Audited preliminary condensed ANNUAL FINANCIAL STATEMENTS for the year ended 30 September 2010

PIONEER FOODS SINCE 1920

PIONEER FOOD GROUP LIMITED (Incorporated in the Republic of South Africa) (Registration number: 1996/017676/06) (Share code: PFG) (ISIN code: ZAE000118279) ("Pioneer Foods" or "the Company" or "the Group")

SETTLEMENT WITH THE COMPETITION COMMISSION ("CC")

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

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

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

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

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

Appropriate action has been taken by the board of Pioneer Foods to discipline employees responsible for the Competition Act transgressions.

The Group has strengthened its governance and compliance protocols, appointed a compliance and risk officer and implemented on-line compliance training.

GROUP PROFILE

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

Sasko manufactures a range of affordable grain-based staple foods. In addition to rice, wheaten and maize products, it also trades beans, lentils and dried vegetables and has one of South Africa's largest bakery operations with bakeries and depots located throughout the country. More than 30 000 bread deliveries occur daily to customers in urban and the most rural environments. This equates to more than 1.2 million loaves supplied per day.

Since deregulation Sasko's bread business was repositioned from only manufacturing 800 gram "government loaves" to manufacturing a range of more than 50 different value-added, high quality, branded products. The result of this repositioning, which also applies to all other major South African bakeries, was bread of a high quality at relative low prices by international standards. This was confirmed by research done by the International Grains Council that showed that South African consumers pay between 40 to 60 percent less for comparative loaves sold in the USA, Europe and Australia. Industry analysts recognise that Sasko's margin is at the bottom end of the spectrum in the South African market.

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

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

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

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

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

Bokomo Foods produces some of South Africa's best-known breakfast cereals, rusks, biscuits, cake mixes, baking aids, instant mash potato as well as dried fruit products, nuts, spreads and processed salads. The Group acquired the SAD dried fruit business and a range of spreads including household names like *Marmite, Bovril, Peck's Anchovette* and *Redro.*

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

Pioneer Foods entered the juice market with the acquisition of Ceres Fruit Juices. Significant investments were made to diversify the business into different packaging formats and product categories. Ceres Beverages enjoys the market leader position in natural fruit juices in South Africa and a presence in more than a 100 countries around the world.

Pioneer Foods signed a franchise agreement with PepsiCo International to re-enter the carbonated soft drinks market in South Africa with *Pepsi, Mirinda, 7-Up* and *Mountain Dew.*

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

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

REVIEW OF OPERATIONS

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

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

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

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

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

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

SASKO

The Sasko business once again achieved a sound overall performance, posting an improved profit contribution and operating profit margin.

The business benefited from the continued decline in soft commodity pricing as well as the strengthening of the rand. Volumes sold remained satisfactory across the range of products.

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

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

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

AGRI BUSINESS

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

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

Although volumes were down and prices decreased, the profitability of Nulaid continued to improve. This was due to the increases in efficiencies in the value chain and lower raw material prices. A number of capital projects were completed during the reporting period as part of the strategy to reposition the egg business for optimal performance that should limit the impact of the down cycles.

The profitability of the broiler business Tydstroom continued to improve compared to the previous year. Lower feed prices contributed to this improvement, but the major driver was the increase in efficiencies from grandparent level through the value chain to the abattoir. Costs were diligently managed and kept under control. Volumes increased due to better on-farm efficiencies and the commissioning of new facilities.

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

BOKOMO FOODS

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

Breakfast cereals performed well during the reporting period with improved production efficiencies, increased volumes from the leading brands and some raw material cost deflation. *Weet-Bix* achieved good volume growth for the second consecutive year. The planned improvement in the financial performance of the muesli business was realised with the relocation of the plant from KwaZulu-Natal to the cereal factory in Atlantis, Western Cape.

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

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

Performance from dried fruit products improved in the second half of the financial year with particularly good raisin volumes.

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

CERES BEVERAGES

The beverages segment performed satisfactorily. Revenue increased, with sales volumes slightly up for the total business. The increase in profitability was driven by increased production and distribution efficiencies as well as effective cost management for the period.

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

Fruit juice products on the international market performed well and Ceres Beverages managed to increase export volumes compared to the previous year.

