in the agricultural sector. He was the managing director of KLK Landbou Limited for three years. He served on the boards of various investment holding companies with diversified interests, such as Winecorp and Spier Holdings. He also previously lectured tax and accountancy at the University of Stellenbosch. Director since 7 August 2008.

NS (Sylvia) Mjoli-Mncube (50)

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

Independent non-executive director, Member of the Nomination Committee

Ms Mjoli-Mncube held various positions at the Social and Economic Science Research Centre at the Washington State University, Pullman, USA. From 1993 to 1995 she was executive director of Bernhardt Dunstan and Associates, a wholly owned subsidiary of Murray and Roberts. From 1995 to 2003 she was executive director of the National Urban Reconstruction and Housing Agency. Director since 25 November 2004.

JF (Jannie) Mouton (62)

CA(SA)

Non-executive director

After having completed his BComm (Hons) in 1969 Mr Mouton 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 Ltd, Kaap Agri Ltd, Steinhoff International Ltd and the KWW Ltd. Director since 20 May 2009.

AH (Andile) Sangqu (42)

BCompt Hons, CTA, Higher Dipl Tax, MBL

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

After having completed his articles with PricewaterhouseCoopers Inc., Mr Sangqu spent a number of years in various financial management and executive positions. He serves on various boards of companies. Director since 24 February 2006.

AC (Amanda) Singleton (46)

BA Communication, Certificate in Management Development, Certificate in Strategic Leadership

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

Ms Singleton has many years experience in strategic organisational communication, with specific focus on culture change and reputational management. Director since 24 February 2006.

Dr FA (Franklin) Sonn (69)

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

Independent non-executive director, Member of Human Resources Committee

Dr Sonn held, inter alia, the following positions: deputy president: Chamber of Commerce and Industry of South Africa, president: Afrikaanse Handelsinstituut, chairman and trustee of Impumelelo Innovations Awards Trust, trustee of the Legal Resources Trust, executive in residence at the University of Cape Town Graduate School of Business, chancellor of the University of the Free State, trustee of the Nelson Mandela Foundation, ambassador to the United States of America. Currently he serves on the boards of various companies. Director since 28 April 1999.

Dr MI (Iqbal) Survé (46)

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

Independent non-executive director, Member of Human Resources Committee

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

JH (Kosie) van Niekerk (52)

Non-executive director, Member of Nomination Committee

After serving as a pilot in the South African Air Force, Mr Van Niekerk started farming in 1980 and has extended the business to seven farms. He has served on various boards of companies and is currently serving, inter alia, on the board of Kaap Agri Ltd, where he is the vice-chairman. Director since 24 February 2006.

WA (André) Hanekom (50)

CA(SA)

Managing director

Joined the Group with Bokomo Breakfast Cereals and in 1994 he was appointed chief executive officer of Bokomo. After the merger, he was the executive: Sasko Milling & Baking before being appointed as managing director of the Group in 1999. Director since 1 January 1999.

LR (Leon) Cronjé (52)

CA(SA)

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.

TA (Tertius) Carstens (46)

BEng (Chem), MBA

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.

MT (Tertius) Swanepoel (55)

BEcon

Executive director: Marketing

Joined the Group in 1989 and fulfilled various managerial and executive positions before being appointed as an executive director. Director since 22 February 2003.

Non-executive directors



Boy Blanckenberg
CHAIRMAN



Antonie Jacobs



Amanda Singleton



Nols Louw
VICE-CHAIRMAN



Sylvia Mjoli-Mncube



Franklin Sonn



Willem Agenbach



Jannie Mouton



Iqbal Survé



Albie Bester



Andile Sangqu



Kosie van Niekerk



George Eksteen

Executive directors



André Hanekom
MANAGING DIRECTOR



Leon Cronjé
FINANCIAL DIRECTOR



Tertius Carstens
EXECUTIVE DIRECTOR: SASKO



Tertius Swanepoel
EXECUTIVE DIRECTOR: MARKETING

GROUP OVERVIEW (continued)

executive management



André Hanekom (50)

CA(SA)

Managing Director

Joined the Group with Bokomo Breakfast Cereals and in 1994 he was appointed chief executive officer of Bokomo. After the merger, he was the executive: Sasko Milling & Baking before being appointed as managing director of the Group in 1999. Director since 1 January 1999. 21 years of service.



Leon Cronjé (52)

CA(SA)

Financial Director

Joined the Group in 1987 with Sasko and was the general manager: finance before the merger. He was appointed in the same role for Pioneer Foods before becoming financial director in 1999. Director since 28 April 1999. 22 years of service.



Mkuseli Dlikilili (45)

BAdmin (Hons), MA

Human Resources

Mkuseli joined the Group in 2001 from Portnet, where he served as human resources manager. He was appointed executive for human resources of the Group in 2003. He has been with the Group for 9 years.



Pieter Hanekom (45)

CA(SA)

The Ceres Beverage Company

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 16 years.



Tertius Swanepoel (55)

BEcon

Executive Director: Marketing

Joined the Group in 1989 and fulfilled various managerial and executive positions before being appointed as an executive director. Director since 22 February 2003. 21 years of service.



Tertius Carstens (46)

BEng (Chem), MBA

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. 15 years of service.



Felix Lombard (40)

MCom (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 the executive responsible for Bokomo Foods. He has been with the Group for 15 years.



