

SUSTAINABILITY REPORT

Statement from the managing director

Pioneer Foods has come a long way since its inception in 1920. We have strived from the very first day to ensure that our products are of a superior quality and good value for money. This approach ensured a strong relationship with our customers and our brands can be found in almost every home.

Over the years this relationship has come to be recognised in our corporate brand promise “. . . *Nourishing to Sustain* . . .”.

Pioneer Foods’ ongoing commitment to sustainable development stems from the realisation that a mindset of ‘business as usual’ is no longer viable.

Triple bottomline reporting underlines this commitment. It is a global reporting standard by which companies can be judged. It analyses and comments on the three most important components of our operations, i.e. our people, our profits and our planet.

This is evidenced by increasing shareholder activism with regard to ethical business behaviour, good governance, consideration for employees and respect for the environment. Businesses in turn are responding by developing strategies which encompass these issues.

Pioneer Foods is one of the largest food producers in South Africa. As such, Pioneer Foods is committed to a strategy that will ensure progress and prosperity, but which will not come at the price of a sustainable future for itself and all its stakeholders.

We realise that this strategy and approach will have to change and adapt to the ever-changing landscape of business.

Sustainability is a journey, not a destination, and although we have just started on this path, we are all committed to ensuring that Pioneer Foods remains on this journey.



W A Hanekom
Managing Director

SUSTAINABILITY REPORT (continued)

Broad-based black economic empowerment

The second verification audit has been completed by the National Empowerment Rating Agency (NERA) and Pioneer Foods was categorised as a Level 8 contributor, with an overall score of 33.5%. An improved rating is foreseen from this base score with the next rating.

Enterprise development

Pioneer Foods strives to contribute towards social upliftment and to support processes and business practices that are in line with economic empowerment. As the company's development and growth over the years ensured a spread of household brands across virtually every food and beverage product segment, the Group's enterprise development strategy is focused on supporting initiatives that can add value to or has the potential to add value to our range of products, while contributing to food security and ensuring the sustainability of agricultural businesses in South Africa.

Pioneer Foods prefers to support initiatives that operate close to it in the supply chain. As such, Pioneer Foods has, as part of this focus, supported a number of empowerment projects between producers (who serve as mentors for projects) and their chosen project beneficiaries. This strategy not only improves our risk management by ensuring a future supply of raw materials, but also increases the Group's future business opportunities.

The decision to support projects is based on a strategy that analyses risk, ability to perform and long-term sustainability. The focus aims to have a lasting positive impact on business, society and the environment, while also managing the legitimate interests and expectations of all stakeholders in these projects. The Group's role in these projects is an active one where employees of Pioneer Foods serve on the boards of directors and trustees – ensuring that innovation, fairness, collaboration and social transformation are taken into account in all decision-making processes.

In line with this strategy, Pioneer Foods supports Aqua Noir in Vanrhynsdorp and Doornkloof farm in Laingsburg. Where Doornkloof was bought as a semi-developed farm with a number of orchards already established, new vineyards have to be established at Aqua Noir. Doornkloof had a financially successful first season, while Aqua Noir is still in the development phase with four hectares already established and another eight hectares prepared for planting vines.

Socio-economic development

This year, in an effort to keep an engagement channel open for continuous dialogue, The Pioneer Foods Fund ("The Fund") website was launched. This will enable all stakeholders to study the projects, understand the investment criteria and also allows for online application to The Fund.

All projects should align with The Fund's vision, put into practice under the guidance of the newly appointed Fund chairman Mr Andile Sangqu.

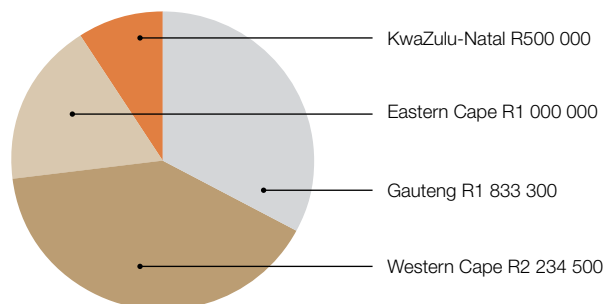
The development boundaries are nutrition, agricultural initiatives, environmental sustainability and disaster relief.

