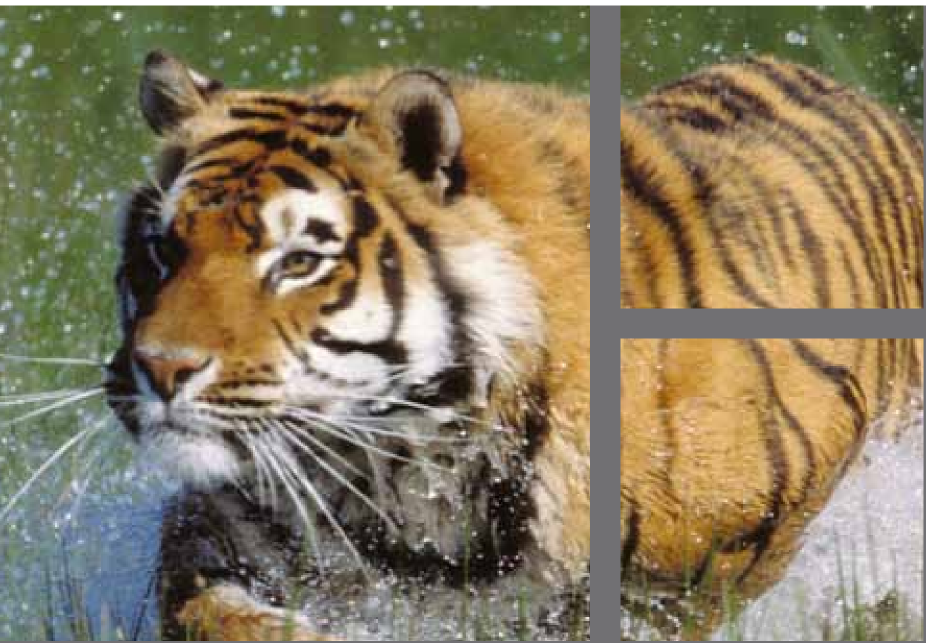
Tiger Brands



# Integrated Report 2011

Tiger Brands

## Group at a glance



## Group review



## Divisional review



## Sustainability and governance



## Annual financial statements



**Tiger Brands Limited is a branded fast-moving consumer packaged goods company that operates mainly in South Africa and selected emerging markets and is listed on the JSE Limited**

## Scope and boundaries

This is the group's first integrated report, which is intended to provide stakeholders with an understanding of the group's business, performance, prospects and strategy. This report is also intended to provide stakeholders with an appreciation of the overall environment in which the group operates. The report covers the operations of Tiger Brands Limited and its subsidiaries for the financial year ended 30 September 2011.

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Companies Act in South Africa and have been independently audited by Ernst & Young Inc. (E&Y).

In reporting on the non-financial aspects of the company's performance, the group has been guided by the Global Reporting Index (GRI) and the King Report on Governance for South Africa, 2009 (King III). The report has been further informed by various standards and codes that govern specific areas, including the Department of Trade and Industry's (DTI) Black Economic Empowerment (BEE) Codes of Good Practice.

Further information on the company and its performance can be viewed online at www.tigerbrands.com.

*For more information regarding the contents of this report, please contact:*


*The Group Company Secretary*
*Tiger Brands Limited*
*Tel: +27 (0)11 840 4350*
*Email: companysecretary@tigerbrands.com*

## Financial Indicators

| *(Rand in millions)* | 2011 | 2010 | % change |
|---|---|---|---|
| **Consolidated results** | | | |
| Turnover | **20 430,2** | 19 316,0 | 5,8 |
| Operating income before abnormal items | **3 244,6** | 3 015,1 | 7,6 |
| Headline earnings | **2 498,3** | 2 203,5 | 13,4 |
| Total assets employed | **16 196,1** | 12 983,9 | 24,7 |
| Cash generated from operations | **3 604,0** | 3 380,0 | 6,6 |
| Cash cost of acquisitions | **2 111,6** | 474,5 | |
| Capital expenditure | **817,8** | 634,2 | 28,9 |
| **Ordinary share performance** | | | |
| Headline earnings per ordinary share (cents) | **1 574,7** | 1 393,0 | 13,0 |
| Dividends and distributions out of capital per ordinary share (cents) | **791,0** | 746,0 | 6,0 |
| Market price at year-end (cents) | **21 000** | 18 960 | 10,8 |

## BEE scorecard level

Tiger Brands

| Elements | Available points | 2011 | 2010 | 2009 |
|---|---|---|---|---|
| Tiger Brands ownership | 20 | 18,4 | 19,7 | 6,2 |
| Management control | 10 | 6,5 | 9,6 | 9,5 |
| Employment equity | 15 | 9,6 | 9,1 | 7,9 |
| Skills development | 15 | 9,1 | 9,5 | 8,8 |
| Preferential procurement | 20 | 18,8 | 18,8 | 16,4 |
| Enterprise development | 15 | 10,3 | 10,1 | 9,2 |
| Socio-economic development | 5 | 5,0 | 5,0 | 5,0 |
| Total score | 100 | 77,7 | 81,8 | 63,0 |
| Level | | 3 | 3 | 5 |

## Non-financial indicators

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Permanent staff number *(see page 12)* | **9 004** | 9 022 | 8 901 | 8 601 | 8 688 |
| % black staff *(see page 57)* | **89** | 88 | 87 | 86 | 85 |
| % staff turnover *(see page 52)* | **9** | 8 | 8 | 9 | 8 |
| BEE scorecard level *(see page 56)* | **3** | 3 | 5 | 6 | 7 |
| CSI expenditure *(Rand in millions)* | **23,8** | 23,3 | 25,6 | 22,0 | 18,6 |

### Financial information

The consolidated annual financial statements were audited by the group's external auditors, Ernst & Young Inc. The scope of their audit was limited to the information in the consolidated annual financial statements and did not include any financial or operating indicators in the integrated report. Their report can be found on page 102.