Rosh Naidoo (36)

BProc

Company Secretary

Rosh served as a candidate attorney with MacRobert, de Villiers for two years. She was also a manager in the legal division of Deloitte before joining The Ceres Beverage Company in 2003. She was appointed as executive: corporate strategy in 2007. She has been with the Group for six years.



Hennie Lourens (46)

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 13 years.

CHAIRMAN'S REPORT

2009 proved to be a pleasing recovery to the longer-term growth path in performance of the Group. The resilience of the business was demonstrated as it responded successfully to upward and downward pressures on costs and constrained consumer behaviour.

HE Blanckenberg Chairman



Selling prices in the key product categories of bread, pasta, rice and wheaten products are now substantially lower than in 2008. Volume growth slowed considerably in the second half of the year in most categories, with the lower price environment succeeding in protecting rather than growing volume share.

Revenue earned by the Group improved by 9.4% to R16.3 billion. This improvement was largely due to the price and volume growth seen in the first half of the year with price and volume levels remaining static in the second half. Food price inflation in the Pioneer Foods basket of products moderated sharply during the second half of the year from around 16% to a mere 1%.

Shifting production and consumption patterns and the strengthening rand complicated the refinement of procurement strategies and the setting of short- to medium-term price points.

The rand strengthened by 30% to the US dollar since October 2008 which, together with slower capital spend and lower debtor and inventory values, unlocked R357 million from working capital for the year.

As a result, net finance charges declined from R220 million to R198 million. Operating profit before items of a capital nature increased by a pleasing 34% to R1 160 million, with the Group operating profit margin consequently improving from 5.8% to 7.1%. Although positive, this margin is below that of industry peers and equal to the 2007 margin levels.

Headline earnings increased by a pleasing 33% to R621 million or by 22% to 355 cents per share, taking into account the diluting effect of the rights issue in the previous year.

Although relatively strong, earnings growth achieved this year only managed to recover to some extent the largely static or declined performances reported in the previous two reporting periods. The Group is probably now on even keel in terms of longer-term growth trends.

Pioneer Foods continues to invest capital for future growth to facilitate the next level of earnings ability with committed capital expenditure of more than R900 million for the year ahead. The main focus is on expanding and improving production facilities in the white maize meal, biscuit, rice and non-alcoholic beverage categories.

CHAIRMAN'S REPORT (continued)

Some capital is also allocated to the egg and broiler businesses to optimally position these businesses for sustained profitability.

The debt to equity ratio of 14% at year-end is a significant improvement from 34% the previous year and is well within the acceptable longer-term goal of 20% – 25%.

Given the board's positive view of the Group's sustainable profit growth and cash generation ability in the longer term, an increase of 35% in the final dividend to 89 cents per ordinary share was declared. This results in a total dividend of 125 cents per ordinary share – up 30% from last year. A total of R251 million will be distributed to shareholders based on the year's improved performance. This represents a 34% increase on the previous year's total payout.

Sasko delivered a sound overall performance for the year, posting an improved profit contribution and margin. The range of trusted brands in the predominantly staple food basket of products proved to be defensive of nature in a trying economic climate.

Demand remained resilient, particularly in maize meal products where historic steady declining trends reversed and pleasing growth in sales volumes was achieved. Increased consumption of super maize meal continued to be the strongest profit growth driver in the Sasko business, with the premium product – *White Star* super maize meal – achieving revenue of more than R1.5 billion, a mere 10 years after being launched.

The Agri Business segment posted improved results and recovered mainly on the back of the positive turnaround in the Nulaid egg business. Although the broiler business still struggled, there were some positive signs of recovery towards the end of the year.

The Bokomo Foods segment of the business disappointed with a decreased contribution to earnings. In the breakfast cereals category, consumers opted for cheaper products and, apart from volume growth in *Weet-Bix*, increased sales targets were not met. Another reason for the decreased performance was the relatively small raisin

crop along the Orange River that limited export sales volumes of raisins.

The non-alcoholic beverage category in which Ceres Beverages competes, was under pressure in the past year and declined consumer spending negatively affected sales volumes. However, the business achieved improved results on the back of a turnaround in the fruit concentrate mixtures category and, more specifically, from an improved export sales volume and export margin performance in the first half of the year.

The carbonated soft drinks category was under pressure due to aggressive competitor activity and challenging economic conditions. *Pepsi* sales volumes remained satisfactory under these circumstances.

In light of the more challenging trading environment, forecasts for the *Pepsi* venture were adjusted to reflect a longer establishment phase to position the brand for long-term sustainable growth.

Complaint referrals by Competition Commission

Pioneer Foods appeared before the Competition Tribunal in June 2009 on two complaint referrals initiated by the Competition Commission (Commission). On 9 September 2009 the final legal arguments of the Competition Commission and the Company's wholly owned subsidiary Pioneer Foods (Pty) Ltd were made before the Competition Tribunal with regards to the complaint referrals for:

- alleged prohibited practices in the Western Cape seeking, amongst others, the imposition of an administrative penalty of 10% of the revenue derived by Pioneer Foods (Pty) Ltd from the production and sale of bread in the Western Cape in 2006; and
- allegations of participating in a national bread cartel seeking, amongst others, the imposition of an administrative penalty of 10% of Pioneer Foods (Pty) Ltd's revenue in 2007.

In its answer to the complaint referrals received in 2007, Pioneer Foods (Pty) Ltd admitted to certain facts relating to prohibited practices in the Western Cape, but has

continued to defend itself against all other allegations made by the Commission.

