

## Group Income Statement

|  | Year ended<br>30 September |             |
|--|----------------------------|-------------|
|  | 2003<br>R'm                | 2002<br>R'm |
| Revenue  | 7 889,5                    | 6 512,3     |
| Operating profit before depreciation                 | 623,3                      | 513,1       |
| Depreciation   | (161,2)                    | (162,8)     |
| Operating profit before exceptional items            | 462,1                      | 350,3       |
| Exceptional items                                    | (73,9)                     | (7,1)       |
| Operating profit after exceptional items             | 388,2                      | 343,2       |
| Investment income                                    | 53,9                       | 70,1        |
| Finance charges                                      | (107,3)                    | (92,9)      |
| Profit from associated companies                     | 3,8                        | 0,3         |
| Net profit before taxation                           | 338,6                      | 320,7       |
| Taxation   | (116,8)                    | (88,4)      |
| Net profit after taxation                            | 221,8                      | 232,3       |
| Attributable to minority shareholders                | (4,4)                      | (4,4)       |
| Net profit for the year                              | 217,4                      | 227,9       |
| Adjusted for exceptional items                       | 73,9                       | 7,1         |
| Profit on sale of assets                             | (10,7)                     | (4,7)       |
| Profit on disposal of investments                    | (0,6)                      | (0,1)       |
| Permanent decline in value of assets                 | 54,9                       | 7,9         |
| Goodwill written off                                 | 30,3                       | 4,0         |
| Tax effect on exceptional items                      | 0,4                        | (1,4)       |
| Headline earnings                                    | 291,7                      | 233,6       |
| Number of issued ordinary shares (million)           | 183,1                      | 183,0       |
| Weighted average number of ordinary shares (million) | 170,2                      | 170,3       |
| Headline earnings per ordinary share (cents)         | 171,4                      | 137,2       |
| Dividend per ordinary share (cents)                  | 38,2                       | 29,5        |

## Segmental Analysis

|                        | Year ended 30 September |        |         |        |
|------------------------|-------------------------|--------|---------|--------|
|                        | 2003                    |        | 2002    |        |
|                        | R'm                     | %      | R'm     | %      |
| <b>Segment revenue</b> |                         |        |         |        |
| Staple foods           | 6 535,8                 | 81,1%  | 5 571,2 | 83,9%  |
| Branded products       | 1 348,9                 | 16,7%  | 878,9   | 13,2%  |
| Unallocated            | 172,0                   | 2,2%   | 190,2   | 2,9%   |
|                        | 8 056,7                 | 100,0% | 6 640,3 | 100,0% |
| Less: Internal revenue | (167,2)                 |        | (128,0) |        |
|                        | 7 889,5                 |        | 6 512,3 |        |
| <b>Segment results</b> |                         |        |         |        |
| Staple foods           | 329,7                   | 71,3%  | 285,5   | 81,5%  |
| Branded products       | 145,6                   | 31,5%  | 84,4    | 24,1%  |
| Unallocated            | (13,2)                  | (2,8%) | (19,6)  | (5,6%) |
|                        | 462,1                   | 100,0% | 350,3   | 100,0% |

## Group Balance Sheet

|   | At 30 September |                |
|---|-----------------|----------------|
|   | 2003<br>R'm     | 2002<br>R'm    |
| <b>Assets</b>                                       |                 |                |
| Fixed and intangible assets                         | 871,8           | 956,9          |
| Investments and loans                               | 325,6           | 318,8          |
| Deferred tax  | 9,5             | 14,0           |
| Non-current assets                                  | 1 206,9         | 1 289,7        |
| Current assets                                      | 1 884,1         | 2 036,3        |
| Stock   | 872,8           | 1 062,8        |
| Debtors   | 732,1           | 791,9          |
| Cash and short-term investments                     | 279,2           | 181,6          |
| <b>Total assets</b>                                 | <b>3 091,0</b>  | <b>3 326,0</b> |
| <b>Equity and liabilities</b>                       |                 |                |
| Capital and reserves                                | 1 770,9         | 1 630,4        |
| Minority interest                                   | 17,0            | 12,8           |
| Non-current liabilities                             | 387,8           | 362,9          |
| Long-term liabilities                               | 315,3           | 316,8          |
| Deferred taxation                                   | 72,5            | 46,1           |
| Current liabilities                                 | 915,3           | 1 319,9        |
| Creditors, provisions and shareholders for dividend | 891,9           | 847,2          |
| Bank overdraft and short-term loans                 | 23,4            | 472,7          |
| <b>Total equity and liabilities</b>                 | <b>3 091,0</b>  | <b>3 326,0</b> |

## Group Cash Flow Statement

|  | Year ended<br>30 September |             |
|--|----------------------------|-------------|
|  | 2003<br>R'm                | 2002<br>R'm |
| Cash profit from operating activities                | 623,3                      | 513,1       |
| Changes in hedging reserve                           | (15,6)                     | 17,8        |
| Working capital changes                              | 163,1                      | (233,8)     |
| Cash generated from operations                       | 770,8                      | 297,1       |
| Interest received                                    | 18,2                       | 37,9        |
| Interest paid  | (107,3)                    | (92,9)      |
| Dividends received                                   | 35,7                       | 32,2        |
| Dividends paid                                       | (53,6)                     | (32,8)      |
| Tax paid   | (107,1)                    | (42,4)      |
| Net cash flow from operating activities              | 556,7                      | 199,1       |
| Net cash flow from investment activities             | (162,8)                    | (366,3)     |
| Net cash surplus/(deficit)                           | 393,9                      | (167,2)     |
| Net cash flow from financing activities              | 153,0                      | (281,0)     |
| Net increase/(decrease) in cash and cash equivalents | 546,9                      | (48,2)      |