### Non-financial information: Sustainability

No assurance was obtained on the company's sustainability measures in the current year.

### Non-financial information: B-BBEE

The South African broad-based black economic empowerment information was verified by EmpowerLogic (Pty) Limited.

## Board responsibility statement

The board of directors acknowledges its responsibility for ensuring the integrity of this integrated report. The board has accordingly applied its mind to the integrated report and, in the opinion of the board, the integrated report addresses all material issues and presents fairly the performance of the organisation and outlines the environment in which the group operates. The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III code. The board authorised the release of this report on 15 December 2011.

Lex van Vught
*Chairman*

Peter Matlare
*Chief Executive Officer*

Funke Ighodaro
*Chief Financial Officer*

## Group operations and markets

**Tiger Brands Limited is one of the largest manufacturers and marketers of FMCG products in South Africa. Its footprint extends across Africa and selected countries around the world. It is one of the top 40 listed companies on the JSE Limited, with a proud record of solid financial performance over several decades.**

Tiger Brands has been built through the development of its own brands, enhanced by the acquisition of leading brands, businesses and companies. Solid revenue and profit growth have been achieved over the years and shareholder value enhanced through the sale and unbundling of non-core assets. Top line revenue growth has been driven through brand building – the renovation and innovation of the group's leading brands – as well as the extension of these brands into adjacent categories. A focus on channel and customer growth strategies and driving expanded distribution has further supported top line growth. Profitability has been enhanced through continuous improvement programmes, the extraction of synergistic cost efficiencies across the businesses and judicious price, volume and margin management.

Recently, the group has expanded its footprint further into the African continent through strategic acquisitions and joint venture transactions in key regions of the continent, including Kenya, Ethiopia, Cameroon and Nigeria. The group's strategy of establishing a presence in hubs within defined regions, which facilitates expansion into adjacent territories, has seen positive traction. An emphasis on selling the group's South African brands through effective distribution networks across Africa has delivered significant growth in export revenues. This export sales capability has been further enhanced with the acquisition of the export distribution company, Davita Trading (Pty) Limited, in 2011. This acquisition has extended the group's presence to over 28 countries on the continent.

Tiger Brands holds a meaningful minority share in the FMCG company, Empresas Carozzi, based in Chile, as well as the JSE Limited listed fishing company Oceana Group Limited. Both these companies are accounted for as associate companies in the group's results.

Tiger Brands prides itself as being a world class manufacturer and marketer in the selected FMCG categories in which it operates. The group has 44 manufacturing facilities spread across South Africa and other operating regions. The group continuously invests capital in maintenance and technology, expansion and cost efficiency focused projects to ensure that its facilities meet world class standards in manufacturing efficiency, quality assurance and sustainability.

The group's strategic intent is to focus on branded FMCG categories which deliver synergies across the full value chain. Its brand strategy is underpinned by investment in consumer and shopper research to obtain comprehensive consumer insight and understanding of their needs in the various FMCG markets in which the group operates.

*The year under review was an exciting year from an acquisitions perspective, with the acquisitions of Deli Foods (Nigeria), East Africa Tiger Brands Industries (Ethiopia) and Davita Trading (South African based export company operating in 28 countries across Africa and in the Middle East), as well as the 49% joint venture in UAC Foods (Nigeria).*

*These acquisitions significantly advance the group's strategic ambition of deriving 20% of its revenues from the balance of the continent over the medium term.*



- International zones of priority
- South Africa
- African zones of priority

"TO BE THE MOST ADMIRED BRANDED FMCG COMPANY IN EMERGING MARKETS"

The company's **Vision** reflects its long-term intention to achieve the respect and admiration of its peers, the business community, its business partners and all of its other stakeholders. Tiger Brands strives to be a high performing, fast-moving consumer goods company of impeccable corporate reputation, with leading brands, operating across the globe in several selected emerging market territories.

"MOST ADMIRED" has been specifically defined. The following criteria have been selected as those which would earn admiration, respect and affiliation for Tiger Brands. Specific metrics have been developed to measure the group's performance in respect of:

- Financial performance
- Brand leadership
- Organisational health
- Customer satisfaction
- Future sustainability
- Compliance with regulatory framework

The Tiger Brands **Mission statement** reflects its ambition to continue its growth trajectory and deliver enhanced value to all stakeholders:

> "To deliver revenue growth 3% greater than SA's GDP + inflation, and achieve an operating margin of 15%, thereby generating real earnings growth and a return on investment which exceeds the company's cost of capital."

## Values

The group holds a set of values which guide its behaviour both internally and externally to all of its stakeholders.

These values are as follows:

- Our consumers are our business
- We act with integrity in everything we do
- We have a passion for excellence
- We value our people and treat them with dignity
- We continue to reinvest in our society

Various communication and support programmes are implemented across the business to entrench these values and encourage behaviour based on these values.

Tiger Brands is part of a broader community and environment, and the group continually works towards making a positive impact on its various communities and the environment.

## CORPORATE STRATEGY

| Drive revenue growth | Accelerate expansion in emerging markets | Expand into adjacent new markets | Achieve cost leadership | Customer leadership and go to market capability | Protect no 1 and 2 category positions |
|---|---|---|---|---|---|
| Regain market shares | Consolidate and grow existing acquisitions | Innovation | Establish suitable cost base | Leading FMCG capability | Build brand leadership |
| Enhance consumption growth | New acquisitions in emerging markets | Acquisitions | Achieve efficiency gains through continuous improvements | Profitable expanded distribution | Expand participation in category segment |
| Increase penetration | Increase exports | JV/licensing | Establish shared platform to drive synergies | Productive trade terms | Superior innovation capability |
| Portfolio optimisation | Green/Brown fields initiatives | | | Enhanced go to market capability throughout Africa | Expand core brand into global presence |

## Grains

The grains division achieved a commendable performance for the year, in the face of strong competitor activity and rising cost inflation.

