2007

AUDITED FINANCIAL RESULTS

for the year ended 30 September 2007

REVENUE	11,7 Billion	+ 21%
OPERATING PROFIT (before items of a capital nature)	832 Million	+11%
HEADLINE EARNINGS	503 Million	+ 2%
TOTAL DIVIDEND PER SHARE	93 cents	+ 9%

PIONEER FOODS

SINCE 1920

Registration Number 1996-017676-06

Producing some of South Africa's best known brands

GROUP INCOME STATEMENT

	Audited year ended 30 September 2007 R'm	Audited year ended 30 September 2006 R'm
Revenue	**11,676.6**	9,664.4
Cost of goods sold	**(8,225.8)**	(6,602.9)
Gross profit	**3,450.8**	3,061.5
Net operating expenses	**(2,618.9)**	(2,314.6)
Items of a capital nature	**1.1**	76.7
Operating profit	**833.0**	823.6
Investment income	**16.8**	14.6
Finance costs	**(131.6)**	(80.8)
Profit from associated companies	**0.1**	0.5
Profit before income tax	**718.3**	757.9
Income tax expense	**(211.3)**	(186.1)
Profit for the year	**507.0**	571.8
Attributable to:		
Equity holders of the Group	**506.2**	571.3
Minority interest	**0.8**	0.5
	507.0	571.8
Number of issued ordinary shares (million)	**181.2**	181.2
Number of issued class A ordinary shares (million)	**14.2**	16.2
Weighted average number of ordinary shares (million)	**153.1**	151.4
Earnings per ordinary share (cents)	**330.7**	377.4
Diluted earnings per ordinary share (cents)	**320.5**	364.2
Headline earnings per ordinary share (cents)	**328.4**	325.9
Dividend per ordinary share (cents)	**93.0**	85.2
Dividend per class A ordinary share (cents)	**27.9**	25.6
Reconciliation between profit attributable to equity holders and headline earnings		
Profit attributable to equity holders of the Group	**506.2**	571.3
Items of a capital nature	**(1.1)**	(76.7)
Net profit on disposal of property, plant and equipment	**(6.1)**	(87.7)
Net loss/(profit) on disposal of investments and subsidiary	**0.2**	(1.2)
Impairment of property, plant, equipment and intangible assets	**4.8**	12.2
Tax effect on items of a capital nature	**(2.5)**	(0.6)
Items of a capital nature of associated companies	**-**	(0.5)
Headline earnings	**502.6**	493.5

GROUP BALANCE SHEET

	Audited 30 September 2007 R'm	Audited 30 September 2006 R'm
Assets		
Property, plant, equipment and intangible assets	**3,244.2**	2,853.2
Investments and loans in joint ventures and associates	**15.0**	11.2
Available-for-sale financial assets	**34.8**	25.2
Trade and other receivables	**7.2**	4.6
Deferred income tax assets	**25.5**	23.4
Non-current assets	**3,326.7**	2,917.6
Current assets	**3,500.0**	2,976.5
Inventories	**1,622.3**	1,380.2
Biological assets	**111.3**	97.0
Derivative financial instruments	**5.4**	19.2
Trade and other receivables	**1,510.2**	1,209.4
Cash and cash equivalents	**250.8**	270.7
Total assets	**6,826.7**	5,894.1
Equity and liabilities		
Capital and reserves attributable to equity holders of the Group	**3,609.2**	3,186.7
Minority interest	**5.8**	5.0
Total equity	**3,615.0**	3,191.7
Non-current liabilities	**674.7**	739.4
Borrowings	**187.4**	272.4
Provisions	**71.9**	69.0
Deferred income tax liabilities	**415.4**	398.0
Current liabilities	**2,537.0**	1,963.0
Trade and other payables, income tax, dividends	**1,260.2**	1,050.2
Derivative financial instruments	**18.5**	11.2
Borrowings	**1,258.3**	901.6
Total equity and liabilities	**6,826.7**	5,894.1

