



OPERATING PROFIT +18% • HEADLINE EARNINGS +21% • DIVIDEND +43%

GROUP INCOME STATEMENT

	Audited year ended 30 September 2004 R'm	Audited year ended 30 September 2003 R'm
Revenue	7 641,3	7 889,5
Operating profit before depreciation	726,8	624,0
Depreciation	(181,5)	(161,2)
Operating profit before exceptional items	545,3	462,8
Exceptional items	13,7	(73,9)
Operating profit after exceptional items	559,0	388,9
Investment income	40,8	53,9
Finance charges	(60,3)	(107,3)
(Loss)/profit from associated companies	(3,8)	3,8
Net profit before taxation	535,7	339,3
Taxation	(168,0)	(116,9)
Net profit after taxation	367,7	222,4
Attributable to minority shareholders	(7,8)	(4,4)
Net profit for the year	359,9	218,0
Number of issued ordinary shares (million)	183,2	183,1
Weighted average number of ordinary shares (million)	170,0	170,2
Headline earnings per ordinary share (cents)	207,6	171,7
Dividend per ordinary share (cents)	54,6	38,2
Reconciliation between net profit and headline earnings		
Net profit for the year	359,9	218,0
Exceptional items	(13,7)	73,9
Profit on sale of assets	(45,9)	(10,7)
Profit on disposal of investments and subsidiary	(0,4)	(0,6)
Permanent decline in value of assets	2,3	54,9
Goodwill written off	30,3	30,3
Tax effect on exceptional items	1,1	0,4
Exceptional items of associated companies	5,1	-
Minority interest in exceptional items	0,5	-
Headline earnings	352,9	292,3

GROUP BALANCE SHEET

	Audited year ended 30 September 2004 R'm	Audited year ended 30 September 2003 R'm
Assets		
Property, plant, equipment and intangible assets	1 250,2	873,3
Investments and loans	47,2	198,8
Deferred taxation	27,4	9,5
Non-current assets	1 324,8	1 081,6
Current assets	2 337,9	2 016,6
Stock	1 012,2	821,5
Biological assets	56,2	57,0
Investments	150,1	126,8
Accounts receivable	847,2	732,1
Cash and cash equivalents	272,2	279,2
Total assets	3 662,7	3 098,2
Equity and liabilities		
Capital and reserves	2 031,4	1 775,8
Minority interest	37,4	17,0
Non-current liabilities	231,5	390,0
Long-term liabilities	135,3	315,3
Deferred taxation	96,2	74,7
Current liabilities	1 362,4	915,4
Accounts payable, provisions and shareholders for dividend	881,5	736,0
Short-term portion of long-term liabilities	207,2	156,0
Bank overdraft and short-term loans	273,7	23,4
Total equity and liabilities	3 662,7	3 098,2

SEGMENTAL ANALYSIS

	Audited year ended 30 September 2004 R'm	Audited year ended 30 September 2003 R'm
Segment revenue		
Staple foods	5 962,4	6 535,8
Branded products	1 657,6	1 348,9
Unallocated	175,8	172,0
	7 795,8	8 056,7
Less: Internal revenue	(154,5)	(167,2)
	7 641,3	7 889,5
Segment results		
Staple foods	425,8	342,9
Branded products	144,8	133,1
Unallocated	(25,3)	(13,2)
	545,3	462,8

GROUP CASH FLOW STATEMENT

	Audited year ended 30 September 2004 R'm	Audited year ended 30 September 2003 R'm
Cash profit from operating activities	723,1	633,6
Changes in hedging reserve	(12,8)	(15,6)
Working capital changes	(70,3)	152,6
Cash generated by operations	640,0	770,6
Interest received	19,0	18,2
Interest paid	(60,3)	(107,3)
Dividends received	21,8	35,7
Dividends paid	(76,3)	(53,6)
Tax paid	(164,4)	(107,1)
Net cash flow from operating activities	379,8	556,5
Net cash flow from investment activities	(461,0)	(162,6)
Net cash (deficit)/surplus	(81,2)	393,9
Net cash flow from financing activities	(176,1)	153,0
Net (decrease)/increase in cash and cash equivalents	(257,3)	546,9