| | 2011 | 2010 | % change |
|---|---|---|---|
| Turnover (Rm) | 8 348,9 | 8 085,5 | 3,3 |
| Operating income before abnormal items (Rm) | 1 746,1 | 1 677,4 | 4,1 |
| Operating margin (%) | 20,9 | 20,7 | |

## Consumer Brands

The consumer brands division had a difficult year. However, with its strong, resilient and leading brands, it achieved steady progress in driving cost and efficiency improvements and in recovering volume in certain core categories.

| | 2011 | 2010 | % change |
|---|---|---|---|
| Turnover (Rm) | 9 704,6 | 9 416,2 | 3,1 |
| Operating income before abnormal items (Rm) | 1 457,1 | 1 463,0 | (0,4) |
| Operating margin (%) | 15,0 | 15,5 | |


## Exports and International

Significant progress has been made in growing regional exports and in bedding down and integrating new acquisitions in the rest of the African continent.

| | 2011 | 2010 | % change |
|---|---|---|---|
| Turnover (Rm) | 2 381,2 | 1 822,4 | 30,7 |
| Operating income before abnormal items (Rm) | 208,9 | 25,7 | 712,8 |
| Operating margin (%) | 8,8 | 1,4 | |

## Brand offering:

- **Milling and Baking –** Albany, Golden Cloud, Ace Maize Meal
- **Sorghum Beverages & Breakfast –** King Korn, Mabela, Morvite, Ace Instant, Jungle Oats, Taystee Wheat, Oatso Easy, Jungle Energy Crunch
- **Rice –** Tastic, Aunt Caroline

## Brand offering:

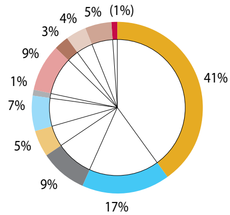
- **Groceries –** Koo, All Gold, Crosse & Blackwell, Fatti's & Moni's, Black Cat Peanut Butter
- **HPCB (Home, Personal and Baby Care) –** Purity, Ingram's Camphor Cream, Doom, Elizabeth Anne's, Jeyes, Perfect Touch, Dolly Varden Glycerine, Status, Lemon Lite, Kair, Protein Feed, Airoma
- **VAMP (Value Added Meat Products) –** Enterprise, Renown, Mielie-Kip
- **Snack, Treats and Beverages –** Oros, Maynards, Energade, Hall's, Smoothies, Beacon, MMMallows, Allsorts, Jelly Tots, Jungle Energy Bar, Wilsons.

## Brand offering:

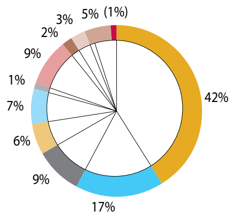
- **Tiger Brands International –** This division exports the company's branded products to the rest of Africa
- **Langeberg & Ashton Foods (South Africa) –** Gold Reef, Silverleaf
- **Haco Industries (Kenya) –** Ace, BIC, Jeyes, Miadi, Motions, TCB, Bloo, SoSolt
- **Chococam (Cameroon) –** Arina, Big Gum, Kola, Mambo, Martinal, Tartina, Tutoux, Start
- **UAC Foods (Nigeria) –** Gala, Swan, Supreme
- **Deli Foods (Nigeria) –** Deli, Igloo, Orange Star
- **Davita Trading (South Africa) –** Jolly Jus, Benny, Davita

## Contribution to turnover

**2011 Group turnover: R20,4 billion**

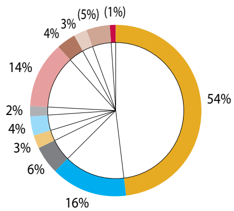



2010 Group turnover: R19,3 billion

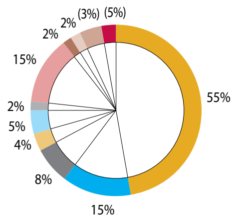



## Contribution to operating income

**2011 total operating income: R3,2 billion**




2010 total operating income: R3,0 billion




**Includes the corporate office and management expenses relating to international investments. Also included are cash settled IFRS 2 charges of R65,3 million (2010: R62,6 million) and IFRS 2 charges relating to the Phase I and II Black Economic Empowerment transactions of R50,2 million (2010: R56,3 million).*