The fruit concentrate mixtures category was under pressure due to a decline in sales volumes and margins.

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

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

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

ACQUISITION OF KWV

Subsequent to the financial year-end the board approved an offer to buy the business of KWV, owner of iconic brands such as *KWV* brandy and *Roodeberg* wines, amongst others. Pioneer Foods has engaged with KWV as per the SENS announcement dated 2 December 2010.

PROSPECTS

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

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

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

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

The Group's auditors have not reviewed nor reported on any of the comments relating to future prospects.

DIVIDEND

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

By order of the board.

ZL Combi
Chairman

WA Hanekom
Managing Director

Paarl, 1 December 2010

PRELIMINARY CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Audited Year ended 30 September 2010 R'm	Audited Year ended 30 September 2009 R'm
Revenue	**15 731.3**	16 283.9
Cost of goods sold	**(10 720.4)**	(11 732.9)
Gross profit	**5 010.9**	4 551.0
Other income and gains/(losses)	**281.6**	285.4
Other expenses	**(4 539.5)**	(3 676.4)
Excluding Competition Commission penalties	**(3 885.3)**	(3 676.4)
Competition Commission penalties	**(654.2)**	–
Items of a capital nature	**(10.3)**	(68.0)
Operating profit	**742.7**	1 092.0
Investment income	**33.4**	28.7
Finance costs	**(156.6)**	(224.5)
Share of profit of associated companies	**0.1**	0.4
Profit before income tax	**619.6**	896.6
Income tax expense	**(383.9)**	(334.9)
Profit for the year	**235.7**	561.7
Other comprehensive income/(loss) for the year	**17.6**	(34.6)
Movement in cash flow hedging reserve	**31.5**	(9.2)
Fair value adjustments:		
For the year	**(44.1)**	(209.3)
Current income tax effect	**4.6**	41.2
Deferred income tax effect	**7.7**	12.6
Reclassified to profit or loss	**87.9**	196.5
Current income tax effect	**(9.8)**	(47.3)
Deferred income tax effect	**(14.8)**	(2.9)
Net fair value adjustment on available-for-sale financial assets	**3.3**	(0.2)
Fair value adjustments:		
For the year	**5.8**	1.2
Deferred income tax effect	**(0.7)**	0.3
Reclassified to profit or loss	**(1.8)**	(1.7)
Movement on foreign currency translation reserve	**(17.2)**	(25.2)
Total comprehensive income for the year	**253.3**	527.1
Profit for the year attributable to:		
Owners of the parent	**234.5**	560.5
Non-controlling interest	**1.2**	1.2
	235.7	561.7
Total comprehensive income for the year attributable to:		
Owners of the parent	**252.1**	525.9
Non-controlling interest	**1.2**	1.2
	253.3	527.1

HEADLINE EARNINGS RECONCILIATION

	Audited Year ended 30 September 2010 R'm	Audited Year ended 30 September 2009 R'm
Reconciliation between profit attributable to owners of the parent and headline earnings		
Profit attributable to owners of the parent	**234.5**	560.5
Items of a capital nature	**10.3**	68.0
Net (profit)/loss on disposal of property, plant, equipment and intangible assets	**(11.8)**	16.3
Net profit on disposal of available-for-sale financial assets and subsidiaries	**(2.1)**	(1.7)
Impairment of property, plant, equipment and intangible assets	**24.2**	53.4
Tax effect on items of a capital nature	**(8.4)**	(7.6)
Headline earnings	**236.4**	620.9
Competition Commission penalties	**654.2**	–
Adjusted headline earnings	**890.6**	620.9
Number of issued ordinary shares (million)	**201.2**	201.2
Number of issued treasury shares:		
– held by subsidiary (million)	**18.0**	18.0
– held by share incentive trust (million)	**5.1**	6.8
Number of issued class A ordinary shares (million)	**10.4**	11.4
Weighted average number of ordinary shares (million)	**177.0**	174.7
Earnings per ordinary share (cents):		
– basic	**132.5**	320.8
– diluted	**130.2**	315.7
– headline	**133.5**	355.4
– adjusted headline	**503.0**	355.4
– diluted headline	**131.2**	349.8
Dividend per ordinary share (cents)	**–**	125.0
Dividend per class A ordinary share (cents)	**–**	37.5
Net asset value per ordinary share (cents)	**2 667.9**	2 622.9
Debt to equity ratio (%)	**8.5**	14.3