Hereunder a synopsis of the flagship projects.

	FoodBank SA	Stellenbosch Community Development Programme	African Children's Feeding Scheme	Red Cross
Development boundary	Nutrition	Nutrition	Nutrition	Disaster relief
Vision	To create a food redistribution network with a national footprint	To provide food to the most needy and malnourished children at two Stellenbosch primary schools and their families (Total number of children at schools receiving feeding: 2,014; and also 60 families who receive food parcels).	Feeding children in Gauteng.	Disaster management is one of the core programmes for the South African Red Cross and includes disaster preparedness, disaster response and the restoration of family links.
Investment medium	Pioneer Foods invested funds to support infrastructure for the Gauteng and KwaZulu-Natal regions and product donation to the Port Elizabeth region. FoodBank SA received the majority of the 2008/09 total funds and is seen as a strategic partner of The Pioneer Foods Fund.	Pioneer Foods contributed funds to add milk to the daily diet and improve the nutritional status which in turn contributed to significant improvements in both under- and overnutrition among students (independent screening tests done by University of Cape Town).	Co-sponsors the feeding of 21,000 children in Soweto, East Rand and Alexandra in 13 feeding centres, six mobile vans and five delivery tricycles. Pioneer Foods contributed funds to address the need to add milk and cheese to the food parcels distributed. An independent evaluation was conducted by Greater Good SA on behalf of The Pioneer Foods Fund and this confirmed the benefits to recipients, as a result of the contribution.	Pioneer Foods contributed funds to assist the Western Cape branch to address the issues highlighted above after the winter floods.
Rand value	R2 000 000	R437 500	R1 333 000	R150 000

In total The Pioneer Foods Fund undertook 11 projects with investments made in the following provinces:

Total investment per province for 2009



SUSTAINABILITY REPORT (continued)

Human capital

People

The Group owes its success to the calibre, commitment and contribution of its people. Their passion and resilience have enabled the Group to build strong and trusted brands over the years.

People draw inspiration from the Pioneer Foods Way which is an embodiment of the Group values, acceptable behaviours and its multi-stakeholder approach and engagement. The Pioneer Foods Way is the bedrock of the inclusive, values-based and performance-driven organisational culture which the Group seeks to nurture and sustain.

People engagement

Various forums and communication channels are used to connect and engage with employees, as key organisational stakeholders. These channels include: one-on-one discussions, team meetings, departmental meetings, site meetings, business unit and group forums, electronic platforms (internet, intranet, SMS, e-mail), focus groups, management roadshows, leadership forums, company publications and newsletters, e.g. *Flag Post*, *Newsflash*, retirement newsletters, vacancy bulletins and business unit newsletters.

At two-yearly intervals, the Group conducts a climate survey to gauge people's feelings and perceptions about the Group and people practices. This year, a climate survey was conducted with a resounding response rate of over 86% from the entire workforce population. The survey has been followed by focus groups to gain more qualitative insight of the employee views. Once the survey feedback data has been analysed, improvement plans will be formulated per business unit and/or operating point to address the pertinent employee issues.

Employment creation

During 2009, the Group has directly created 203 new employment opportunities, bringing the total permanent employment to 11,086 at year-end within the Group's wholly owned South African operations.

The defensive nature of the food sector has helped the Group in weathering the storm of the global economic downturn without having to resort to employee retrenchment.

The salaried staff turnover rate of 11% is a significant improvement from the staff attrition rate of 13.8% for the same period last year.

High-calibre employee attraction, engagement and retention continue to be the main focal point of the Group's people management agenda.

People development

People development is both a value and the cornerstone for the Group's human capital philosophy of "Growing our own timber".

Uppermost in the Group's people development strategy is to grow the Group skills base, build a scarce skills pipeline and leadership bench strength.

The Group has invested approximately R23 million which is about 2% of payroll in various skills development initiatives and interventions.