On 28 September 2009, the Commission applied to the Competition Tribunal for leave to amend the relief sought by it in the complaint referrals by introducing, amongst others, claims for:

- substitution of the original relief sought in the Western Cape referral by the demand for an administrative penalty of 10% of Pioneer Foods (Pty) Ltd's revenue for 2006; alternatively an administrative penalty of 10% of Pioneer Foods (Pty) Ltd's revenue derived from the production and sale of bread in 2006; and
- substitution of the original relief sought in the national referral by the demand for an administrative penalty of 10% of Pioneer Foods (Pty) Ltd's revenue for 2006; alternatively an administrative penalty of 10% of Pioneer Foods (Pty) Ltd's revenue derived from the production and sale of bread in 2006.

Pioneer Foods (Pty) Ltd has opposed certain of the amendments sought.

The legal entity Pioneer Foods (Pty) Ltd's audited national revenue in 2006 amounted to R7.86 billion, whereas the comparative revenue in 2007 amounted to R9.23 billion. Pioneer Foods (Pty) Ltd's national revenue from the production and sale of bread in 2006 amounted to R1.65 billion. Pioneer Foods (Pty) Ltd's revenue derived from the production and sale of bread in the Western Cape in 2006 amounted to R384 million. This was the maximum potential penalty base (10% being R38.4 million) for the Western Cape case in terms of the initial request for penalty from the Commission.

At the date of approval of the financial statements by the board, the Tribunal has not ruled on the amendment sought by the Commission nor on the two complaint referrals.

No provision for a potential administrative penalty has been made.

Pioneer Foods remains committed to the principles of good corporate governance and further entrenching its Legal Compliance Programme.

Prospects

Operating profit for the next reporting period will be influenced by:

- The volatility in raw material prices
- Cost increases and particularly salaries, wages, electricity and transport costs
- Sales volumes driven by changing consumer spending patterns
- Deflationary pressures on selling prices

Sasko has experienced strong growth in this and previous reporting periods and is well positioned for further growth albeit at a slower rate given the relatively high comparative base.

The other businesses of the Group should further unlock their potential to improve contributions to earnings.

Group earnings should benefit from decreased finance costs given the improved debt position.



HE Blanckenberg
Chairman

OPERATIONAL REVIEW

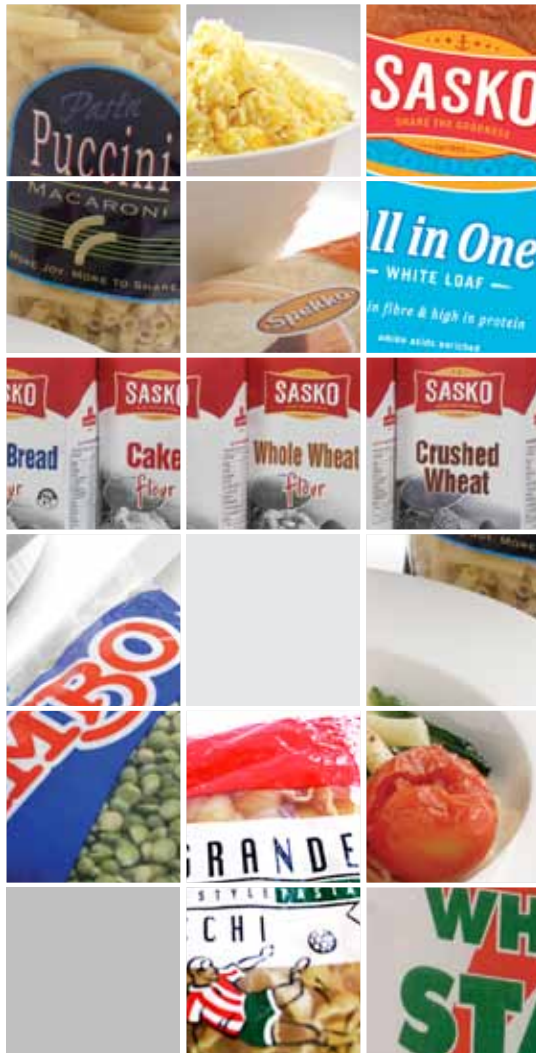
Sasko

PROFILE

The Sasko segment of the business consists of the Sasko division, Bowman Ingredients and a number of other Africa businesses. 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 increased by 9% to R8 877 million and operating profit by 49% to R926 million, resulting in a profit margin of 10.4% (2008: 7.6%).



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.

Sasko ended the 2009 year with a sound overall performance, posting an improved profit contribution and an improved operating profit margin.

The year was characterised by trend-breaking volume performances. In line with total industry consumption, wheat throughput declined during the year with white maize consumption increasing substantially. Both these changes are in contrast to the historic long-term growth in wheat consumption and the stable consumption trend for white maize.

The demand for staple food products remained resilient in the market, despite the overall decline in economic activity. The various grant support programmes that the government provides, are supportive of this trend, particularly in rural areas where the business is well represented. Overall, the business benefited from the year-on-year decline in grain commodity prices and initial decline in fuel prices, although the substantial rise in electricity costs towards the end of the year is an addition to the cost base.

The continued upgrading of, and capacity creation at, the white maize milling facilities, with the increasing market presence of *White Star* super maize meal, rendered a pleasing return on investment and profit contribution during the year. The *White Star* brand has contributed more than R1.5 billion to revenue in the 2009 financial year. This is quite an achievement as it has occurred within 10 years of the product's launch.

