Audited preliminary condensed

annual financial statements

for the year ended 30 September 2011

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")

PIONEERFOODS

SINCE 1920

PIONEER FOODS SALIENT FEATURES

Revenue	**R17 billion**	**7%** ↑
Operating profit (before items of a capital nature)	**R1 191 million**	**58%** ↑
Headline earnings	**R726 million**	**207%** ↑

After comparative figures were adjusted by R654 million for Competition Commission penalties:

Adjusted change to operating profit (before items of a capital nature)	**15%** ↓
Adjusted change to headline earnings	**18%** ↓
Final dividend per listed ordinary share (2010: Nil cents)	**40 cents**

For more information visit our website at **WWW.PIONEERFOODS.CO.ZA**

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Audited Year ended 30 September 2011 R'm	Audited Year ended 30 September 2010 R'm
Revenue	**16 853.1**	15 731.3
Cost of goods sold	**(11 804.1)**	(10 720.4)
Gross profit	**5 049.0**	5 010.9
Other income and gains/(losses) – net	**291.7**	261.4
Other expenses	**(4 149.4)**	(4 519.3)
Excluding Competition Commission penalties	**(4 149.4)**	(3 865.1)
Competition Commission penalties	**–**	(654.2)
Items of a capital nature	**(0.8)**	(10.3)
Operating profit	**1 190.5**	742.7
Investment income	**19.2**	33.4
Finance costs	**(160.0)**	(156.6)
Share of profit of associated companies	**0.3**	0.1
Profit before income tax	**1 050.0**	619.6
Income tax expense	**(319.9)**	(383.9)
Profit for the year	**730.1**	235.7
Other comprehensive income for the year	**63.8**	17.6
Movement in cash flow hedging reserve	**36.7**	31.5
Fair value adjustments:		
For the year	**118.6**	(44.1)
Current income tax effect	**(40.2)**	4.6
Deferred income tax effect	**7.0**	7.7
Reclassified to profit or loss	**(67.6)**	87.9
Current income tax effect	**36.2**	(9.8)
Deferred income tax effect	**(17.3)**	(14.8)
Net fair value adjustment on available-for-sale financial assets	**1.9**	3.3
Fair value adjustments:		
For the year	**3.9**	5.8
Deferred income tax effect	**(0.3)**	(0.7)
Reclassified to profit or loss	**(1.7)**	(1.8)
Movement on foreign currency translation reserve	**25.2**	(17.2)
Total comprehensive income for the year	**793.9**	253.3
Profit for the year attributable to:		
Owners of the parent	**728.8**	234.5
Non-controlling interest	**1.3**	1.2
	730.1	235.7
Total comprehensive income for the year attributable to:		
Owners of the parent	**792.6**	252.1
Non-controlling interest	**1.3**	1.2
	793.9	253.3

GROUP STATEMENT OF CHANGES IN EQUITY

	Audited Year ended 30 September 2011 R'm	Audited Year ended 30 September 2010 R'm
Share capital, share premium and treasury shares	**986.5**	998.6
Opening balance	**998.6**	989.5
Movement in treasury shares	**11.8**	14.4
Ordinary shares issued – share appreciation rights	**2.6**	0.3
Employee share scheme – repurchase of shares	**(26.5)**	(5.6)
Other reserves	**115.2**	28.3
Opening balance	**28.3**	(7.0)
Transfers from/(to) retained earnings	**0.4**	(0.4)
Equity compensation reserve transactions	**15.0**	13.2
Ordinary shares issued – share appreciation rights	**(2.6)**	(0.3)
Deferred income tax on share-based payments	**10.3**	5.2
Other comprehensive income for the year	**63.8**	17.6
Retained earnings	**4 386.6**	3 724.5
Opening balance	**3 724.5**	3 645.5
Profit for the year	**728.8**	234.5
Dividends paid	**(71.6)**	(157.9)
Transfers (to)/from other reserves	**(0.4)**	0.4
Management share incentive scheme – disposal of shares	**5.4**	2.1
Employee share scheme – transfer tax on share transactions	**(0.1)**	(0.1)
Non-controlling interest	**7.5**	6.5
Opening balance	**6.5**	5.8
Dividend paid	**(0.3)**	(0.5)
Profit for the year	**1.3**	1.2
Total equity	**5 495.8**	4 757.9