PRELIMINARY CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Audited 30 September 2010 R'm	Audited 30 September 2009 R'm
Assets		
Property, plant and equipment	**3 565.0**	3 098.7
Goodwill	**221.1**	222.6
Other intangible assets	**468.4**	426.3
Biological assets	**16.8**	14.0
Investments in associates and loans to joint ventures	**35.2**	38.5
Available-for-sale financial assets	**39.1**	31.7
Trade and other receivables	**16.9**	16.9
Deferred income tax	**2.7**	2.7
Non-current assets	**4 365.2**	3 851.4
Current assets	**4 512.1**	4 250.1
Inventories	**1 936.6**	1 950.3
Biological assets	**187.6**	151.7
Derivative financial instruments	**5.2**	0.1
Trade and other receivables	**1 669.3**	1 537.8
Current income tax	**3.5**	12.7
Cash and cash equivalents	**709.9**	597.5
Total assets	**8 877.3**	8 101.5
Equity and liabilities		
Capital and reserves attributable to owners of the parent	**4 751.4**	4 628.0
Share capital	**20.1**	20.1
Share premium	**1 210.6**	1 215.9
Treasury shares	**(232.1)**	(246.5)
Other reserves	**28.3**	(7.0)
Retained earnings	**3 724.5**	3 645.5
Non-controlling interest	**6.5**	5.8
Total equity	**4 757.9**	4 633.8
Non-current liabilities	**2 074.0**	1 753.6
Borrowings	**946.2**	1 096.6
Provisions for other liabilities and charges	**109.1**	82.3
Accrual for Competition Commission penalties	**391.8**	–
Share-based payment liability	**102.2**	57.1
Derivative financial instruments	**5.6**	26.4
Deferred income tax	**519.1**	491.2
Current liabilities	**2 045.4**	1 714.1
Trade and other payables	**1 732.6**	1 494.1
Current income tax	**8.4**	5.2
Derivative financial instruments	**57.4**	53.6
Borrowings	**169.5**	161.1
Loan from joint venture	**10.3**	–
Accrual for Competition Commission penalties	**66.7**	–
Dividends payable	**0.5**	0.1
Total equity and liabilities	**8 877.3**	8 101.5

DIRECTORS: ZL Combi (Chairman), Dr MI Survé (Vice-chairman), WA Hanekom (Managing)*, LR Cronjé*, TA Carstens*, MM du Toit, GD Eksteen, AE Jacobs, Prof ASM Karaan, NS Mjoli-Mncube, JF Mouton, AH Sangqu (* Executive) **COMPANY SECRETARY:** TF Hendrickse E-mail: thendri2@pioneerfoods.co.za
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SALIENT FEATURES

Revenue	**R16 billion**	↓	**3%**
Operating profit (before items of a capital nature)	**R753 million**	↓	**35%**
Headline earnings	**R236 million**	↓	**62%**
No final dividend			
Adjusted for Competition Commission penalties:			
Adjusted operating profit (before items of a capital nature)	**R1 407 million**	↑	**21%**
Adjusted headline earnings	**R891 million**	↑	**43%**