Total rice and legume sales volumes ended below last year's results despite the decline in international rice prices. The continued increase in sales volumes of the *Spekko* branded premium rice products was satisfying.

The performance of the bakery business improved notably compared to the previous year on the back of

a sound, although slightly reduced volume base. The benefits derived from reduced wheaten flour input and distribution costs contributed to this performance. During the 2009 year, a change in brand focus was implemented with the various historic bread brands all consolidated under the *Sasko* brand.

The pasta business again posted excellent results with a continued resilient demand for pasta products, which could be indicative of an overall increased per capita consumption.

Bowman Ingredients continued its good performance during the year and performed well in the recessionary environment. Satisfactory volume growth was achieved from both more expensive value-added products and cheaper composite products. A number of innovative new products were launched, with the newly developed maize rusk being particularly well received.

The businesses in the other Africa countries posted varying performances. Whereas the global recession had a definite negative impact on the businesses in Zambia and Uganda, the Botswana and Namibian joint ventures performed well.

Sales volumes of wheaten and maize products in Botswana and Namibia mirrored the trends in South Africa, with the sales and distribution of some Pioneer Foods products through these operations continuing to post positive growth. Future expectations of both these businesses remain positive with investments in upgrading facilities under way or planned.

In contrast, however, the economy in Zambia was adversely affected with a sharp decline in the price of copper. The declining disposable income negatively influenced the ability of livestock farmers to purchase day-old broilers and pullets. This had the effect that volumes in both Uganda and Zambia declined.

A general manager for the Africa business was appointed during the year under review and is based in Lusaka. This is a first step in an increased focus on Africa for future growth.

OPERATIONAL REVIEW (continued)

Agri Business

PROFILE

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

FINANCIAL PERFORMANCE

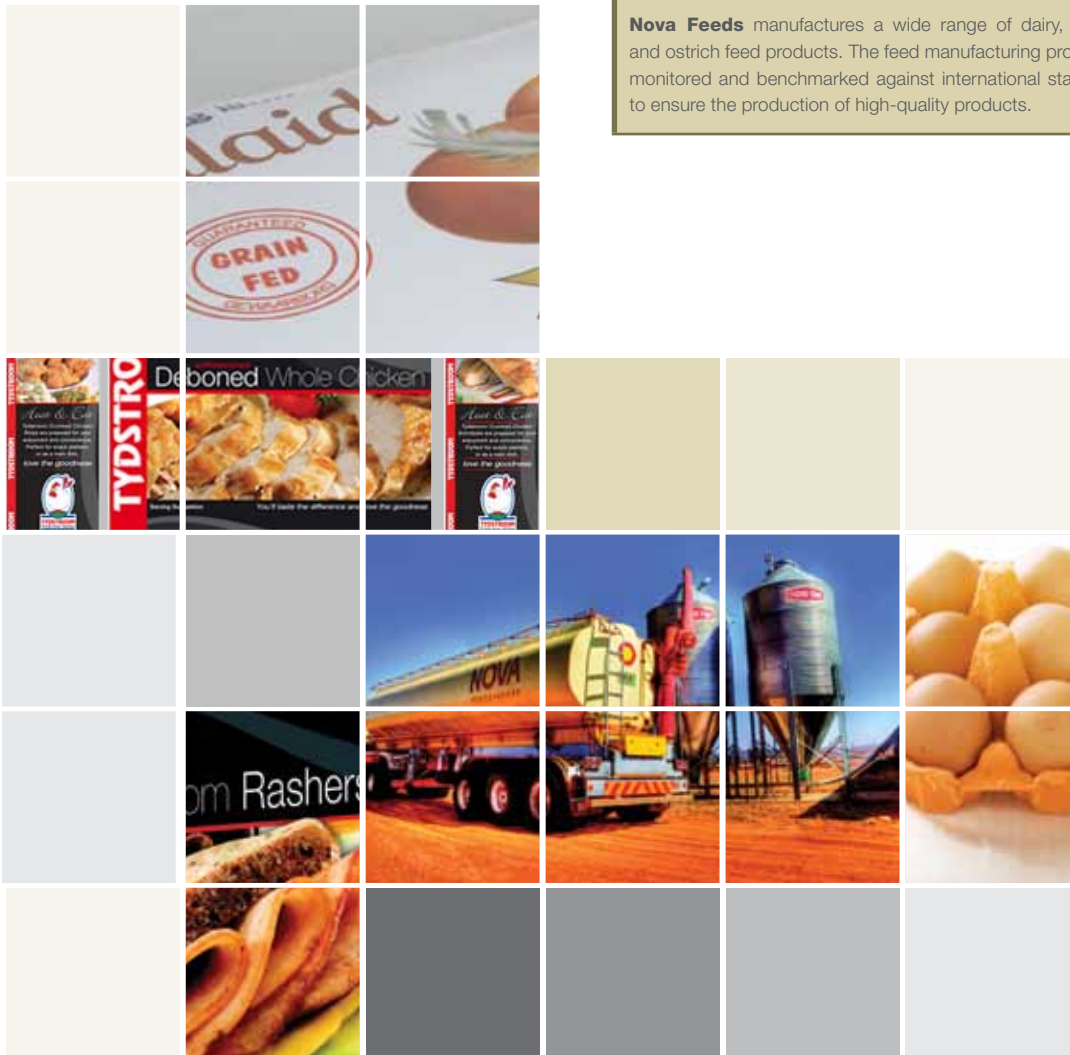
Revenue for the segment increased by 4% to R2 599 million, with a substantial increase in operating profit from R4 million to R80 million, resulting in a profit margin of 3.1% (2008: 0.1%).