Employment equity

The Group continues to make steady progress year on year on employment equity in general, albeit at a slower pace than originally anticipated. Various business units in the Group are busy carving out strategies and implementation plans to accelerate employment equity at managerial level, which is the focal point of the Group's employment equity drive going forward.

Employment relations

Business units within the Group have effective participative forums with labour representatives and representative unions to promote dialogue and engagement on matters of mutual interest. The Group upholds the right to freedom of association and human dignity in the workplace.

There are 17 trade unions in the Group's various business operations with a collective membership of 5,693 employees.

Remuneration benefits

The human capital committee of the board ensures the evaluation and approval of a remuneration strategy, including market-related incentive schemes for executive and senior management.

These incentive schemes include the following:

Performance-linked short-term incentives

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

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

Long-term share incentive scheme

A share incentive scheme exists and the human resources committee annually determines the allocation to management. The last offer in terms of a share option scheme was in February 2007 at R31.42, the market price at the time. New allocations in terms of the share option scheme was discontinued in 2008 and replaced with a share appreciation rights plan. Subject to the terms and conditions of the share appreciation rights plan, selected employees will be granted the opportunity to acquire ordinary shares in future, with the quantum of their awards. This is based on the future increase in the value of the Pioneer Foods share price from date of allocation of such specific share appreciation rights. The number of share appreciation rights offered is based on exactly the same principles as applied in determining the number of share options offered in the discontinued scheme. It is based on a multiple of the total remuneration package per year that varies from half a year's package up to three years' package. The total value of share appreciation rights offered takes into account the value of share options and

share appreciation rights offered in any past five years. The last offer under this scheme was made in January 2009 at R24.20. Share options and share appreciation rights that have been accepted may be traded at 20% per year within a maximum period of 10 years.

The total number of ordinary shares that may be transferred to employees under the share appreciation rights plan is limited to 14.5 million shares and represented approximately 7.5% of the issued ordinary shares at the date of approval of the plan by shareholders.

Environmental report

An inevitable consequence of the Group's activities is the impact they have on the environment. This report highlights the efforts made by respective divisions to ensure good business practices with regard to the environment. Each operating division is working on sustainability issues in alignment with its industry on an independent basis as reflected by the table on the following page.

Pioneer Foods and its operating divisions are committed to providing quality food products that comply with legal and regulatory requirements. Significant investment in research and development drives product excellence and innovation across defined aspects of the premium brand portfolios contributes to the intended outcomes.

SUSTAINABILITY REPORT (continued)

The synopsis hereunder provides highlights for the four major operating divisions:

FOOD SAFETY

To support and further enhance the integrity of the Group's brands and products, food safety is non-negotiable. Food safety programmes have been implemented at divisions to ensure that high food safety standards are achieved and maintained.

SASKO	BOKOMO FOODS	AGRI BUSINESS	THE CERES BEVERAGE COMPANY
All mills are HACCP certified. Eight bakeries have also been HACCP certified. The remaining bakeries are managing food safety via inhouse programmes.	HACCP, BRC, AIB, and ISO 9000 accreditations are maintained at certain plants and monitored by quality officers on site and via a centralised structure to attain high food safety standards consistently.	<ul style="list-style-type: none"> The HACCP system is in place at all the abattoirs. Food safety audits are done regularly in all factories. At the animal feed factories, near infrared analysis is done on incoming raw materials and outgoing final products. 	The Ceres fruit juices factory continues to maintain its ISO 9001, HACCP, BRC and SANAS accreditations.

OCCUPATIONAL HEALTH AND SAFETY ENERGY EFFICIENCY AND CONSERVATION ENVIRONMENTAL AND WASTE MANAGEMENT

- Compliance to health and safety regulations is not negotiable.
- The use of energy and other scarce resources are monitored constantly.
- Waste reduction is necessary to ensure long-term sustainability and survival.