GROUP STATEMENT OF FINANCIAL POSITION

	Audited 30 September 2011 R'm	Audited 30 September 2010 R'm
Assets		
Property, plant and equipment	**4 192.3**	3 565.0
Goodwill	**265.1**	221.1
Other intangible assets	**467.4**	468.4
Biological assets	**16.8**	16.8
Investments in associates and loans to joint ventures	**29.9**	35.2
Available-for-sale financial assets	**43.6**	39.1
Trade and other receivables	**20.0**	16.9
Deferred income tax	**2.6**	2.7
Non-current assets	**5 037.7**	4 365.2
Current assets	**4 825.3**	4 512.1
Inventories	**2 313.4**	1 936.6
Biological assets	**210.1**	187.6
Derivative financial instruments	**14.1**	5.2
Trade and other receivables	**1 836.1**	1 669.3
Current income tax	**11.2**	3.5
Cash and cash equivalents	**440.4**	709.9
Total assets	**9 863.0**	8 877.3
Equity and liabilities		
Capital and reserves attributable to owners of the parent	**5 488.3**	4 751.4
Share capital	**20.1**	20.1
Share premium	**1 186.7**	1 210.6
Treasury shares	**(220.3)**	(232.1)
Other reserves	**115.2**	28.3
Retained earnings	**4 386.6**	3 724.5
Non-controlling interest	**7.5**	6.5
Total equity	**5 495.8**	4 757.9
Non-current liabilities	**1 891.0**	2 074.0
Borrowings	**849.0**	946.2
Provisions for other liabilities and charges	**113.3**	109.1
Accrual for Competition Commission penalties	**202.1**	391.8
Share-based payment liability	**146.0**	102.2
Derivative financial instruments	**–**	5.6
Deferred income tax	**580.6**	519.1
Current liabilities	**2 476.2**	2 045.4
Trade and other payables	**1 871.5**	1 732.6
Current income tax	**22.1**	8.4
Derivative financial instruments	**10.4**	57.4
Borrowings	**348.4**	169.5
Loan from joint venture	**7.9**	10.3
Accrual for Competition Commission penalties	**215.5**	66.7
Dividends payable	**0.4**	0.5
Total equity and liabilities	**9 863.0**	8 877.3

GROUP STATEMENT OF CASH FLOWS

	Audited Year ended 30 September 2011 R'm	Audited Year ended 30 September 2010 R'm
Net cash profit from operating activities	**1 563.3**	1 609.9
Excluding Competition Commission penalties paid	**1 563.3**	1 805.6
Competition Commission penalties paid	**–**	(195.7)
Cash effect from hedging activities	**14.2**	18.7
Working capital changes	**(446.8)**	95.1
Accrual for Competition Commission penalties paid	**(66.7)**	–
Net cash generated from operations	**1 064.0**	1 723.7
Income tax paid	**(261.5)**	(353.0)
Net cash flow from operating activities	**802.5**	1 370.7
Net cash flow from investment activities	**(933.4)**	(805.3)
Property, plant, equipment and intangible assets		
– additions and replacements	**(814.6)**	(751.0)
– proceeds on disposal	**33.7**	41.6
Business combinations	**(171.2)**	(144.7)
Proceeds on disposal of and changes in available-for-sale financial assets and loans	**(3.6)**	11.8
Disposal of subsidiaries	**–**	3.6
Interest received	**18.1**	31.4
Dividends received	**1.1**	2.0
Dividends received from associates	**3.1**	–
Net cash flow from financing activities	**(232.3)**	(448.6)
Repayments of borrowings	**(11.9)**	(137.6)
Treasury shares – share incentive trust	**11.8**	14.4
Share schemes transactions	**(20.9)**	(4.8)
Interest paid	**(139.6)**	(163.0)
Dividends paid	**(71.7)**	(157.6)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**(363.2)**	116.8
Net cash, cash equivalents and bank overdrafts at beginning of the year	**708.9**	592.1
Net cash, cash equivalents and bank overdrafts at end of the year	**345.7**	708.9