GROUP STATEMENT OF CHANGES IN EQUITY

	Audited year ended 30 September 2004 R'm	Audited year ended 30 September 2003 R'm
Share capital and premium	731,3	746,7
Opening balance	746,7	747,0
Shares issued	1,2	0,5
Treasury shares bought back	(16,6)	(0,8)
Non-distributable reserves	(2,9)	8,7
Opening balance	8,7	31,8
Transfers from distributable reserves	0,7	0,4
Conversion of foreign currency	(5,4)	(8,4)
Valuation reserve on market value of shares	2,5	1,2
Hedging reserve	(9,4)	(16,3)
Distributable reserves	1 303,0	1 020,4
Opening balance	1 020,4	851,6
Change in accounting policy	-	4,4
Net profit for the year	359,9	218,0
Dividend	(76,6)	(53,2)
Transfers to non-distributable reserves	(0,7)	(0,4)
Total equity	2 031,4	1 775,8

COMMENTS

The Group has shown excellent results for the past financial year. Headline earnings have increased by 21% to R353 million (208 cents per share), despite a 3% decrease in revenue to R7,6 billion. The improvement in profitability can mainly be ascribed to the excellent results achieved by the agri-businesses, as well as improved results achieved by the bakery and breakfast foods businesses as a result of growth in sales volumes. The above factors have resulted in an increased operating profit margin of 7,1%. In addition, the decrease in net interest of R48 million due to the lower debt levels for most of the year, made a significant contribution to the improved performance. Cash profit from operating activities increased by 14% to R723 million. The Group's net interest-bearing debt at year-end amounted to R344 million, representing 17% of equity compared to 12% in the previous year.

The results have been achieved under favourable macro-economic conditions. The rand exchange rate remained relatively stable, while consumer confidence showed an upward curve. Interest and inflation rates remained low, further encouraging consumer spending.

The decrease in revenue can mainly be ascribed to the lower sales prices of maize-meal in particular, as well as wheat flour and animal feed. Sales prices of other products showed only moderate increases in line with the lower inflation rate. The continued strength of the rand also resulted in the rand value of the 10% Group revenue earned in foreign currency to be lower than in the corresponding period.

In accordance with the Group's strategy to expand its basket of products, the segmental analysis shows a proportionately bigger contribution to revenue by branded products. The operating profit margin of the segment has, however, decreased as a result of the increase of the shareholding in Ceres Fruit Juices (Pty) Ltd. This business has a lower average operating profit margin than the other branded products. The improved margin of staple foods is mainly the result of much improved margins achieved in the agri-businesses.

With the exception of maize milling, all other businesses showed satisfactory results. Changing weather patterns resulted in material fluctuations in the price of maize. An uncompetitive maize stock position, together with a decrease in sales volumes, placed the profit margins of maize-meal products under pressure.

CHANGES IN ACCOUNTING POLICY

The accounting policy was changed to comply with AC 137. This new accounting statement regulates the accounting treatment of biological assets in a farming environment. Comparative figures were adjusted and the effect on the Group's results is not material.

EXPANSIONS AND INVESTMENTS

Heinz Foods (S.A.) – The establishment of the joint venture with H J Heinz of the USA has been completed and the company started operating on 1 November 2003. The *Heinz Ketchup* plant started to operate commercially in July 2004. The full range of the *Heinz Ketchup*

products, including the very successful upside down squeeze bottle launched in the USA and Europe in 2003, will be manufactured at the Wellington plant.

Bokomo Botswana – A partnership was successfully formed with a company in Botswana, Derek Brink Holdings (Pty) Ltd. A laying-hen business was obtained on 1 October 2003, while the wheat and maize mill started operating in the latter half of the year.

Bowman Ingredients – The establishment of this joint venture with Jas Bowman & Son, wheat millers of England, was done successfully and the company started operating on 1 May 2004. Pioneer Foods is a 50% shareholder in this company that will concentrate on the manufacturing and selling of crumbs and batters, mainly for the South African industrial market.

Grain Health Foods – In March 2004 the shareholding in the breakfast food company in England was increased from 50% to 100%. The company's name has since been changed to Bokomo Foods (UK) Ltd.