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.

Tydstro 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 *Tydstro* 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 recovered well from a disappointing 2008 performance. This recovery was mainly driven by Nulaid, with Nova Feeds performing adequately. Tydstroom again delivered a disappointing performance.

The Nulaid business experienced a positive turnaround and return to profitability. This turnaround was driven by an increase in sales prices, improved efficiencies and effective cost control measures.

Sales prices were to an extent supported by declining availability of eggs as a result of diseases that negatively affected egg production. Nulaid's own sales volumes further declined during the year due to some outsourced contract egg producers not fulfilling their contractual obligations. Legal action has been taken against such producers.

A focused effort resulted in efficiencies at the egg packing facilities improving substantially and is expected to be maintained.

A new world-class liquid egg products plant was commissioned during the year at the newly built egg packing facility in Brackenfell in the Western Cape and sales volumes of liquid egg products are expected to increase in the next year.

The Tydstroom broiler business again performed poorly, mainly due to a number of disease challenges for most of the 2009 year. On-farm performance also suffered, increasing the cost to produce chickens. However, during the last two months of the year the on-farm performance improved and a recovery to acceptable performance levels is expected in 2010.

During the year, the breed was changed from the Hybro breed to the Cobb Avian 48 breed. The first Cobb Avian grandparent chicks were received in August 2009. The Cobb Avian 48 breed is supported by Cobb-Vantress, a leading international breeding company.

New broiler houses were commissioned in the year and improved sales at improved margins are expected for the new year. Stringent cost management should further support the expected improvement in contribution from this business in 2010.

In the Nova Feeds business the year was characterised by volatile raw material prices. Yellow maize prices declined during the second half of the year. Soy meal prices were stable in dollar terms, but the strengthening of the rand resulted in lower soy meal prices. Lower raw material prices led to a decline in final product prices.

Unsatisfactory service levels from Spoornet still have a negative influence on raw material costs. The failure to deliver adequate raw material stock on time resulted in additional costs being incurred to ensure continuous and timeous supply of feed.

Volumes were under pressure during the year and declined in line with industry volume trends. However, margins were maintained through a focused approach on cost management.

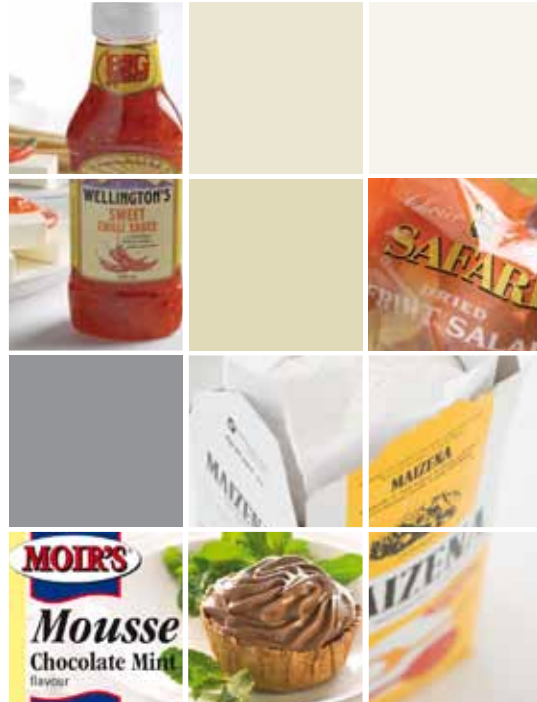
A new pellet manufacturing plant was commissioned at the Pretoria feed mill during the year and the new products were well received by customers.

A further improvement from the Agri Business as a whole is expected for the new financial year on the back of increased volumes and improved efficiencies.

OPERATIONAL REVIEW (continued)

Bokomo Foods

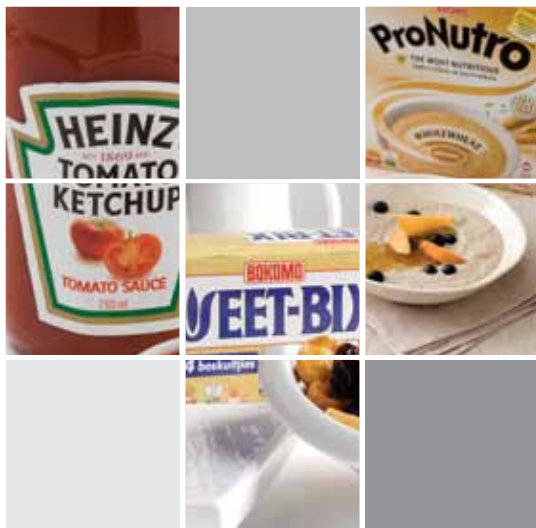
PROFILE
The Bokomo Foods segment consists of the Bokomo Foods division, the Bokomo UK business and the Heinz Foods SA joint venture.
FINANCIAL PERFORMANCE
Revenue for the division increased by 3% to R2 625 million while operating profit declined to R195 million, a decline of 18%, resulting in an operating margin of 7.4% (2008: 9.4%).
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 <i>Weet-Bix</i> , <i>Bokomo Corn Flakes</i> , <i>ProNutro</i> , <i>Moir's</i> , <i>Maizena</i> , <i>Werda</i> salads, <i>Kwality</i> biscuits, <i>Safari</i> dried fruit products, <i>Marmite</i> and <i>Bovril</i> .
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 <i>Heinz</i> ketchup, <i>Wellington's</i> sauces, <i>Today</i> frozen food products and <i>Mama's</i> pies.