HEADLINE EARNINGS RECONCILIATION

	Audited Year ended 30 September 2011 R'm	Audited Year ended 30 September 2010 R'm
Reconciliation between profit attributable to owners of the parent and headline earnings		
Profit attributable to owners of the parent	**728.8**	234.5
Remeasurement of items of a capital nature	**0.8**	10.3
Net profit on disposal of property, plant, equipment and intangible assets	**(5.4)**	(11.8)
Net profit on disposal of available-for-sale financial assets and subsidiaries	**(1.7)**	(2.1)
Impairment of property, plant, equipment and intangible assets	**7.9**	24.2
Tax effect on remeasurement of items of a capital nature	**(3.4)**	(8.4)
Headline earnings	**726.2**	236.4
Competition Commission penalties	**–**	654.2
Adjusted headline earnings	**726.2**	890.6
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)	**3.9**	5.1
Number of issued class A ordinary shares (million)	**9.3**	10.4
Weighted average number of ordinary shares (million)	**178.4**	177.0
Earnings per ordinary share (cents):		
– basic	**408.4**	132.5
– diluted	**399.7**	130.2
– headline	**407.0**	133.5
– adjusted headline	**407.0**	503.0
– diluted headline	**398.3**	131.2
Dividend per ordinary share (cents)	**80.0**	–
Dividend per class A ordinary share (cents)	**24.0**	–
Net asset value per ordinary share (cents)	**3 059.7**	2 667.9
Debt to equity ratio (%)	**13.8**	8.5

GROUP SEGMENT REPORT

	Audited Year ended 30 September 2011 R'm	Audited Year ended 30 September 2010 R'm
Segment revenue		
Sasko	**9 054.6**	8 314.1
Agri Business	**2 714.6**	2 453.2
Bokomo Foods	**2 760.3**	2 683.2
Ceres Beverages	**2 577.4**	2 483.7
	17 106.9	15 934.2
Less: Internal revenue	**(253.8)**	(202.9)
Total	**16 853.1**	15 731.3
Segment results (operating profit before items of a capital nature)		
Sasko	**857.5**	327.5
Excluding Competition Commission penalties	**857.5**	981.7
Competition Commission penalties	**–**	(654.2)
Agri Business	**109.2**	136.9
Bokomo Foods	**216.4**	230.7
Ceres Beverages	**132.0**	165.2
Unallocated	**(123.8)**	(107.3)
Total	**1 191.3**	753.0
Excluding Competition Commission penalties	**1 191.3**	1 407.2
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	**1 191.3**	753.0
Adjusted for:		
Items of a capital nature	**(0.8)**	(10.3)
Interest income	**18.1**	31.4
Dividends received	**1.1**	2.0
Finance costs	**(160.0)**	(156.6)
Share of profit of associated companies	**0.3**	0.1
Profit before income tax	**1 050.0**	619.6

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 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Listings Requirements of the JSE Limited, the Companies Act of South Africa, Act 61 of 1973, and the Companies Act of South Africa, Act 71 of 2008. 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 for the year ended 30 September 2011 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 2010:

Amendment to *IFRS 1 – First-time Adoption of International Financial Reporting Standards*

Amendment to *IFRS 2 – Share-based Payments*

Amendment to *IAS 32 – Classification of Rights Issues*

Improvements to IFRSs 2009 and 2010

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

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 2011 and the financial position at 30 September 2011.

	Audited Year ended 30 September 2011	Audited Year ended 30 September 2010
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	**201 191 970**	201 183 898
Shares issued in terms of employee share appreciation rights scheme	**44 959**	8 072
At end of year	**201 236 929**	201 191 970
44,959 (2010: 8,072) listed ordinary shares of 10 cents each were issued at an average of R58.06 (2010: R42.58) per share		
Number of treasury shares held by the share incentive trust		
At beginning of year	**5 111 905**	6 758 105
Movement in shares	**(1 230 504)**	(1 646 200)
At end of year	**3 881 401**	5 111 905
Proceeds on the sale of treasury shares by the share incentive trust (R'000)	**18 661**	18 061
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	**10 408 650**	11 397 190
Shares bought back and cancelled	**(1 114 120)**	(988 540)
At end of year	**9 294 530**	10 408 650
Purchase consideration paid for unlisted class A ordinary shares bought back (R'000)	**26 526**	5 497

4. Borrowings
Ceres Fruit Juices (Pty) Limited, a Group subsidiary, entered into a new borrowings agreement amounting to R120 million. No other material new borrowings were concluded during the year under review. Other changes in borrowings mainly reflect 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 Heinz chilled business (Spartan) and the KwaZulu-Natal dilutables business and in 2010 of the Werda, Hooch and Kwality businesses with after-tax amounts of R4,096,910 (2010: R17,421,898). These impairment losses, with the exception of the calculations for the KwaZulu-Natal dilutables business and the Kwality business in 2010, 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 KwaZulu-Natal dilutables business and the Kwality business were done by comparing the carrying value of the CGUs to their fair value less cost to sell.