So Soy – During the year a new joint venture, So Soy (Pty) Ltd, was formed with Sanitarium, a world leader in soya milk production. The business focuses on the sale of soya milk in the local market under the *Simply Soy* and *So Fresh* brands. Whilst volumes are still small, international growth in sales volumes of soya milk supports the product's local potential.

Moir's – In a further step to expand the Group's range of branded products, the business of Moir's was purchased in September 2004. Aside from the well-known *Moir's* brand, the *Tower* and *Smash* brands were also acquired as part of the transaction. The product basket of Moir's complements the existing product range of Pioneer Foods and offers further access to product categories where the Group does not compete actively at present.

Accolade Trading – The purchase of Accolade Trading was finalised in October 2004. This established Western Cape business specialises in the purchase and repacking of rice under the *Spekko* trademark and dried vegetables under the *Imbo* trademark. This acquisition significantly increases the Group's market share in the highly competitive rice market.

Golden Lay – This transaction has also been finalised after the financial year-end and was implemented in October 2004. The acquisition of Golden Lay has significantly increased the Group's market share in the egg industry in Gauteng and KwaZulu-Natal.

Kwality Biscuits – A further step was taken in the diversification of products when Kwality Biscuits was purchased in November 2004. The Group is already competing with the *Bokomo* risk range in this category and the products of this business are therefore a logical expansion.

Ceres Fruit Juices – The Group's interest in Ceres Fruit Juices was increased to 75% in January 2004 by purchasing the interest of the Ceres Group. In December 2004 the last 25% will be purchased from KWV. The businesses of Retail Brands InterAfrica and Continental Beverages were also purchased. These businesses focus mainly on contract packing of carbonated cold drinks, iced tea and alcoholic beverages. In addition to the diversification of its revenue sources, Ceres Fruit Juices also obtained a manufacturing plant in Gauteng through this purchase.

Buy back of shares
During the year 2,8-million shares were bought back for R19,3 million, or R7,02 per share, in terms of an offer to all odd lot shareholders of 5 000 or less shares. In October 2004, 12,1-million shares were bought from a large shareholder for R120,1 million, or R10 per share. These shares will be held as treasury shares.

THE FUTURE

Taking into account the transactions finalised since the end of the financial year, the Group has made investments of more than R650 million in additional businesses since October 2003. The board of directors is satisfied that the Group's strong cash flow position will easily accommodate the financing of the new expansions and that the returns made from these investments will exceed the interest cost of these acquisitions. These expansions, together with internal innovation of new products and the renewal of existing product ranges, will form the basis for future growth. The board of directors is also satisfied that the new businesses will easily be incorporated into the new divisions without detracting from the necessary management focus on existing businesses.

With another good year of growth behind the Group, it will be a challenge to maintain this trend. The biggest contributor to revenue and profits still remains the Sasko Milling and Baking division, where exceptional growth in a low inflation environment in a relatively stable industry is unlikely. It will also be difficult to maintain the higher profit margins in the Agri division, particularly as far as the egg business is concerned.

A moderate growth in earnings is expected for the new year.

The process to facilitate empowerment at Group shareholder level will be guided through the finalisation of the charter for Black Economic Empowerment in agriculture and food manufacturing. The Board is positive that Pioneer Foods affords an attractive opportunity for the suitable empowerment partner.

In order to ensure a comprehensive process and fair evaluation of interested partners, Standard Bank Limited has been appointed to facilitate the process. Proper care will be taken to ensure that the opportunity is fully utilised to the benefit of all stakeholders. Shareholders will be informed timeously of any concrete developments.

DIVIDENDS

A final dividend of R70 million has been approved representing 38,2 cents per share. The dividend is payable on 2 February 2005 to all shareholders registered on 31 December 2004. The total dividend amounts to R100 million (54,6 cents per share) for the year and represents an increase of 43% over the previous year. The dividend cover has been further decreased from 4.2 times to 3.5 times.

By order of the board

H E Blanckenberg
Chairman

W A Hanekom
Managing Director

Paarl, 25 November 2004

Internet: <http://www.pioneerfoods.co.za>