The performance from Bokomo Foods was disappointing and substantially down on the previous year.

The major challenge was volume related in that sales goals were not achieved due to a reduction in demand, aggressive pricing by competitors, a relatively small raisin crop and limited export volumes of dried fruit products.

The single biggest challenge in the Bokomo Foods division during the last few years was the production pressures due to capacity constraints and inefficiencies. Following the consolidation of Bokomo Foods and SAD in 2008, the management team's main focus is on addressing production-related issues and positive progress has been made.



Bokomo Foods operates in the following categories:

Breakfast cereals

Mixed performances were achieved from the products in this category during the year. The flagship brand, *Weet-Bix*, achieved good volume growth driven by its value for money offering to consumers, and the growth made possible by increased production efficiencies that unlocked capacity. The *Weet-Bix* production capacity expansion was successfully commissioned during the year and multi-grain cereals like *Otees* and *Corn Flakes* also achieved good volume growth.

In executing the strategy to reduce the number of production sites, the muesli factory in Durban was relocated to the existing cereal factory in Atlantis in the Western Cape. Although the once-off relocation and retrenchment costs negatively affected this reporting period, future cost of production will benefit from the change.

A much improved performance is expected from this category in 2010 on the back of focused promoting of the *Weet-Bix* brand and improved efficiencies.

Baking aids

New launches and focused marketing campaigns stimulated volume growth in the dessert, instant meals and baking powder subcategories. However, profitability is still not at an acceptable level. The major cost drivers are the manufacturing on multiple sites and the smaller subcategories that increase complexity. A rationalisation exercise to reduce the number of product lines as well as consolidation of facilities is currently in process. An improved financial performance from this business is expected in 2010.

Biscuits

This category's performance was in line with the previous year. The current biscuit plant in Ekandustria near Bronkhorstspuit is not suited to adequately support the future biscuit strategy. The building of a new plant in the Gauteng region has already begun and should be completed by the end of 2010. This new facility will

increase current production capacity and product quality. It will also create the opportunity to re-position the biscuit brands on the back of improved quality and to introduce innovative new products and brands.

Dried fruit

Results in this category were good for the first six months, but decreased significantly for the second half of the year. The first six months was characterised by a continuation of the good sales volumes of the past year and a weaker rand, while the next six months was exactly the opposite with lower volumes and a strong rand. The low volumes were the result of a very low sultana crop in the Orange River region. This resulted in substantially increased producer prices and it was not possible to fully recover the increased cost from the market.

A fire destroyed part of the Upington raisin factory at the end of August, but this had a limited financial effect in the 2009 year. It is expected that the insurance cover will limit any material effect on performance due to the fire, in the new year.

The first six months of the new financial year will still be negatively impacted by the small raisin crop of the previous season. However, early indications are that the 2010 raisin crop will be considerably larger and that the tree fruit crop should at least be similar to that of 2009. This improved crop size should support an improved contribution from the export business and lead to an improved performance during the second half of the financial year.

Other products

The spreads category struggled in the first half of 2009 due to limited availability of raw materials, specifically fish and yeast. The situation improved in the latter half of the year as the supply of fish and especially yeast improved.

The nut and vinegar categories continued their good performance of the previous year, although the industrial nuts business saw a drop in volumes due to a reduction in demand from industrial customers.

OPERATIONAL REVIEW (continued)

The salads business addressed raw material supply-related issues and fully supplied the market during the peak season. However, it was not possible to recover the total cost inflation in the market and earnings contributed by this business was negative.

Bokomo Foods UK

The business performed well during the year, driven by a very good turnaround in the muesli business. The economic crisis in the United Kingdom in particular, had a positive effect on Bokomo Foods UK due to a general trading down by the consumer from higher-priced branded products to the lower-priced private label products. Further volume growth will be tough to achieve in the new financial year but margin growth from further optimisation in factories is expected.

Heinz Foods SA

The business achieved good revenue growth and improved margins, but results were below expectations.

The acquisition of Papillon Foods was completed in February 2009 and will create a Gauteng manufacturing base for chilled and frozen food products. Although the facility is of exceptional quality, additional capital expenditure will further enhance capabilities and improve efficiencies.

The *Heinz* brand continued to deliver strong volume growth which confirms consumer acceptance of the product basket. Product innovation should continue to deliver further growth.

The recession directly impacted on pie volumes, and declined consumer spending has put frozen food sales under pressure. This category is expected to remain under pressure for some time. The *Today* and *Mama's* brands performed well under the difficult economic circumstances.

The *Wellington's* branded range of products delivered strong growth during the year, following increased marketing spend and product innovation.