GROUP CASH FLOW STATEMENT

	Audited year ended 30 September 2007 R'm	Audited year ended 30 September 2006 R'm
Net cash profit from operating activities	**1,117.4**	973.3
Cash effect from hedging activities	**64.2**	49.6
Working capital changes	**(350.7)**	(573.7)
Net cash generated by operations	**830.9**	449.2
Income tax paid	**(225.5)**	(209.9)
Net cash flow from operating activities	**605.4**	239.3
Net cash flow from investment activities	**(645.9)**	(354.4)
Property, plant, equipment and intangible assets		
- additions and replacements	**(611.6)**	(535.0)
- proceeds on disposal	**49.7**	167.4
Business combinations and disposal of subsidiary	**(94.0)**	(11.0)
Proceeds on disposal of and changes in investments and loans	**(6.8)**	9.6
Interest received	**15.9**	13.6
Dividends received	**0.9**	1.0
Net cash deficit	**(40.5)**	(115.1)
Net cash flow from financing activities	**(331.9)**	74.5
(Repayments of)/proceeds from borrowings	**(68.2)**	274.6
Treasury shares	**4.3**	7.3
Employee share schemes transactions	**(2.6)**	(4.4)
Interest paid	**(131.6)**	(80.8)
Dividends paid	**(133.8)**	(122.2)
Net cash and short-term borrowings on disposal of subsidiary	**(3.0)**	-
Net decrease in cash, cash equivalents and bank overdrafts	**(375.4)**	(40.6)

GROUP STATEMENT OF CHANGES IN EQUITY

	Audited year ended 30 September 2007 R'm	Audited year ended 30 September 2006 R'm
Share capital, share premium and treasury shares	**503.1**	505.6
Opening balance	**505.6**	504.2
Movement in treasury shares	**4.3**	7.3
Employee share scheme - repurchase of shares	**(6.8)**	(5.9)
Other reserves	**149.4**	104.9
Opening balance	**104.9**	22.1
Transfers from/(to) retained earnings	**0.2**	(0.1)
Equity compensation reserve transactions	**21.0**	23.1
Conversion of foreign currency	**(8.0)**	19.9
Fair value gains on available-for-sale financial assets	**6.9**	4.7
Hedging reserve	**24.4**	35.2
Retained earnings	**2,956.7**	2,576.2
Opening balance	**2,576.2**	2,124.2
Profit for the year	**506.2**	571.3
Dividend	**(133.8)**	(122.3)
Transfers (to)/from other reserves	**(0.2)**	0.1
Disposal of management share incentive scheme shares	**8.5**	4.2
Employee share scheme - stamp duty on share transactions	**(0.2)**	(1.3)
Minority interest	**5.8**	5.0
Opening balance	**5.0**	4.7
Dividend	**-**	(0.2)
Profit for the year	**0.8**	0.5
Total equity	**3,615.0**	3,191.7

GROUP SEGMENTAL ANALYSIS

	Audited year ended 30 September 2007 R'm	Audited year ended 30 September 2006 R'm
Segment revenue		
Staple foods	**8,323.0**	6,830.0
Branded products	**3,520.9**	2,826.6
Unallocated	**-**	212.0
	11,843.9	9,868.6
Less: Internal revenue	**(167.3)**	(204.2)
	11,676.6	9,664.4
Segment results (Operating profit before items of a capital nature)		
Staple foods	**615.6**	588.2
Branded products	**256.5**	204.1
Unallocated	**(40.2)**	(45.4)
	831.9	746.9

COMMENTARY

RESULTS

The results for the reporting period were satisfactory given challenging circumstances, specifically the recovery of abnormal raw material and other cost increases. Revenue increased by 21% to R11,7 billion, with operating profit before items of a capital nature 11% higher at R832 million. Headline earnings increased marginally with 2% to R503 million or 328 cents per share.