The Group also re-assessed and impaired the carrying values of goodwill and intangible assets of the Heinz chilled business (Spartan) with an amount of R2,168,155. This impairment loss was calculated by comparing the carrying amount of the CGU to the value-in-use of this CGU. No impairment losses on goodwill and intangible assets were recognised in 2010.

6. Events after the reporting date

6.1 Dividend

The board approved a final dividend of 40.0 cents per ordinary share. This will approximately amount to R80,494,772, depending on the exact amount of ordinary shares issued at the record date.

This is in addition to the interim dividend of 40.0 cents per ordinary share that amounted to R80,487,571.

NOTES TO THE PRELIMINARY CONDENSED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

6.2 Proposed B-BBEE transaction

Shareholders are referred to the cautionary announcement published on 4 August 2011 and an update on this matter on 19 September 2011.

The Company concluded a B-BBEE transaction with its employees in 2006 which effectively equated to 10% black ownership of the Company at the time. Pioneer Foods now proposes to increase and broaden the black ownership of the Company to include a broad-based Educational and Community Trust, strategic B-BBEE partners and black members of the board of the Company ("proposed B-BBEE transaction").

The proposed B-BBEE transaction will be implemented by way of vendor and third party finance, pursuant to which the B-BBEE shareholders will acquire a direct equity interest in the Company of approximately 13.5% at market related values. Third party BEE parties will be issued 8.5% and a broad-based Educational and Community Trust approximately 5%. Finalisation of funding is at an advanced stage.

Following the implementation of the proposed B-BBEE transaction, the Company will have an effective black ownership of about 18% (including the initial Pioneer Foods employees' scheme) as measured in terms of the DTI Codes of Good Practice on Broad Based Black Economic Empowerment.

The proposed B-BBEE transaction will be subject to various conditions including shareholder approval. Further details including salient dates and the pro forma financial effects will be announced in due course, once finalised.

6.3 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 2011
Purchase considerations – settled in cash (R'm)	
Mynsar poultry farm (on 1 November 2010)	**34.9**
Tonko abattoir (on 1 February 2011)	**136.3**
	171.2
The combined assets and liabilities acquired of these businesses can be summarised as follows:	
Fair value (R'm)	
Property, plant and equipment	**121.8**
Goodwill	**41.2**
Inventories	**3.0**
Current biological assets	**8.9**
Trade and other payables	**(0.6)**
Deferred income tax	**(3.1)**
Purchase consideration – settled in cash	**171.2**

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 impractical 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	**141.5**
Operating loss before finance cost and income tax	**9.0**
The combined pro forma contribution of these businesses assuming the acquisitions were at the beginning of the year (R'm):	
Revenue	**212.3**
Operating loss before finance cost and income tax	**14.1**

8. Contingent liabilities

8.1 Land claims

Regional Land Claim Commissioners acknowledged claims against the land of a Group company in terms of the provisions of sections 2 and 11 of the Restitution of Land Rights Act of 1994 (as amended), during 2007.

The valuations of the Commissioners were accepted for the two farms involved and negotiations with the Commissioners regarding the proposed sale for R10.5 million are ongoing. The impact of discontinuing production at these two units is immaterial.

It is not anticipated that any material transactions will arise from these land claims.

8.2 Dispute with egg contract producers

As previously reported six contract egg producers are proceeding with their claims in the Western Cape High Court: Cape Town.

Pioneer Foods filed pleas to all these claims and in four of these claims counter claims have been filed to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producers.

All six these matters have been set down for trial in the Cape High Court from Monday the 5th of March 2012. The court will in all likelihood not hear all six matters simultaneously, but will direct a specific order in which the matters are to be heard.

Management remains convinced, based on legal advice regarding the merits of the claims against the Group, that the Group will not incur any material liability in respect of this matter.

8.3 Dispute with broiler farms and breeder farms

Several breeder farms and broiler farms (five in total) have also now filed claims against Pioneer Foods for the alleged breach of the terms of their supply agreements with Pioneer Foods.

Only letters of demand have been received thus far and these claims should eventually be finalised by means of arbitration. Although a date for the arbitration has not yet been finalised the arbitration will in all likelihood take place in the latter part of 2012.