Ceres Beverages

PROFILE

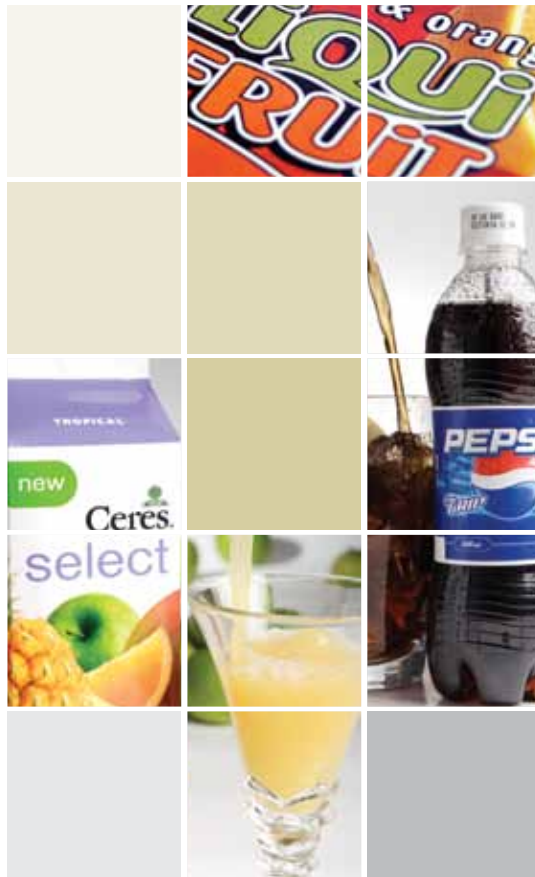
The Ceres Beverages segment consists of the business of The Ceres Beverage Company with the main focus on three separate categories within the beverage sector, namely, fruit juices, fruit concentrate mixtures and carbonated soft drinks.

FINANCIAL PERFORMANCE

Revenue for this segment increased by 16% to R2 410 million and the operating profit increased by 27% to R99 million. The operating margin increased from 3.7% to 4.1% for the year under review.

BRANDS

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



Volumes in the non-alcoholic beverage category were globally under pressure during the past year.

The strategy of the business to increase the beverage offering to the consumer was further enhanced with the expansion of the offerings with new products, packaging formats and line extensions.

The economic downturn affected this category and a decline in consumer spending was evident, negatively impacting on sales volumes. Although the operating profit increased, the operating profit margins were under pressure from continuous cost increases in raw material and packaging.

The fruit juice category achieved volume growth on the back of double-digit growth in export volumes. The weaker rand in the first half of 2009 contributed to a good financial performance from the export business in this segment. This performance again confirmed the strategic importance of the drive to increase the international business in order to balance the fruit juice category. Sales volumes on the local market were largely maintained.

Capital expenditure was approved to develop a fruit juice factory in Wadeville. This expansion will enable capitalising on the opportunities in this category as well as substantial distribution savings between the current production facility in Ceres, Western Cape, and the Gauteng and KwaZulu-Natal markets.

In the fruit concentrate mixtures category profitability was restored in line with previous years. Sales volumes were slightly up against the previous year. However, the tough economic conditions did not result in consumers buying the cheaper beverage options in this category to the extent anticipated.

The carbonated soft drinks category was under pressure due to aggressive competitor activity and the difficult economic conditions. Industrial action at the Wadeville production facility contributed to lost sales. New line extensions of *Pepsi* products were launched during the year to further enhance the product range.

Several marketing initiatives with high exposure, such as the IPL and Champions Trophy Cricket tournaments, boosted brand awareness of the *Pepsi* range. Further progress was made to increase the distribution footprint and the cooler placement programme. Sales volumes under these difficult conditions were satisfactory. As predicted, this venture is not earnings enhancing yet, but with the anticipated volume growth and the marketing initiatives an improved performance should be achieved in the new financial year. There will be continued focus on increasing brand awareness through marketing spend.

The focus in 2010 will be on continuing to increase profit margins through efficiency gains. Increased focus on trade marketing as well as improved availability of the product basket, with better focus on sales and merchandising, should result in a further improvement in performance, in line with the growth strategy.

Since entering the beverage category, the strategy was to increase and expand the product basket to attain a business with substantial scale. This should ensure a sound base to support profitable growth in the future.

FINANCIAL REVIEW

Income statement

Revenue for the year increased by 9% to R16 284 million. A 20% revenue growth for the first half of the year was followed by no revenue growth for the second six months. This clearly demonstrated the deflationary effect in the basket of products. Much improved world grain stock levels, largely on the back of normalised weather patterns, led to substantially reduced world and local grain prices for the duration of the reporting period. A mixture of increased and largely sustained sales volumes across the various categories buffered the decrease in selling prices, especially in the second half of the year.

The improvement in the gross profit margin by 1.9% to 27.9% confirms an improved alignment of cost recovery in final product prices. This is further illustrated by the recovery in operating profit margin from 5.8% to 7.1%, back to the margin level of 2007.

Operating profit, before items of a capital nature, increased by 34% to R1 160 million. The table below summarises the various segmental contributions from a revenue, operating profit and operating profit margin perspective:

Segment performance	2009	2008	Change
SASKO			
Revenue (R'm)	8 877	8 143	+9%
Operating profit before items of a capital nature (R'm)	926	622	+49%
Operating profit margin	10.4%	7.6%	
AGRI BUSINESS			
Revenue (R'm)	2 599	2 493	+4%
Operating profit before items of a capital nature (R'm)	80	4	+1900%
Operating profit margin	3.1%	0.1%	
BOKOMO FOODS			
Revenue (R'm)	2 625	2 539	+3%
Operating profit before items of a capital nature (R'm)	195	239	-18%
Operating profit margin	7.4%	9.4%	
CERES BEVERAGES			
Revenue (R'm)	2 410	2 083	+16%
Operating profit before items of a capital nature (R'm)	99	78	+27%
Operating profit margin	4.1%	3.7%	
OTHER			
Across segment revenue (R'm)	(227)	(374)	
Unallocated costs (R'm)	(140)	(78)	
GROUP RESULT			
Revenue (R'm)	16 284	14 884	+9%
Operating profit before items of a capital nature (R'm)	1 160	865	+34%
Operating profit margin	7.1%	5.8%	

The star performer in the much improved performance from the Sasko segment was the sustained profit margins at increased sales volumes from *White Star* super maize meal. Effective cost management and cost recovery supported increased contributions from wheaten flour products and bread. The pasta business leveraged on the increased sales volumes in the previous year and sustained margins increased its contribution.