The well above inflation increase in revenue is mainly the result of increased sales prices following the substantial increase in world grain prices. Worldwide demand exceeded supply across the spectrum of grains and resulted in historic lows in grain stock levels. This phenomenon was caused by a combination of macro factors that limited supply, ranging from severe drought in Eastern Europe and Australia to floods in Western Europe. Demand was further fuelled by the drive to ethanol manufacturing from yellow maize, especially in the USA, to strategically decrease the dependence on oil as a source of energy. The above factors contributed to the local import parity prices of wheat and white maize increasing on average by 48% and 42% respectively, with yellow maize recording an average increase of 60% for the year under review. The raw material and other cost increases were to a large extent recovered in the market, but still insufficient to maintain profit margins. This is reflected in a decline in operating profit margin from 7,7% to 7,1%.

The marginal increase in headline earnings as opposed to the 11% increase in operating profit was the result of the significant increase in net finance charges to R116 million and an increased income tax charge compared to the previous year. The increase in finance charges is the result of increased debt levels due to the investment in working capital and fixed capital, as well as increased interest rates. The investment in working capital increased by R351 million, whereas R714 million was spent on property, plant and equipment and acquisitions as a first phase in repositioning infrastructure and production capacity of the Group. Net interest bearing debt amounted to R1,2 billion at year end, resulting in a debt to equity ratio of 33%.

COMPLAINT REFERRAL BY COMPETITION COMMISSION

During February 2007 Pioneer Foods (Pty) Ltd, a subsidiary of the Group, received a complaint referral by the Competition Commission for alleged restrictive practices in contravention of section 4(1)(b)(i) and section 4(1)(b)(ii) of the Competition Act of 1998. The relief sought is inter alia for the imposition of an administrative penalty of 10% on the 2006 revenue from the production and sale of bread in the Western Cape. Revenue of the Western Cape baking division of the Group amounted to R384 million for the year ended 30 September 2006.

Pioneer Foods prepared and delivered its answer to the complaint referral within the set time limits. Independent legal advice has indicated that Pioneer Foods has reasonable prospects of a successful defense against all or some of the charges made in the complaint referral. Accordingly, no provision has been made for the payment of any penalties in the year under review.

The Commission indicated that further complaint referrals will be made involving Pioneer Foods for alleged restrictive practices in the national bread, wheat milling and maize milling markets. As at the date of approval of the financial statements, no further complaints have been received.

National revenue from the Group's baking and milling business amounted to R3,4 billion for the year ended 30 September 2006. The maximum cash outflow for the Group, if any, in relation to all complaints, could be up to 10% of this amount. This liability only arises if such complaint referrals are ultimately proven against Pioneer Foods. Until any complaints are received and investigated, it is imprudent to comment on the prospects of its successful defense to these charges.

The Group's legal advisors have furthermore been in regular contact with the Commission in endeavours to resolve the complaint referral relating to the Western Cape and to establish the ambit of the other charges to be made against it.

To ensure proper corporate governance, the Board has appointed a committee of non-executive directors, most of whom are independent, to investigate all related matters with the assistance of external consultants.

OPERATIONAL REVIEW

The Sasko division achieved improved results which was largely due to continuing strong sales volumes from its basket of products. A recovery of the bread business, which had been hampered by industrial action in the last two months of the previous year, along with acceptable recoveries in the market place of high and rising raw material and other costs, further contributed to this solid performance.

The Bokomo Foods division performed well. Continued sales volume growth was achieved in the breakfast cereals business and a pleasing profit performance was posted. Sustained and increasing demand for Bokomo's market-leading breakfast cereal products, notably Weet-Bix, Corn Flakes and ProNutro, has already absorbed the additional volumes produced by the increased production capacities.

In the Agri division the chicken and feed businesses performed well on the back of largely sustained profit margins and increased sales volumes. The egg business, however, after three years of substantial profit contributions, was negatively affected by a downward trend in the egg cycle and recorded a net loss for the year.