Based on legal advice regarding the merits of this claim and at this early stage of the proceedings, management is convinced that the Group will not incur any material liability in respect of these matters.

8.4 Guarantees

The Group issued guarantees of R75.9 million (2010: R106.7 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 amounts to R608.0 million (2010: R627.4 million). Capital expenditure approved by the board, but not contracted for yet, amounts to R163.9 million for 2012 (2010: R324.7 million and R349.7 million for 2011 and 2012 respectively). Capital commitments of joint ventures amount to R29.2 million (2010: R47.9 million).

10. Preparation of financial statements

These annual financial statements have been prepared under the supervision of LR Cronjé, CA(SA), group financial director.

11. Audit report

The external auditors, PricewaterhouseCoopers Inc., have audited the Group's annual financial statements for the year ended 30 September 2011 and their unqualified auditor's report is available for inspection at the registered office of the Company.

COMMENTARY

Pioneer Foods continued to grow and develop its operational base during the year under review by adding much needed production capacity in key categories, improving efficiencies, containing costs and broadening the product range to meet changing customer tastes and preferences.

The Group's performance for the year ended 30 September 2011 was impacted by rising input costs, lagging price increases and volume pressure in most categories. Revenue from specified bread and wheaten flour products were impacted negatively by delayed price increases to implement the gross profit reductions as agreed with the Competition Commission as part of the settlement reached in November 2010.

Group revenue increased by 7% to R16.9 billion with volume growth of some 3% and inflation of 4% in our product basket.

Operating profit, before items of a capital nature, decreased by 15% to R1 191 million, resulting in a declined margin of 7.1% (2010: 8.9%). Headline earnings declined by 18% to R726 million or 407 cents per share. All of the above comparisons are after the comparative numbers have been adjusted to eliminate the impact of the Competition Commission settlement in the previous year.

The investment in working capital increased by R447 million, largely as a result of higher raw material prices. In addition to the increased working capital investment, the first payment of R67 million, in terms of the Competition Commission settlement, was made in this reporting period. Net cash generated from operations amounted to R1 064 million.

Net cash outflow from investment activities was R933 million, contributing to net interest-bearing debt increasing to R757 million from R406 million a year ago, or 14% of equity at the reporting date.

SASKO

Sasko's financial performance for 2011 was negatively impacted by the gross profit reduction agreement with the Competition Commission which was implemented between December 2010 and March 2011. Sasko agreed to sacrifice gross profit on selected bread and wheaten flour products to the value of R160 million for the benefit of its consumer base. This was achieved by a lagged implementation of price increases required at the time. Gross profit of R170.8 million was ultimately sacrificed. During this period bread and wheaten flour sales responded positively to this initiative, but volumes tapered off significantly thereafter.

International grain commodity prices, specifically maize, continued to strengthen throughout the financial year. The decline in the international maize stock to usage ratio confirms that demand is currently outstripping production and thus supporting higher maize prices. This trend is sustained by the increase in the use of maize for the production of ethanol in the US. In rand terms, maize cost increased by about 70% in the reporting period.

After an initial increase the price of wheat has traded down to levels comparable with September 2010 with international pricing remaining volatile. Local prices were moderated during the year by a relatively strong rand.

In line with subdued wheat consumption on an industry level the second half of the financial year presented a general decline in demand in the wheaten and bread product categories, whereas maize volumes were largely maintained.

Sasko Grain's profitability remained solid and benefited from sound volumes. The rice and legume business continued to post improved sales volumes and profitability.

The Sasko Bakeries business was more directly affected by the gross profit sacrifice and the general increase in the input cost base. Despite this, an overall increase in sales volume was achieved for the full year, although sales in the last quarter were significantly softer.

The performance of Sasko Pasta was constrained by the increase in lower-priced imports, despite the current tariff structure in place and the relatively high cost of wheat. Investment in additional warehouse infrastructure is progressing as planned.

The Bowman Ingredients joint venture continued to perform well, despite the slowdown in the economy and the sharp rise in input costs.

Group operations in Botswana and Zambia performed well, whereas the Namibian and Ugandan businesses struggled in the highly competitive trading environments. Business plans and strategies have been adjusted to address these challenges.

AGRI

Agri experienced a challenging trading environment, largely due to the substantial increase in maize and other raw material prices, especially in the second half of the financial year. Effective raw material procurement strategies succeeded to protect the operating margin up to the third quarter. Thereafter the margin was under severe pressure as chicken and egg final product prices could not absorb the increased raw material cost.