SASKO	BOKOMO FOODS	AGRI BUSINESS	THE CERES BEVERAGE COMPANY
All mills and bakeries have completed NOSA audits and this information will be used as the base for the implementation of a SASKO Integrated Management System.	<ul style="list-style-type: none"> Water and electricity usage is monitored continuously. Recently a dedicated specialist has been appointed to manage energy-saving technology and projects within the Division. 	<ul style="list-style-type: none"> NOSA rated. Independent service provider to assist or audit health and safety systems. 	<ul style="list-style-type: none"> The Ceres fruit juice factory has a 4-star NOSA rating and has been recommended for ISO 14000 accreditation. The Ceres fruit juice factory also maintains its high-tech effluent treatment plant to ensure that all effluent is processed correctly. The business participates in various recycling programmes for packaging types such as glass, cans and plastic.

KEY

HACCP – Hazard Analysis and Critical Control Points

NOSA – National Occupational Safety Association

BRC – British Retail Consortium

ISO 9000 – International Organisation for Standardisation – Quality Management Systems – Series of Standards

ISO 9001 – International Organisation for Standardisation – Quality Management System Standard – Requirements

ISO 14000 – International Organisation for Standardisation – Environmental Management Systems – Series of Standards

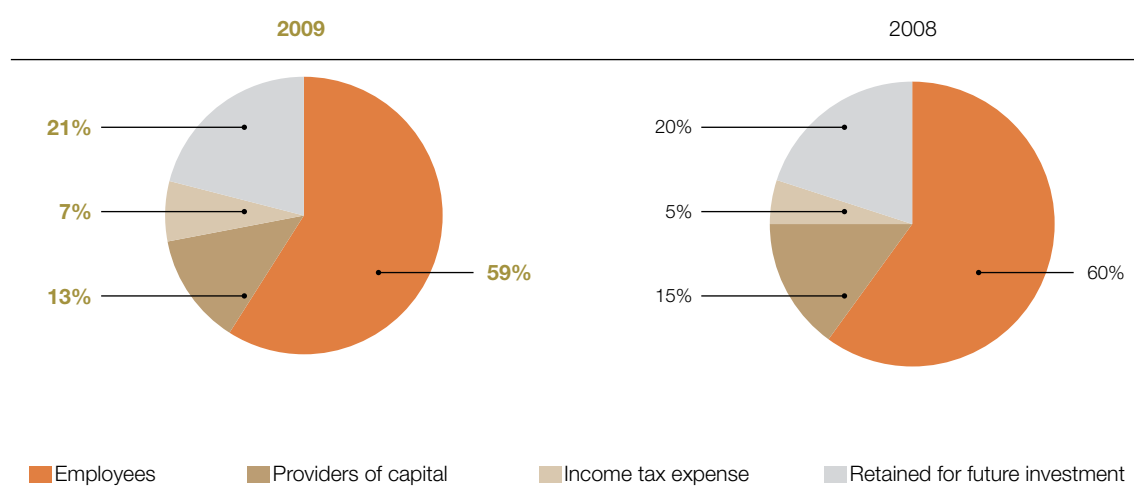
AIB – American International Bakery

SANAS – South African National Accreditation System

VALUE ADDED STATEMENT
for the year ended 30 September 2009

	GROUP	
	2009	2008
	R'000	R'000
Revenue	16 283 914	14 884 376
Cost of production and services	(12 937 531)	(12 017 000)
Value added by operating activities	3 346 383	2 867 376
Interest received	26 973	30 473
Dividends received	1 742	999
Wealth created	3 375 098	2 898 848
Distributed as follows:		
Employees		
Salaries, wages and employee benefits	1 999 334	1 741 256
Providers of capital	429 761	424 722
Interest paid	224 554	250 786
Dividend to shareholders	205 207	173 936
Income tax expense		
Income tax paid in respect of profits earned	241 575	151 495
Retained for future investment	704 428	581 375
Depreciation and impairments	322 438	274 537
Retained earnings	381 990	306 838
Wealth distributed and retained	3 375 098	2 898 848