The Agri Business segment largely benefited from the return to profitability by the egg business.

The Bokomo Foods segment posted a weaker performance as a result of sales volume pressure and abnormal costs associated with retrenchments and the relocation of the muesli business. Export sales and profitability suffered in the second half of the year as a result of a much smaller raisin crop and a stronger rand.

The non-alcoholic beverages category where Ceres Beverages competes, suffered due to a decline in consumer spending. The improved performance was largely the result of improved export sales in the first half of the reporting period at a weaker rand and a return to profitability in the fruit concentrate mixtures category.

Unallocated costs increased substantially from R78 million to R140 million. Major contributors to this increased cost were an increased spend on enterprise development and a net increase in the mark-to-market cost of certain interest rate hedge contracts. Further contributors were increased staff cost as well as performance bonuses on the back of the improved performance of the Group not allocated to the various segments.

Net finance charges benefited from the much improved debt position and lower interest rates, and decreased from R220 million to R198 million. Long-term borrowings are largely fixed through specific interest rate hedge instruments and did not share to the same extent as short-term borrowings in the substantially decreased interest rates.

The income tax charge almost doubled to R335 million, with an effective income tax rate of 37.4%. This substantially increased tax rate is the result of a combination of the following:

- A material increase in the non-tax deductible charge to R41 million for the broad-based employee share scheme as a result of the improvement of the share price from R25 to R34.
- Non-tax deductible impairment of goodwill of R45 million.
- Derecognising a deferred tax asset of R34 million, due to a revised view of the time horizon to utilise an assessed loss initially obtained with the acquisition of a subsidiary in 2003, and subsequently a marginal yearly increase.

Earnings increased by 24% to R561 million, with headline earnings increasing by 33% to R621 million. The main difference between earnings and headline earnings being the impairment of the goodwill initially paid for the *Moir's* brand of R45 million. These impairment calculations are based on the view of future profitability of these ventures in relation to the current value of the investment.

Earnings per share and headline earnings per share increased at lower rates of 14% to 321 cents per share and 22% to 355 cents per share respectively. These lower rates of increase per share compared to the total increase is the effect of the increase in the weighted number of ordinary shares in issue following the rights issue of 20 million ordinary shares in the previous year.

Dividend

A final dividend of 89 cents per ordinary share was declared in 2009. This is an increase of 35% on the final dividend of 66 cents per ordinary share in 2008. In addition to the interim dividend of 36 cents, the total dividend declared for the year is 125 cents per ordinary share, an increase of 30%. Total dividend payout based on the year's performance adds up to R251 million, an increase of 34%. Dividend cover based on headline earnings per share slightly improved from 3.0 times to 2.8 times.

FINANCIAL REVIEW (continued)

A final dividend of 26.7 cents per class A ordinary share is also payable to employees as members of the broad-based employee share scheme. The total dividend declared per class A ordinary share amounts to 37.5 cents per share for the reporting period.

Balance sheet

The improved profit performance, a decreased net current asset base and a scaled-back capital expenditure programme resulted in improved balance sheet ratios. The return on average net assets improved from 15% to 20%.

The table below illustrates the contribution to this ratio by the various segments largely due to the same reasons as highlighted under the operating profit commentary per segment:

Return on average net assets

	2009 %	2008 %
Sasko	33	23
Agri Business	15	1
Bokomo Foods	14	16
Ceres Beverages	10	8
Group	20	15

Return on average shareholders' funds recovered from 12% to 14%. Net interest-bearing debt substantially benefited from the decreased investment in working capital, as well as contained capital expenditure and improved profit performance, and decreased by R795 million to R660 million. The debt to equity ratio improved from 34% to 14%. The improved debt to equity ratio will enable an accelerated approach to capital spend to support future growth.

Cash flow statement

Cash generated by operations improved substantially by R1 398 million to R1 888 million. This is the result of the improved profit performance resulting in cash profit from operating activities increasing by R368 million, or 32%, to R1 510 million. A further major contributor to the improved cash generation was a turnaround in the working capital investment. An investment in working capital in 2008 of R511 million was followed by an unlocking of working capital of R357 million in 2009. This is largely the result of the substantially decreased raw material cost, especially wheat, and decreased investment in debtors resulting from decreasing final product prices. A positive cash flow effect on hedging activities further contributed to the turnaround.

After a payment of R234 million in income tax and net cash invested in long-term activities of R465 million, a net cash surplus of R1 189 million for the year was recorded. This cash surplus compares very favourably with a cash deficit of R337 million recorded in the previous year. The cash was largely utilised to repay long-term loans of R124 million, interest payments of R225 million and dividend payments of R179 million. The positive balance of cash and cash equivalents amounted to R592 million at year-end, a healthy position from a working capital liquidity requirement perspective.