# Five-year review

| *(Rand in millions)* | 2011 | 2010 | 2009[4] | 2008[2,4] | 2007[2,5] | 2008[3,5] | 2007[3,5] |
|---|---|---|---|---|---|---|---|
| **Consolidated income statements** | | | | | | | |
| Revenue | **20 479** | 19 378 | 20 643 | 19 170 | 16 477 | 20 126 | 19 980 |
| Profit before taxation, income from associates and abnormal items | **3 200** | 2 951 | 2 909 | 2 449 | 2 207 | 2 575 | 3 090 |
| Income from associates | **265** | 252 | 204 | 72 | 57 | 72 | 57 |
| Abnormal items | **127** | (188) | 344 | 4 | 204 | 13 | 151 |
| Profit before tax | **3 592** | 3 015 | 3 457 | 2 525 | 2 468 | 2 660 | 3 298 |
| Income tax expense | **(1 014)** | (840) | (978) | (792) | (741) | (826) | (1 006) |
| Profit for the year | **2 578** | 2 175 | 2 479 | 1 733 | 1 727 | 1 834 | 2 292 |
| Attributable to: | | | | | | | |
| Shareholders of the parent | **2 584** | 2 192 | 2 444 | 1 696 | 1 685 | 1 770 | 2 243 |
| Non-controlling interests | **(6)** | (17) | 35 | 37 | 42 | 64 | 49 |
| **Consolidated statements of financial position** | | | | | | | |
| Property, plant and equipment, goodwill, intangible assets and investments | **9 503** | 6 289 | 5 382 | 5 562 | 4 414 | 5 562 | 4 937 |
| Deferred taxation asset | **–** | – | – | 89 | 114 | 89 | 132 |
| Current assets | **6 693** | 6 695 | 6 237 | 7 026 | 5 767 | 7 026 | 6 951 |
| Total assets | **16 196** | 12 984 | 11 619 | 12 677 | 10 295 | 12 677 | 12 020 |
| Issued capital and reserves before share-based payment reserve | **9 562** | 8 064 | 6 850 | 5 639 | 5 352 | 5 639 | 5 665 |
| Share-based payment reserve | **298** | 252 | 134 | 122 | 120 | 122 | 120 |
| Non-controlling interests | **385** | 285 | 301 | 458 | 193 | 458 | 214 |
| Deferred taxation liability | **300** | 123 | 98 | 316 | 272 | 316 | 280 |
| Provision for post-retirement medical aid | **377** | 351 | 326 | 328 | 322 | 328 | 335 |
| Long-term borrowings | **537** | 404 | 483 | 498 | 365 | 498 | 772 |
| Current liabilities | **4 737** | 3 505 | 3 427 | 5 316 | 3 671 | 5 316 | 4 634 |
| Total equity and liabilities | **16 196** | 12 984 | 11 619 | 12 677 | 10 295 | 12 677 | 12 020 |
| **Consolidated cash flow statements** | | | | | | | |
| Cash operating profit after interest and taxation | **2 686** | 2 608 | 2 233 | 1 858 | 2 655 | 1 858 | 2 655 |
| Working capital changes | **(173)** | (113) | (471) | (548) | (807) | (548) | (807) |
| Dividends received | **152** | 131 | 79 | 50 | 58 | 50 | 58 |
| Cash available from operations | **2 665** | 2 626 | 1 841 | 1 360 | 1 906 | 1 360 | 1 906 |
| Dividends and capital distributions paid[1] | **(1 230)** | (1 180) | (1 259) | (1 121) | (1 000) | (1 121) | (1 000) |
| Net cash flow from operating activities | **1 435** | 1 446 | 582 | 239 | 906 | 239 | 906 |
| Net cash flow from investing activities | **(2 914)** | (1 100) | 172 | (811) | (784) | (811) | (784) |
| Net cash flow before financing activities | **(1 479)** | 346 | 754 | (572) | 122 | (572) | 122 |
| Net cash flow from financing activities | **(96)** | 1 | 100 | (854) | (142) | (854) | (142) |
| Net cash flow from discontinued operation | **–** | – | 290 | 225 | – | 225 | – |
| Net (decrease)/increase in cash and cash equivalents | **(1 575)** | 347 | 1 144 | (1 201) | (20) | (1 201) | (20) |

**Notes**

[1] *Includes capital distribution of R372,7 million in 2011, R1 155,4 million in 2010, R457,8 million in 2008 and R336,1 million in 2007.*
[2] *Excluding Adcock Ingram Holdings Limited, which was unbundled on 25 August 2008.*
[3] *Not adjusted for the unbundling of Adcock Ingram Holdings Limited on 25 August 2008.*
[4] *Excluding Sea Harvest, which was sold on 28 May 2009.*
[5] *Not adjusted for Sea Harvest, which was sold on 28 May 2009.*

| | |
|---|---|
| Headline earnings per share | Headline earnings divided by the weighted average number of ordinary shares in issue during the year (net of treasury and empowerment shares). |
| Dividend cover | Headline earnings per share divided by the total ordinary dividend per share for the year, comprising the interim dividend paid and final dividend declared post year-end. Where applicable the denominator includes the capital distribution paid out of share premium. For 2010, the dividend cover calculation includes once-off empowerment transaction costs in headline earnings. |
| Net worth per ordinary share | Interest of ordinary shareholders after deducting the cost of treasury and empowerment shares divided by the number of ordinary shares in issue at the year-end, excluding treasury and empowerment shares. |
| Asset turnover | Turnover divided by the average of net assets, excluding cash resources, short-term and long-term borrowings, taxation, shareholders for dividends and the carrying value of investments, at the beginning and end of the financial year. |
| Working capital per R1 000 revenue | The average of inventory and receivables less payables, excluding dividends payable to shareholders and taxation, at the beginning and end of the financial year divided by turnover (R'000). |
| Operating margin | Operating profit as a percentage of turnover. |
| Abnormal items | Items of income and expenditure which are not directly attributable to normal operations or where their size or nature is such that additional disclosure is considered appropriate. |
| Effective taxation rate | Taxation charge in the income statement as a percentage of profit before taxation. |
| Return on equity | Profit attributable to ordinary shareholders excluding abnormal items divided by issued capital and reserves. |
| Return on average net assets employed | Operating profit as a percentage of the average of net assets, excluding cash resources, short-term and long-term borrowings, taxation, shareholders for dividends and the carrying value of investments, at the beginning and end of the financial year. |
| Current ratio | Ratio of current assets to current liabilities. |
| Net interest cover | Operating profit plus dividend income divided by net interest paid. |
| Net funding | Capital and reserves, non-controlling interests and long- and short-term borrowings net of cash. |
| Net debt | Cash and cash equivalents less long-term borrowings and short-term borrowings. |
| Total liabilities | Long-term borrowings and current liabilities. |
| Total equity | Total equity includes ordinary share capital and share premium, less treasury shares and shares held by empowerment entities, plus reserves and non-controlling interests. |
| Cash flow to net liabilities | Cash generated from operations after interest and taxation as a percentage of total liabilities less cash resources. |
| Dividend yield | Dividends and capital distributions per share as a percentage of year-end market price per share. |
| Earnings yield | Headline earnings per share as a percentage of year-end market price per share (from 2008 based on headline earnings per share from continuing operations only). |
| Price : earnings ratio | Year-end market price per share as a multiple of headline earnings per share (from 2008 based on headline earnings per share from continuing operations only). |