## Group Statement of Changes in Equity

|   | Year ended<br>30 September |                |
|---|----------------------------|----------------|
|   | 2003<br>R'm                | 2002<br>R'm    |
| <b>Share capital and premium</b>            | <b>746,7</b>               | <b>747,0</b>   |
| Opening balance                             | 747,0                      | 780,6          |
| Change in accounting policy                 | -                          | (33,7)         |
| Shares issued                               | 0,5                        | -              |
| Treasury shares bought back                 | (0,8)                      | 0,1            |
| <b>Non-distributable reserves</b>           | <b>8,7</b>                 | <b>31,8</b>    |
| Opening balance                             | 31,8                       | 7,0            |
| Transfers from distributable reserves       | 0,4                        | 0,2            |
| Conversion of foreign currency              | (8,4)                      | 6,8            |
| Valuation reserve on market value of shares | 1,2                        | -              |
| Hedging reserve                             | (16,3)                     | 17,8           |
| <b>Distributable reserves</b>               | <b>1 015,5</b>             | <b>851,6</b>   |
| Opening balance                             | 851,6                      | 653,3          |
| Change in accounting policy                 | -                          | 3,4            |
| Net profit                                  | 217,4                      | 227,9          |
| Dividend                                    | (53,1)                     | (32,8)         |
| Transfers to non-distributable reserves     | (0,4)                      | (0,2)          |
| <b>Total equity</b>                         | <b>1 770,9</b>             | <b>1 630,4</b> |

## Comments

The Group performed well over the past year and it was especially gratifying that all operations contributed positively to the good results. Revenue increased by 21% to R7,9 billion, while headline earnings grew by 25% to R292 million. Even if the R680 million revenue of S.A.D, which for the first time was included for a full year, is excluded, revenue still grew by 14%. This growth was to a large extent obtained in the first half of the year as a continuation of the rising trend in food prices during the 2002 calendar year. Notwithstanding downward pressure on sales prices in the second half of the year, profit margins improved. The improved results were mainly due to the positioning of raw material purchase plans after the strengthening of the rand. The segmental analysis further shows that the relative contribution of branded products to total revenue increased, as did the profit margins of branded products. Cash profit from operational activities increased by 21% to R623 million, while R163 million was released from operating capital as a result of the downward price trends. Net interest-bearing debt dropped sharply from R611 million to R216, resulting in a debt to equity ratio of 12%.

The milling and baking division recorded a sound improvement in profitability during the second half of the year and for the full year virtually equalled the good performance of the previous year. The agri division achieved very satisfactory growth in results in spite of unfavourable raw material costs in the feeds business for the greater part of the year.

Bokomo Foods performed satisfactorily with the frozen food business, Today's, growing exceptionally well.

The harmful effect of the strengthening rand impacted the strongest on the profitability of S.A.D as a division. The fixed-price contracts for raw materials already concluded in October 2002, were obviously not profitable for S.A.D's 40% export business. The domestic business did, however, perform satisfactorily.

The packaging business, Craft Box Corrugated, performed well and results

## Comments (continued)

improved further. Ceres Fruit Juices recorded a slight decrease in earnings mainly due to the business's exposure to a stronger rand.

The businesses in the other African countries all performed satisfactorily and a significant improvement in results was attained during the second half of the year.

## Expansions

### Heinz Foods (S.A.)

This company is a joint venture between Pioneer Foods and H J Heinz of America and became operational on 1 November 2003. The company will focus on tomato sauce and condiments, frozen foods, beans and soups, as well as tuna and seafood products. In addition to well known brand names such as *Heinz Ketchup*, *Wellington's* and *John West*, the frozen food business of *Today's* will also form part of this company in future. The world-class technology of H J Heinz will be applied to manufacture products in South Africa.

### Ceres Fruit Juices

Since year-end the Group's interest in Ceres Fruit Juices has been increased from 37,5% to 75%. A successful offer for the amount of R146,3 million was made to the holders of the additional interest. The offer is, however, subject to the approval by the competition authorities.

## The Future

Group earnings in the new year will benefit from lower interest costs as a result of the lowering of interest rates and lower debt levels. It will, however, be difficult to maintain the above-average growth trend of the past two years as optimum profit margins are already being realised in most of the business units and also seen against the background of the decreasing inflation rate.

## Empowerment Transaction

Management and the board are in continuous discussions to promote transformation at Group shareholder level. With the support of the major shareholders of the Group, the board have authorised management to engage in negotiations with potential empowerment partners to obtain a substantial interest in Pioneer Foods. Progress in this regard will be communicated timeously to shareholders.

## Dividends

A final dividend of 28,4 cents per share was declared. The total dividend for the year amounts to 38,2 cents per share, or R70 million, which represents a 30% increase.

The dividend is payable on 30 January 2004 to all shareholders registered on 31 December 2003.

By order of the board.

**H E Blanckenberg**  
Chairman

**W A Hanekom**  
Managing Director

Paarl, 26 November 2003  
Internet: <http://www.pnr.co.za>

The 2003 annual report will be distributed by the end of January 2004.