DISTRIBUTION OF WEALTH



FIVE-YEAR FINANCIAL REVIEW

	GROUP				
	2009	2008	2007	2006	2005
	R'm	R'm	R'm	R'm	R'm
CONSOLIDATED INCOME STATEMENTS					
Revenue	16 283.9	14 884.4	11 676.6	9 664.4	8 446.3
Profit before items of a capital nature and income tax	964.6	646.5	717.2	681.2	670.7
Items of a capital nature	(68.0)	(19.4)	1.1	76.7	15.4
Income tax expense	(334.9)	(174.4)	(211.3)	(186.1)	(177.9)
Profit for the year	561.7	452.7	507.0	571.8	508.2
Attributable to:					
Equity holders of the Group	560.5	452.2	506.2	571.3	504.6
Minority interest	1.2	0.5	0.8	0.5	3.6
	561.7	452.7	507.0	571.8	508.2
Operating profit before items of a capital nature	1 160.0	865.1	831.9	746.9	731.0
Headline earnings for the year	620.9	468.3	502.6	493.5	487.8
CONSOLIDATED BALANCE SHEETS					
Property, plant, equipment and intangible assets	3 761.6	3 634.1	3 244.2	2 853.2	2 574.4
Deferred income tax assets	2.7	36.2	25.5	23.4	17.4
Loans to joint ventures and investment in associates	38.5	32.4	15.0	11.2	22.9
Non-current trade debtors and available-for-sale financial assets	48.6	41.5	42.0	29.8	20.6
Current assets	4 250.1	4 297.0	3 502.4	2 976.5	2 259.4
Total assets	8 101.5	8 041.2	6 829.1	5 894.1	4 894.7
Capital and reserves attributable to equity holders of the Group	4 628.0	4 256.8	3 609.2	3 186.7	2 650.5
Minority interest	5.8	6.0	5.8	5.0	4.7
Total equity	4 633.8	4 262.8	3 615.0	3 191.7	2 655.2
Non-current borrowings	1 096.6	1 181.3	187.4	272.4	67.5
Provisions, derivative financial instruments and share-based payment liability	165.8	135.1	71.9	69.0	76.6
Deferred income tax liabilities	491.2	442.4	415.4	398.0	387.3
Current liabilities	1 714.1	2 019.6	2 539.4	1 963.0	1 708.1
Total equity and liabilities	8 101.5	8 041.2	6 829.1	5 894.1	4 894.7
CONSOLIDATED CASH FLOW STATEMENTS					
Net cash profit from operating activities	1 509.7	1 141.7	1 117.4	973.3	936.8
Working capital changes	356.6	(511.2)	(350.7)	(573.7)	113.6
Cash effect from hedging activities	21.7	(140.5)	64.2	49.6	14.0
Income tax paid	(234.4)	(178.3)	(225.5)	(209.9)	(131.8)
Net cash flow from operating activities	1 653.6	311.7	605.4	239.3	932.6
Net cash flow from investment activities	(465.0)	(648.9)	(645.9)	(354.4)	(768.0)
Net cash surplus/(deficit)	1 188.6	(337.2)	(40.5)	(115.1)	164.6
Net cash flow from financing activities	(517.5)	1 140.9	(331.9)	74.5	(628.1)
Net cash and short-term borrowings from business combinations and disposal of subsidiaries	–	2.8	(3.0)	–	(4.4)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	671.1	806.5	(375.4)	(40.6)	(467.9)

FIVE-YEAR FINANCIAL REVIEW (continued)