# Summary of ratios and statistics

| | 2011 | 2010 | 2009[5] | 2008[3,8] | 2007[3,7] | 2008[3,7] | 2007[4,7] |
|---|---|---|---|---|---|---|---|
| **ORDINARY SHARE PERFORMANCE** | | | | | | | |
| Number of ordinary shares upon which headline earnings per share is based ('000)[2] | **158 655** | 158 193 | 157 012 | 157 893 | 157 311 | 157 893 | 157 311 |
| Headline earnings per ordinary share (cents) | **1 575** | 1 393 | 1 382 | 1 150 | 878 | 1 195 | 1 283 |
| Dividends per ordinary share (cents)[1] | **791** | 746 | 704 | 786 | 660 | 786 | 660 |
| Dividend cover (times)[1] | **2,0** | 1,9 | 2,0 | 1,9 | 1,9 | 1,9 | 1,9 |
| Net worth per ordinary share (cents) | **6 209** | 5 247 | 4 439 | 3 673 | 3 453 | 3 673 | 3 665 |
| **PROFITABILITY AND ASSET MANAGEMENT** | | | | | | | |
| Asset turnover (times) | **2,8** | 2,9 | 3,2 | 3,3 | 3,2 | 3,5 | 3,4 |
| Working capital per R1 000 turnover (R) | **147** | 144 | 130 | 115 | 118 | 110 | 115 |
| Operating margin (%) | **15,9** | 15,6 | 15,3 | 13,3 | 13,9 | 13,2 | 16,4 |
| Effective taxation rate (%) | **28** | 28 | 28 | 31 | 30 | 31 | 30 |
| Return on equity (%) | **25,0** | 28,2 | 30,6 | 30,1 | 27,9 | 31,2 | 37,0 |
| Return on average net assets (%) | **44,2** | 45,2 | 49,7 | 43,9 | 43,8 | 45,7 | 53,5 |
| **FINANCING** | | | | | | | |
| Current ratio | **1,4** | 1,9 | 1,8 | 1,3 | 1,6 | 1,3 | 1,5 |
| Net interest cover (times) | **51** | 37 | 12 | 31 | 29 | 37 | 18 |
| Net debt/(cash) to net funding (%) | **14** | (1) | 5 | 17 | (1) | 17 | 11 |
| Total liabilities to total shareholders' funds (%) | **51** | 45 | 54 | 93 | 71 | 93 | 89 |
| Cash flow to net liabilities (%) | **56** | 87 | 66 | 35 | 75 | 35 | 40 |
| **EMPLOYEE STATISTICS** | | | | | | | |
| Number of employees at year-end | **11 965** | 11 348 | 11 443 | 11 987 | 13 302 | 11 987 | 16 270 |
| – permanent | **9 004** | 9 022 | 8 901 | 8 601 | 8 688 | 8 601 | 10 949 |
| – seasonal | **2 961** | 2 326 | 2 542 | 3 386 | 4 614 | 3 386 | 5 321 |
| Revenue per employee (R000) | **1 712** | 1 708 | 1 804 | 1 599 | 1 239 | 1 679 | 1 211 |
| Value added per employee (R000)[6] | **496** | 486 | 398 | 451 | 373 | 451 | 373 |
| Operating profit per employee (R000) | **271** | 266 | 274 | 211 | 169 | 219 | 199 |
| **ECONOMIC INDICATORS** | | | | | | | |
| Consumer Price Index (Sept on Sept, 2008 base year) | **5,7%** | 3,2% | 6,1% | 12,4% | 7,2% | 12,4% | 7,2% |
| Key closing exchange rates at 30 September vs ZAR | | | | | | | |
| – USD | **8,10** | 6,98 | 7,56 | 8,32 | 6,86 | 8,32 | 6,86 |
| – GBP | **12,60** | 11,01 | 12,07 | 14,98 | 13,97 | 14,98 | 13,97 |
| – EUR | **10,88** | 9,52 | 11,03 | 11,79 | 9,75 | 11,79 | 9,75 |
| **STOCK EXCHANGE STATISTICS** | | | | | | | |
| Market price per share (cents) | | | | | | | |
| – year-end | **21 000** | 18 960 | 15 050 | 13 740 | 18 185 | 13 740 | 18 185 |
| – highest | **21 050** | 19 199 | 16 400 | 19 259 | 20 279 | 19 259 | 20 279 |
| – lowest | **17 297** | 14 501 | 11 267 | 12 849 | 13 700 | 12 849 | 13 700 |
| Number of transactions | **373 418** | 349 411 | 245 699 | 172 932 | 127 625 | 172 932 | 127 625 |
| Number of shares traded ('000) | **157 833** | 183 599 | 213 904 | 154 503 | 169 488 | 154 503 | 169 488 |
| Value of shares traded (Rm) | **29 955** | 31 661 | 29 926 | 23 560 | 29 701 | 23 560 | 29 701 |
| Number of shares traded as a percentage of total issued shares | **82,8** | 96,5 | 123,2 | 89,4 | 98,3 | 89,4 | 98,3 |
| Dividend yield at year-end (%) | **3,8** | 3,9 | 4,7 | 5,7 | 3,6 | 5,7 | 3,6 |
| Earnings yield at year-end (%) | **7,5** | 7,4 | 9,1 | 8,7 | 7,1 | 8,7 | 7,1 |
| Price earnings ratio at year-end | **13** | 14 | 11 | 12 | 14 | 12 | 14 |
| Market capitalisation at year-end (Rm) (net of treasury and empowerment shares) | **33 378** | 30 050 | 23 939 | 21 547 | 28 707 | 21 547 | 28 707 |
| Market capitalisation to shareholders' equity at year-end (times) | **3,4** | 3,6 | 3,4 | 3,7 | 5,0 | 3,7 | 5,0 |