PIONEERFOODS
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PRELIMINARY CONDENSED GROUP STATEMENT OF CASH FLOWS

	Audited Year ended 30 September 2010 R'm	Audited Year ended 30 September 2009 R'm
Net cash profit from operating activities	1 609.9	1 509.7
Excluding Competition Commission penalties paid	1 805.6	1 509.7
Competition Commission penalties paid	(195.7)	–
Cash effect from hedging activities	18.7	21.7
Working capital changes	95.1	356.6
Net cash generated from operations	1 723.7	1 888.0
Income tax paid	(353.0)	(234.4)
Net cash flow from operating activities	1 370.7	1 653.6
Net cash flow from investment activities	(805.3)	(465.0)
Property, plant, equipment and intangible assets		
– additions and replacements	(751.0)	(465.6)
– proceeds on disposal	41.6	18.2
Business combinations	(144.7)	(33.6)
Proceeds on disposal of and changes in available-for-sale financial assets and loans	11.8	(11.6)
Disposal of subsidiaries and additional interest acquired in existing subsidiary	3.6	(1.1)
Interest received	31.4	27.0
Dividends received	2.0	1.7
Net cash flow from financing activities	(448.6)	(517.5)
Repayments of borrowings	(137.6)	(123.7)
Treasury shares – share incentive trust	14.4	13.5
Share schemes transactions	(4.8)	(4.0)
Interest paid	(163.0)	(224.5)
Dividends paid	(157.6)	(178.8)
Net increase in cash, cash equivalents and bank overdrafts	116.8	671.1
Net cash, cash equivalents and bank overdrafts at beginning of year	592.1	(79.0)
Net cash, cash equivalents and bank overdrafts at end of year	708.9	592.1

PRELIMINARY CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Audited Year ended 30 September 2010 R'm	Audited Year ended 30 September 2009 R'm
Share capital, share premium and treasury shares	998.6	989.5
Opening balance	989.5	976.6
Movement in treasury shares	14.4	13.5
Ordinary shares issued – share appreciation rights	0.3	–
Employee share scheme – repurchase of shares	(5.6)	(0.6)
Other reserves	28.3	(7.0)
Opening balance	(7.0)	16.6
Transfers (to)/from retained earnings	(0.4)	0.5
Equity compensation reserve transactions	13.2	10.0
Ordinary shares issued – share appreciation rights	(0.3)	–
Deferred income tax on share-based payments	5.2	0.5
Other comprehensive income/(loss) for the year	17.6	(34.6)
Retained earnings	3 724.5	3 645.5
Opening balance	3 645.5	3 263.6
Profit for the year	234.5	560.5
Dividends paid	(157.9)	(178.8)
Transfers from/(to) other reserves	0.4	(0.5)
Profit with increase in interest in subsidiary	–	0.4
Management share incentive scheme – disposal of shares	2.1	0.4
Employee share scheme – transfer tax on share transactions	(0.1)	(0.1)
Non-controlling interest	6.5	5.8
Opening balance	5.8	6.0
Dividend paid	(0.5)	–
Non-controlling interest acquired	–	(1.4)
Profit for the year	1.2	1.2
Total equity	4 757.9	4 633.8

PRELIMINARY CONDENSED GROUP SEGMENT REPORT

	Audited Year ended 30 September 2010 R'm	Audited Year ended 30 September 2009 R'm
Segment revenue		
Sasko	8 314.1	8 876.7
Agri Business	2 453.2	2 599.4
Bokomo Foods	2 683.2	2 625.0
Ceres Beverages	2 483.7	2 410.1
	15 934.2	16 511.2
Less: Internal revenue	(202.9)	(227.3)
Total	15 731.3	16 283.9
Segment results (operating profit before items of a capital nature)		
Sasko	327.5	926.3
Excluding Competition Commission penalties	981.7	926.3
Competition Commission penalties	(654.2)	–
Agri Business	136.9	80.3
Bokomo Foods	230.7	195.4
Ceres Beverages	165.2	98.6
Unallocated	(107.3)	(140.6)
Total	753.0	1 160.0
Excluding Competition Commission penalties	1 407.2	1 160.0
Competition Commission penalties	(654.2)	–
Reconciliation of operating profit (before items of a capital nature) to profit before income tax		
Operating profit before items of a capital nature	753.0	1 160.0
Adjusted for:		
Items of a capital nature	(10.3)	(68.0)
Interest income	31.4	27.0
Dividends received	2.0	1.7
Finance costs	(156.6)	(224.5)
Share of profit of associated companies	0.1	0.4
Profit before income tax	619.6	896.6

NOTES TO THE PRELIMINARY CONDENSED ANNUAL FINANCIAL STATEMENTS

1. **Basis of preparation**
   These preliminary condensed annual financial statements are derived from the audited annual financial statements of the Group for the year ended 30 September 2010 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Listings Requirements of the JSE Limited and the Companies Act of South Africa (1973), as amended. The preliminary condensed annual financial statements comply with the requirements of *IAS 34 – Interim Financial Reporting.*