	GROUP				
	2009	2008	2007	2006	2005
PROFITABILITY (%)					
Revenue growth	9.4	27.5	20.8	14.4	11.3
Operating profit margin	7.1	5.8	7.1	7.7	8.7
Effective tax rate	37.4	27.8	29.4	24.6	25.9
Return on average net assets	19.7	15.4	17.2	18.3	21.7
Return on average shareholders' funds	14.0	11.9	14.8	16.9	19.0
LIQUIDITY AND SOLVENCY					
Debt to equity ratio (%)	14.3	34.2	33.1	28.3	22.2
Current ratio (times)	2.5	2.1	1.4	1.5	1.3
Acid test ratio (times)	1.3	1.0	0.7	0.8	0.7
Cash profit interest cover (times)	7.6	5.2	9.7	14.5	12.3
Net interest cover (times)	5.9	3.9	7.2	11.1	9.6
Dividend cover (times)	2.5	2.5	3.0	3.2	3.6
PERFORMANCE PER SHARE (CENTS)					
Earnings	320.8	282.3	330.7	377.4	324.3
Headline earnings	355.4	292.4	328.4	325.9	313.5
Dividend	125.0	96.0	93.0	85.2	74.8
Net asset value	2 622.9	2 437.6	2 338.6	2 087.6	1 757.6
PRODUCTIVITY					
Revenue to net asset cover (times)	3.5	3.5	3.2	3.0	3.2
Revenue per employee (R'000)	1 363.7	1 284.7	1 010.6	829.4	702.9
Net assets per employee (R'000)	387.6	367.4	312.4	273.5	220.6
Number of permanent employees	11 941	11 586	11 554	11 652	12 016
SHARE TRADING STATISTICS					
Price per share (cents):					
At year-end	3 350	2 477	3 504	2 800	2 000
High	3 350	3 504	4 000	3 300	2 000
Low	2 175	2 060	2 800	1 871	1 055
Net number of issued shares ('000):					
Total number of issued shares	201 184	201 184	181 184	181 184	181 184
Number of treasury shares – share incentive trusts	(6 758)	(8 571)	(8 871)	(10 415)	(12 266)
Number of treasury shares – subsidiary	(17 982)	(17 982)	(17 982)	(18 118)	(18 118)
	176 444	174 631	154 331	152 651	150 800
Market capitalisation (R'000)	6 739 664	4 983 328	6 348 687	5 073 152	3 623 680
Dividend yield (%)	3.7	3.9	2.7	3.0	3.7
Headline earnings yield (%)	10.6	11.8	9.4	11.6	15.7
Earnings yield (%)	9.6	11.4	9.4	13.5	16.2
Price earnings ratio (times)	9.4	8.5	10.7	8.6	6.4

FIVE-YEAR FINANCIAL REVIEW (continued)

	GROUP				
	2009	2008	2007	2006	2005
	R'm	R'm	R'm	R'm	R'm
Segments					
Revenue					
Sasko	8 876.7	8 143.0	5 848.8	4 655.8	4 229.7
Agri Business	2 599.4	2 493.4	2 106.9	1 877.2	1 765.9
Bokomo Foods	2 625.0	2 539.4	2 217.3	1 856.1	1 577.7
Ceres Beverages	2 410.1	2 082.9	1 807.3	1 383.8	985.9
Unallocated	–	–	–	212.1	197.7
	16 511.2	15 258.7	11 980.3	9 985.0	8 756.9
Less: Internal revenue	(227.3)	(374.3)	(303.7)	(320.6)	(310.6)
	16 283.9	14 884.4	11 676.6	9 664.4	8 446.3
Operating profit before items of a capital nature					
Sasko	926.3	622.0	453.8	372.0	361.2
Agri Business	80.3	3.5	100.7	178.1	163.0
Bokomo Foods	195.4	239.4	213.0	158.0	166.6
Ceres Beverages	98.6	77.8	106.4	77.9	63.7
Unallocated	(140.6)	(77.6)	(42.0)	(39.1)	(23.5)
	1 160.0	865.1	831.9	746.9	731.0
Depreciation and amortisation					
Sasko	111.0	104.4	110.8	83.6	70.7
Agri Business	21.1	19.6	17.3	17.3	17.4
Bokomo Foods	54.4	45.9	54.0	50.7	44.1
Ceres Beverages	55.0	50.8	37.3	28.1	23.4
Unallocated	27.6	31.6	31.1	17.3	23.9
	269.1	252.3	250.5	197.0	179.5

DEFINITIONS

Operating profit margin

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

Effective tax rate

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

Return on average net assets

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

Return on average shareholders' funds

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

Debt to equity ratio

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

Current ratio

Ratio of current assets to current liabilities.

Acid test ratio

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

Cash profit interest cover

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

Net interest cover

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

Dividend cover

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

Net asset value per share

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

Revenue to net asset cover

Revenue divided by net assets.

Revenue per employee

Revenue divided by permanent employees at year-end.

Net assets per employee

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

Market capitalisation

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

Dividend yield

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

Headline earnings yield

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

Earnings yield

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

Price earnings ratio

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

Ordinary share/shares

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