Notes

[1] *Based on the sum of the interim dividend paid in the current year and the final dividend declared post year-end. Also includes capital distributions paid out of share premium in July 2007, January 2008, January 2010, July 2010 and January 2011.*
[2] *Net of treasury and empowerment shares.*
[3] *Excluding Adcock Ingram Holdings Limited, which was unbundled on 25 August 2008.*
[4] *Not adjusted for the unbundling of Adcock Ingram Holdings Limited on 25 August 2008.*
[5] *Excluding Sea Harvest, which was sold on 28 May 2009.*
[6] *Includes Sea Harvest and Adcock Ingram Holdings Limited (to 2008).*
[7] *Not adjusted for Sea Harvest, which was sold on 28 May 2009.*
[8] *In terms of IFRS 5, the statement of financial position was not restated for the sale of Sea Harvest,whereas the income statement was restated. Accordingly, ratios which contain references to the income statement have been adjusted for the sale of Sea Harvest.*

# Value added statement

## for the year ended 30 September 2011

Value added is a measure of the wealth the group has been able to create. The following statement shows how this wealth has been distributed. The individual line items include the effect of discontinued operations.

| *(Rand in millions)* | 2011 | % | 2010 | % |
|---|---|---|---|---|
| Turnover | 20 430,2 | | 19 316,0 | |
| *Less:* Net cost of products and services | 14 493,6 | | 13 975,2 | |
| Value added | 5 936,6 | | 5 340,8 | |
| *Add:* Income from investments and associates | 304,3 | | 490,4 | |
| WEALTH CREATED | 6 240,9 | | 5 831,2 | |
| *Applied to:* | | | | |
| Employees | | | | |
| Salaries, wages and other benefits | 2 241,1 | 35,9 | 2 151,9 | 35,8 |
| Providers of capital | 1 313,8 | 21,1 | 1 305,3 | 24,7 |
| Interest on borrowings | 83,6 | 1,3 | 125,8 | 5,0 |
| Dividends and capital distributions to non-controlling interests and preference shareholders | 0,7 | 0,2 | 10.9 | 0,2 |
| Capital distributions to ordinary shareholders | 372,7 | 6,0 | 1 155,4 | 19,3 |
| Dividends to ordinary shareholders | 856,8 | 13,6 | 13,2 | 0,2 |
| Government | | | | |
| Taxation (note 1) | 1 082,6 | 17,3 | 881,6 | 14,7 |
| Retained in the group | 1 603,4 | 25,7 | 1 492,4 | 24,8 |
| | 6 240,9 | 100,0 | 5 831,2 | 100,0 |
| **Note 1** | | | | |
| Income taxation (excluding deferred tax) | 1 003,2 | | 823,5 | |
| Skills development levy | 13,4 | | 15,0 | |
| Rates and taxes paid to local authorities | 23,5 | | 22,8 | |
| Customs duties, import surcharges and excise taxes | 42,5 | | 20,3 | |
| Gross contribution to government | 1 082,6 | | 881,6 | |

The payments to government exclude taxation deducted from employees' remuneration of R275,2 million (2010: R266,4 million), net VAT of R132,3 million (2010: R196,9 million), excise duty on revenue, and UIF payments.

| *(Rand in millions)* | 2011 | % | 2010 | % | 2009 | % | 2008 | % | 2007 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| TREND OF VALUE ADDED | | | | | | | | | | |
| Employees | 2 241,1 | 36 | 2 151,9 | 37 | 2 338,9 | 37 | 2 577,2 | 38 | 2 463,8 | 39 |
| Providers of capital | 1 313,8 | 21 | 1 305,3 | 22 | 1 697,3 | 27 | 1 122,5 | 16 | 1 092,6 | 17 |
| Government | 1 082,6 | 17 | 881,6 | 15 | 1 030,3 | 16 | 1 032,9 | 15 | 1 029,6 | 16 |
| Retained in the group | 1 603,4 | 26 | 1 492,4 | 26 | 1 273,4 | 20 | 2 153,4 | 31 | 1 810,3 | 28 |
| | 6 240,9 | 100 | 5 831,2 | 100 | 6 339,9 | 100 | 6 886,0 | 100 | 6 396,3 | 100 |

| (Rand in millions) | Turnover[1] 2011 | Turnover[1] 2010 | Operating income[2] 2011 | Operating income[2] 2010 | Depreciation and amortisation 2011 | Depreciation and amortisation 2010 | Impairment losses 2011 | Impairment losses 2010 |
|---|---|---|---|---|---|---|---|---|
| DOMESTIC OPERATIONS | 18 049,0 | 17 493,6 | 3 035,7 | 2 989,4 | 336,2 | 288,4 | 9,7 | – |
| Grains | 8 348,9 | 8 085,5 | 1 746,1 | 1 677,4 | 102,5 | 76,3 | | |
| Milling and baking[3] | 6 192,2 | 5 849,1 | 1 382,2 | 1 363,7 | 92,4 | 67,7 | – | – |
| Other Grains[4] | 2 156,7 | 2 236,4 | 363,9 | 313,7 | 10,1 | 8,6 | – | – |
| Consumer Brands | 9 704,6 | 9 416,2 | 1 457,1 | 1 463,0 | 187,8 | 167,5 | 9,7 | – |
| Groceries | 3 423,4 | 3 166,5 | 523,9 | 445,9 | 88,2 | 71,4 | – | – |
| Snacks & Treats | 1 734,3 | 1 726,0 | 195,4 | 235,1 | 39,8 | 35,5 | – | – |
| Beverages | 1 029,0 | 1 083,5 | 94,3 | 112,3 | 17,1 | 17,4 | – | – |
| Value Added Meat Products | 1 419,3 | 1 384,8 | 120,7 | 147,0 | 29,9 | 29,0 | – | – |
| HPCB[6] | 1 803,5 | 1 786,7 | 453,6 | 459,3 | 12,8 | 14,2 | 7,1 | – |
| Out of Home | 295,1 | 268,7 | 69,2 | 63,4 | – | – | 2,6 | – |
| Domestic intergroup sales | (4,5) | (8,1) | – | – | – | – | – | – |
| Other[5] | – | – | (167,5) | (151,0) | 45,9 | 44,6 | – | – |
| Exports and International | 2 381,2 | 1 822,4 | 208,9 | 25,7 | 48,2 | 27,0 | – | – |
| Exports | 712,0 | 370,4 | 170,2 | 53,6 | 3,5 | 0,2 | – | – |
| International operations | 822,3 | 504,0 | 82,0 | 56,6 | 34,7 | 15,6 | – | – |
| Deciduous Fruit | 962,4 | 1 086,1 | (43,3) | (84,5) | 10,0 | 11,2 | – | – |
| Other intergroup sales | (115,5) | (138,1) | – | – | – | – | – | – |
| Total | 20 430,2 | 19 316,0 | 3 244,6 | 3 015,1 | 384,4 | 315,4 | 9,7 | – |