2. **Accounting policies**
   These preliminary condensed annual financial statements incorporate accounting policies that are consistent with those applied in the Group's annual financial statements and with those of previous financial years, except for the adoption of the following interpretations and amendments to published standards that became effective for the current reporting period beginning on 1 October 2009:
   Amendment to *IFRS 1 – First-time Adoption of International Financial Reporting Standards* and *IAS 27 – Consolidated and Separate Financial Statements*
   Amendment to *IFRS 2 – Share-based Payments*
   IFRS 3 – Business Combinations – Revised
   Amendment to *IFRS 7 – Financial Instruments: Disclosures*
   IFRS 8 – Operating Segments
   IAS 1 – Presentation of Financial Statements – Revised
   IAS 23 – Borrowing Costs – Revised
   IAS 27 – Consolidated and Separate Financial Statements – Revised
   Amendment to *IAS 32 – Financial Instruments: Presentation* and *IAS 1 – Presentation of Financial Statements*
   Amendment to *IAS 39 – Financial Instruments: Recognition and Measurement*
   IFRIC Interpretation 17 – Distribution of Non-cash Assets to Owners
   AC 503 – Accounting for Black Economic Empowerment Transactions – Revised
   AC 504: IAS 19 – Employee Benefits: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment
   IFRIC Interpretation 18 – Transfers of Assets from Customers

NOTES TO THE PRELIMINARY CONDENSED ANNUAL FINANCIAL STATEMENTS (continued)

2. **Accounting policies (continued)**
   The adoption of these amendments to standards and interpretations did not have any material impact on the Group's results and cash flows for the year ended 30 September 2010 and the financial position at 30 September 2010.

	Audited Year ended 30 September 2010	Audited Year ended 30 September 2009
3. Share capital		
During the year under review the following share transactions occurred:		
Number of listed issued and fully paid ordinary shares		
At beginning of year	201 183 898	201 183 898
Shares issued in terms of employee share appreciation rights scheme	8 072	–
At end of year	201 191 970	201 183 898
8,072 (2009: Nil) listed ordinary shares of 10 cents each were issued at R42.58 per share		
Number of treasury shares held by the share incentive trust		
At beginning of year	6 758 105	8 570 935
Shares bought back	(1 646 200)	(1 812 830)
At end of year	5 111 905	6 758 105
Proceeds on the sale of treasury shares by the share incentive trust (R'000)	18 061	13 881
Number of treasury shares held by a subsidiary		
At beginning and at end of year	17 982 056	17 982 056
Number of unlisted class A ordinary shares		
At beginning of year	11 397 190	12 619 180
Shares bought back	(988 540)	(1 221 990)
At end of year	10 408 650	11 397 190
Purchase consideration paid for unlisted class A ordinary shares bought back (R'000)	5 497	629

4. **Borrowings**
   No material new borrowings were concluded during the year under review. Changes in borrowings reflect the repayments made in terms of agreements. Short-term borrowings fluctuate in accordance with changing working capital needs.

5. **Impairment**
   The Group re-assessed and impaired the carrying values of the underlying assets of the Werda, Hooch and Kwality businesses and in 2009 of the Moir's and Kwality businesses with after-tax amounts of R17,421,898 (2009: R50,913,156). These impairment losses, with the exception of the calculations for Kwality, were calculated by comparing the carrying amount of the cash-generating unit (CGU) to the value-in-use of these CGUs. The calculations for the Kwality business were done by comparing the carrying value of this CGU to the fair value less cost to sell.

6. **Events after the reporting date**

6.1 Dividend
   Given the board's prudent approach to capital management, no final or interim dividend was declared for 2010. A final dividend of R179,053,669 was declared for 2009, representing 89.0 cents per ordinary share. The total dividend for 2009 was R251,479,873 representing 125.0 cents per share.