The S.A.D division achieved good results in the year under review. Its performance was driven in particular by high export volumes accompanied by a weaker average rand exchange rate than in the previous year.

The Ceres Beverage Company achieved satisfactory financial results with excellent volume growth in all categories. This contributed to absorb the pressure on profit margins caused by substantial increases in the costs of raw materials and packaging materials. The division continued to increase public awareness of Pepsi products through a focused marketing campaign and stepped-up distribution networks. In line with projections and operating plans, the contribution to earnings from this venture for the financial year was still limited, but the Group remains excited about the earnings enhancing potential of this venture.

An analysis of the segmental results highlights the fact that the recovery of increased costs was not yet sufficient, resulting in the staple foods margin decreasing from 8,6% to 7,4%. Operating profit margins in the branded segment, where most of the newly acquired revenue was added, only marginally increased to 7,3%. This trend confirms that the contribution to earnings from the new ventures is not yet in relation to their revenue contribution, but hints to the improvement potential once sales volumes from these ventures reach levels of economies of scale.

RECAPITALISATION AND LISTING

Pioneer Foods has grown substantially over the last number of years with revenue increasing from R4,6 billion in 2000 to R11,7 billion this year. This growth was the result of a number of acquisitions, as well as excellent sales volume growth, fuelled by the economic growth in the country. However, the sustained and increased sales volumes has placed capacity across most divisions under pressure. The Board deems a speedy repositioning of capacities not only an opportunity, but also a necessity to support a next level of earnings ability.

An assessment of the Group's debt capacity to timely afford the extensive expansion capital program needed, mindful of the current debt levels and the increased investment in working capital, resulted in the decision by the Board to attract new shareholder capital of R1 billion. The Board is also positive about the likely listing of the Group on the JSE in the first half of 2008. The intention is further to restructure the remaining debt more in line with the long or short term nature of investments funded. A restructured balance sheet and potentially broadened shareholder base will further improve the ability of the Group to accommodate acquisitions of a substantial size, should an opportunity arise.

PROSPECTS

The Group's performance in the new year will be significantly influenced by the direction of world grain prices. Major influences that will have an effect on local grain prices will be:

- Growing international demand for grain
- Stability of world weather patterns
- Exchange rate of the rand against the major currencies
- Volumes of local grain production
- Increasing food prices, specifically on the back of materially increased raw material, labour and transport costs, are expected to further fuel food inflation. The fine balance between a profit margin that will ensure long term sustainability as a business, but affordable food prices, is a continuous challenge and responsibility.

DIVIDEND

A final dividend of 66 cents (2006: 60 cents) per ordinary share has been declared. The total dividend for the year amounts to 93 cents (2006: 85,2 cents) per ordinary share, an increase of 9%. The total payout for the year amounts to R168,5 million compared to R154,3 million in the previous year. These dividends are payable on 6 February 2008 to all shareholders registered on 28 December 2007.

A dividend of 19,8 cents (2006: 18 cents) per class A ordinary share has been declared, being 30% of the dividend payable to ordinary shareholders in terms of the rules of the relevant employee share scheme. This dividend will be paid in February 2008. The total dividend per share declared to class A ordinary shareholders for the year amounts to 27,9 cents (2006: 25,6 cents).

By order of the Board.

HE Blanckenberg
Chairman

WA Hanekom
Managing Director

Paarl, 28 November 2007

DIRECTORS:	HE Blanckenberg (Chairman), JA Louw (Vice-chairman), WA Hanekom (Managing)*, LR Cronjé*, TA Carstens*, MT Swanepoel*, WA Agenbach, GD Eksteen, JN Hamman, N Mjoli-Mncube, AH Sangqu, AC Singleton, Dr FA Sonn, Dr MI Survé, CJ Truter, JH van Niekerk (* Executive)
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