Notes

[1] *Refer to note 3 of the financial statements for further information on geographical split.*

[2] *Operating income is stated after amortisation of intangible assets.*

[3] *Comprises maize milling, wheat milling and baking, sorghum beverages and malt-based breakfast cereals.*

[4] *Comprises rice and oat-based breakfast cereals.*

[5] *Included are IFRS 2 charges relating to the Phase I and II black economic empowerment transactions of R50,2 million (2010: R56,3 million) and the cash-settled options of R65,3 million (2010: R62,6 million). Also includes the corporate office and management expenses relating to international investments.*

[6] *Comprises home and personal care and baby.*

All segments operate on an arm's-length basis in relation to inter-segment pricing.

| (Rand in millions) | Total assets 2011 | Total assets 2010 | Accounts payable, provisions and accruals, and taxation 2011 | Accounts payable, provisions and accruals, and taxation 2010 | Capital expenditure 2011 | Capital expenditure 2010 |
|---|---|---|---|---|---|---|
| DOMESTIC OPERATIONS | 12 179,9 | 11 798,8 | 2 681,1 | 2 773,4 | 779,3 | 600,9 |
| Grains | 3 930,4 | 4 062,2 | 785,7 | 918,7 | 552,2 | 305,1 |
| Milling and baking[1] | 3 032,8 | 3 058,4 | 602,8 | 700,4 | 544,6 | 296,8 |
| Other Grains[2] | 897,6 | 1 003,8 | 182,9 | 218,3 | 7,6 | 8,3 |
| Consumer Brands | 7 425,0 | 7 108,7 | 1 470,9 | 1 464,3 | 201,7 | 258,8 |
| Groceries | 3 049,8 | 2 654,9 | 593,0 | 502,5 | 115,3 | 161,8 |
| Snacks & Treats | 870,6 | 1 198,8 | 222,3 | 284,5 | 38,5 | 40,6 |
| Beverages | 1 468,6 | 1 391,5 | 160,5 | 150,7 | 19,0 | 9,0 |
| Value Added Meat Products | 878,4 | 688,1 | 225,0 | 254,6 | 22,2 | 32,1 |
| HPCB[4] | 1 157,6 | 1 169,5 | 270,6 | 271,2 | 6,7 | 15,3 |
| Out of Home | – | 5,9 | (0,5) | 0,8 | — | — |
| Other – FMCG[3] | 824,5 | 627,9 | 424,5 | 390,4 | 25,4 | 37,0 |
| Exports and International | 4 016,2 | 1 185,1 | 415,7 | 255,1 | 38,5 | 33,3 |
| Exports | 2 111,6 | 70,6 | 79,3 | 15,6 | 3,4 | 0,3 |
| International operations | 1 236,6 | 445,3 | 215,9 | 126,1 | 31,8 | 19,8 |
| Deciduous fruit | 668,0 | 669,2 | 120,5 | 113,4 | 3,3 | 13,2 |
| Total | 16 196,1 | 12 983,9 | 3 096,8 | 3 028,5 | 817,8 | 634,2 |
| Split of non-current assets | | | | | | |
| South Africa | 8 850,9 | 6 116,8 | | | | |
| Outside South Africa | 651,9 | 171,8 | | | | |
| Total | 9 502,8 | 6 288,6 | | | | |

Notes

[1] *Comprises maize milling, wheat milling and baking, sorghum beverages and malt-based breakfast cereals.*
[2] *Comprises rice and oat-based breakfast cereals.*
[3] *Includes the corporate office.*
[4] *Comprises home and personal care and baby.*

## Independent non-executive directors

## Independent non-executive directors

1. **Lex van Vught** (68)

   Chairman

   BSc (Hons), BCom

   Lex joined Tiger Brands in March 2003 as an independent non-executive director, and was appointed chairman in 2006.

2. **Bheki Sibiya** (54)

   Deputy chairman

   BAdmin, MBA

   Bheki is chief executive of the Chamber of Mines. Bheki is a non-executive director of Famous Brands Limited, chairman of CapAfrica and Pretoria Portland Cement Company Limited and executive chairman of Smartvest Investments. Bheki was appointed to the Tiger Brands board in March 2003.

3. **Susan (Santie) Botha** (47)

   BEcon (Hons)

   Santie is the Chancellor of the Nelson Mandela Metropolitan University. Santie was appointed to the Imperial Holdings Board in September 2011. Santie was appointed to the Tiger Brands board in August 2004.

4. **Richard Dunne** (63)

   CA(SA)

   Richard joined the Tiger Brands board in June 2006. Richard is a director of Anglo Platinum Limited, AECI Limited and Standard Bank Group Limited.

5. **Khotso Mokhele** (56)

   BSc Agriculture, MSc Food Science, PhD Microbiology

   Khotso joined the Tiger Brands board in August 2007. Khotso serves as chairman of Adcock Ingram Holdings Limited and Impala Platinum Holdings Limited and is a non-executive director of African Oxygen Limited and Zimplats Holdings Limited. Khotso is a trustee of the Hans Merensky Foundation and is Chancellor of the University of the Free State.

6. **André Parker** (60)

   MCom

   André is a director of Distell Limited and chairman of TSB Sugar Holdings. André was appointed to the Tiger Brands board in August 2007.