6.2 Competition Commission penalties
   Pioneer Foods and the Competition Commission ("the Commission") agreed on 2 November 2010 to a full and final settlement on the bread, milling and other investigations conducted by the Commission.
   The salient provisions of the settlement agreement, which was approved by the Competition Tribunal ("the Tribunal") on 30 November 2010, are as follows:
   - Pioneer Foods will pay administrative penalties of R500 million to the Commission. The Commission will pay this sum to the National Revenue Fund.
   - Pioneer Foods has furthermore committed to a reduction in its gross profit, amounting to R160 million when benchmarked against an agreed base period, in respect of a selection of defined wheaten flour and bread products.
   - These figures exclude the administrative penalty of R195,718,614 imposed by the Tribunal in the bread matter which was paid by Pioneer Foods in April 2010.
   - The settlement amounts of R500 million were provided for in the 2010 financial year and will become payable as follows: R66,666,667 within five days of confirmation of the settlement agreement as an order of the Tribunal ("the first payment date"), R216,666,667 on the first anniversary of the first payment date and R216,666,667 on the second anniversary of the first payment date. Payments have been discounted at a rate of 6,6%.
   - Pioneer Foods furthermore undertook not to reduce its committed cumulative capital expenditure from 2010 to 2013 as a result of the settlement agreement and commits to increase its capital expenditure by R150 million over the same period. This R150 million commitment is included in the capital commitments as disclosed in note 9.

6.3 Business combinations subsequent to year-end
   The assets and liabilities of Mynsar Eggs were acquired on 1 November 2010 and can be summarised as follows:

Fair value (R'm)	
Property, plant and equipment	21.8
Inventories	5.2
Trade and other payables	(0.3)
Deferred income tax	(3.1)
Goodwill	11.3
Purchase consideration – settled in cash	34.9

6.4 Other material events
   There have been no other material events requiring disclosure after the reporting date and up to the date of approval of the annual financial statements by the board.

7. **Business combinations**
   During the period under review the following businesses were acquired and all assets and liabilities relating to these acquisitions have been accounted for on an acquisition basis:

	Audited year ended 30 September 2010
Purchase considerations – settled in cash (R'm)	
Eggland Poultry farm (on 1 January 2010)	56.9
Opdiefontein Poultry farm (on 1 March 2010)	43.2
Liptons (on 1 September 2010)	36.0
Richmark Poultry (on 1 April 2010)	8.3
Maize in Minute (on 10 May 2010)	0.3
	144.7
The combined assets and liabilities acquired of these businesses can be summarised as follows:	
Fair value (R'm)	
Property, plant and equipment	100.4
Intangible assets	14.5
Inventories	30.3
Trade and other payables	(0.5)
	144.7

Carrying value
As the Group acquired the assets and liabilities of these businesses rather than the shares of the legal entities that previously owned such assets and liabilities, it is impracticable to disclose the carrying amounts in the accounting records of the previous owners prior to these acquisitions. In these circumstances the Group does not have access to such carrying values.

The combined contribution of these businesses since acquisition (R'm):	
Revenue	91.8
Operating profit before finance cost and income tax	4.5

The combined *pro forma* contribution of these businesses assuming the acquisitions were at the beginning of the year (R'm):	
Revenue	187.5
Operating profit before finance cost and income tax	12.3

8. **Contingent liabilities**

8.1 Dispute with egg contract producers
   As previously reported, claims were received from some contract producers for the alleged breach of the terms of specific supply agreements. The claimants withdrew these claims in arbitration proceedings and submitted new claims to the Western Cape High Court: Cape Town.
   Pioneer Foods has filed answering pleas to all these claims. In several of these matters counter claims to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producers are being quantified and will be filed. The Court is unlikely to hear these matters in the foreseeable future. Management remains convinced, based on legal advice regarding the legal merits of the claims against the Group, that the Group will not incur any material liability in respect of this matter.

8.2 Guarantees
   The Group issued guarantees of R106,7 million (2009: R156,5 million) at year-end, primarily for loans by third parties to contracted suppliers.

9. **Future capital commitments**
   Capital expenditure approved by the board and contracted for amount to R627,4 million (2009: R376,7 million). Capital expenditure approved by the board, but not contracted for yet, amount to R324,7 million and R349,7 million for 2011 and 2012 respectively (2009: R486,3 million and R211,8 million for 2010 and 2011 respectively). Capital commitments of joint ventures amount to R47,9 million (2009: R39,0 million).

10. **Audit report**
   The external auditors, PricewaterhouseCoopers Inc., have audited the Group's annual financial statements for the year ended 30 September 2010 and their unqualified auditor's report is available for inspection at the registered office of the Company.