The feeds business performed well, supported by increased sales volumes and a tight focus on costs. Margins in this business were sustained and overall profitability was improved for the financial year.

Margin pressure was most apparent in the egg business as the industry as a whole entered the start of a downswing during the reporting period. While sales of eggs increased on the prior year, sales prices continued to be weak, not responding to increased feed cost. The repositioning of the egg business and improved efficiencies over the past two years succeeded to limit the severity of these pressures.

Margins were also under pressure in the broiler business, despite improved efficiencies realised throughout the value chain. Sales volumes improved, but prices were negatively affected by an increase in imported chicken meat resulting in severe margin pressure. Good farming practices and the absence of poultry diseases supported efficiency gains.

The integration of recently acquired Tonko Chicks in Gauteng experienced some start-up challenges, but is expected to render value-enhancing returns in future. More capital will be spent in the new financial year to address inefficiencies.

BOKOMO FOODS

The overall performance of the Bokomo Foods business improved during the financial year. However, results were marginally down due to a R19 million abnormal gain included in the prior year relating to the insurance recovery following the 2009 fire at the Upington raisin factory.

Sales volumes were flat, with good performances from breakfast cereals and baking aids. This was partly offset by a decreased performance from the dried fruit business due to limited raisin crop availability as a result of severe floods in the production areas.

Results were further impacted by the commissioning of the new biscuit plant in Clayville, and the launch of the new biscuits range under the *Moir's* brand at the end of September 2011.

Breakfast cereals achieved steady volume growth in key products and good recovery of raw material and overhead cost inflation from the market. Increased marketing spend on *Weet-Bix* also stimulated growth into new market segments. *Bokomo Corn Flakes*, *Otees* and *Bokomo Instant Oats* also showed good growth.

The Heinz Foods business showed good growth in condiments and sauces and posted an acceptable performance overall. However, growth in the frozen foods category remained slow.

CERES BEVERAGES

Ceres Beverages achieved mixed results. A strong first half performance was unfortunately negated by a disappointing performance in the second half of the year, particularly in the fruit concentrate mixture category.

The fruit juice category performed well with volume growth achieved in the local and international markets aided by new packaging formats and juice flavours.

The first new bottling line was installed in the new fruit juice factory in Wadeville in the second half of the financial year, with another line to be commissioned early in 2012. We anticipate that the improvement in service levels and cost savings on transport from moving production closer to the market will largely mitigate the start-up costs.

The fruit concentrate mixture category had a disappointing second half as aggressive competitor activity placed pressure on sales volumes. This category is extremely competitive with relative low barriers of entry.

Carbonated soft drink sales volumes grew despite continued fierce competition. Profitability improved and the increase in volumes necessitated further capital investment. New equipment will be installed in the Ceres factory in the space created by relocating the juice lines to Wadeville. This will be commissioned in the second half of the new financial year. The increased capacity will provide a more efficient value chain and enhance profitability.

Lipton Ice Tea volumes grew strongly with good growth being forecasted for the new financial year. The brand was also launched in paper-pack formats to broaden consumer choice.

PROSPECTS

The Group is in a favourable position to participate in profitable volume growth, recognising the constrained consumer spending environment.

Continuing inflationary cost pressures and shifting consumer spending patterns will influence the Group's financial performance in the new financial year.

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

FINAL DIVIDEND

A final dividend of 40.0 cents (2010: Nil, 2009: 89.0 cents) per share has been approved by the Board. The applicable dates are as follows:

Last date of trading cum dividend:	Friday, 27 January 2012
Trading ex dividend commences:	Monday, 30 January 2012
Record date:	Friday, 3 February 2012
Dividend payable:	Monday, 6 February 2012

A final dividend of 12.0 cents (2010: Nil, 2009: 26.7 cents) per class A ordinary share, being 30% of the final dividend payable to ordinary share holders in terms of the rules of the relevant employee scheme, will be paid during February 2012.

Share certificates may not be dematerialised or rematerialised between Monday, 30 January 2012, and Friday, 3 February 2012, both days inclusive.

By order of the Board

ZL Combi
Chairman

WA Hanekom
Managing Director

Paarl, 24 November 2011

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:** J Jacobs E-mail: jjacobs3@pioneerfoods.co.za

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