7. **Makhup Nyama** (54)

   BCom, MBA, Diploma in Marketing Management

   Makhup joined the Tiger Brands board in August 2010. Makhup was former chief executive officer of Saab Grintek and deputy chief executive of CS Holdings. Makhup serves as chairman of Issachar Investment Holdings and is a director of Makhup Business Services and Coaching, Makhup Properties, Kapela Holdings and Xon Holdings.

8. **Rob Nisbet** (55)

   BCom, BAcc, CA(SA)

   Rob was group financial director of MTN Group for 14 years, until his retirement. Prior to joining MTN Group he was a director of other private and public companies. Rob was appointed to the Tiger Brands board in August 2010.

9. **Maya Makanjee** (49)

   BA Fine Arts, BCom, MBL (cum laude)

   Maya is chief executive officer of FinMark Trust. Maya is a director of Cenfri, FinMark Trust Zambia and World Wide Fund for Nature. Maya was appointed to the Tiger Brands board in August 2010.

## Executive directors


## Executive management committee


## Executive directors

10. **Peter Matlare** (52)
Chief Executive Officer
BSc (Hons), MA
Peter was appointed to the group in April 2008 and is a non-executive director of Oceana Group Limited and an independent non-executive director of Kumba Iron Ore Limited. With effect from 5 December 2011, Peter was appointed as an independent non-executive director of ABSA Group Limited and ABSA Bank Limited.

11. **Funke Ighodaro** (48)
Chief Financial Officer
BSc (Hons), FCA (England and Wales)
Funke was appointed to the group in June 2011 and is an independent non-executive director of Datatec Limited.

12. **Clive Vaux** (60)
Corporate Finance Director
CA(SA)
27 years' service with the group.

## Executive management committee

A. **Peter Matlare** (52)
See Peter's CV above.

B. **Neil Brimacombe** (47)
Business Executive: International
BCom (Hons), MBL
12 years' service with the group.

C. **Bongiwe Njobe** (49)
Group Executive: Corporate affairs and Sustainability
MSc (Agriculture)
Appointed to the group in August 2008.

D. **Sebastian Musendo** (45)
Executive: Special projects supply chain
BSc (Hons), MSc (Brewing), MSc (Marketing), MBA, MCIPS
Appointed to the group in September 2010.

E. **Boniface Ngarachu Ngugi** (51)
Executive – stakeholder relationships and special projects in the international division
CPA (K), CPS (K), MBA (Ashridge, UK)
Appointed to the group in November 2009.

F. **Thabi Segoale** (39)
Business Executive: Grains division
MSc
Four years' service with the group.

G. **Clive Vaux** (60)
See Clive's CV on the left.

H. **Brenda Koornneef** (59)
Group Executive: Marketing and Corporate Strategy
BCom
10 years' service with the group.

I. **Matsie Matooane** (46)
Group Executive: Human Resources
MIS, MBA
Six years' service with the group.

J. **Ian Isdale** (61)
Group Company Secretary and legal adviser
BA, LLB, E.D.P.
28 years' service with the group.
Non-executive director of Country Bird Holdings Limited.

K. **Phildon Roux** (46)
Business Executive: Consumer Brands
BCom (Hons), MBA
Phil re-joined Tiger Brands Group in January 2011. Non-executive director of Oceana Group Limited.

L. **Funke Ighodaro** (48)
See Funke's CV on the left.

*Please see pages 69 to 99 for information on the committees.*

**As at 30 September 2011.*

# Responding to a challenging trading environment

Chairman: **Lex van Vught**

**Tough trading environment but significant strategic expansion**

## Dear stakeholders

### Introduction

This is the group's first integrated annual report, which I hope provides you with an understanding of the group's strategy, risks and performance. My letter focuses on the environment and context in which the group has operated, as well as its strategy to continue delivering value for all stakeholders.

The year under review has been characterised by difficult macroeconomic conditions in South Africa, flowing from the economic crisis in developed markets and the slow pace of domestic economic recovery. Notwithstanding these difficult trading conditions in South Africa, the year has been marked by significant strategic expansion of the company's geographic footprint, particularly in Africa. We have consistently maintained that although South Africa will remain the base for Tiger Brands, we have stressed the need for wider African expansion to widen the base for future growth.

## Financial results

The group achieved headline earnings of 1 575 cents per share for the year ended 30 September 2011, representing a 5,7% increase compared to the previous year, after adding back the once-off IFRS 2 BEE after-tax charge of R152,7 million incurred in the previous year. This was a commendable achievement in a difficult trading environment. Turnover increased by 5,8% in the current year to R20,4 billion and earnings per share grew by 17,5% to 1 629 cents.

### South Africa

The difficult macroeconomic conditions under which the company has operated in South Africa have resulted in consumers remaining under financial pressure, with rising unemployment and declining disposable incomes due to the heavy debt burden of many households, exacerbated by the rising costs of food, electricity and transport.

Against this background, although growth and market performance has slowed over the past 12 months, the group's strong brands have nevertheless retained market leadership in their respective categories. Budget constraints have led to consumers becoming more price conscious and relative price positioning has therefore become critical in the face of increased competition. Notwithstanding some weakening in volume shares, the group has, through the strength of its brands, successfully retained the number one or two position in many of the categories in which it participates and continues to receive accolades from many quarters. In the *Sunday Times* Top Brands Awards for 2011, Koo was named as the top consumer brand in South Africa and Tastic retained its number one position in the "essential foods" category.

## Strategic expansion

Stakeholders are aware that the company has, over the past few years, invested in Cameroon and Kenya, in addition to its more established shareholding in Empresas Carozzi, Chile. The Cameroonian and Kenyan entities have performed well this past year, as has Carozzi. The company has made significant steps in expanding its African footprint during the year under review by the acquisition of a 51% shareholding in a branded consumer products business in Ethiopia, a 100% interest in Deli Foods of Nigeria (a biscuit manufacturer), a 49% interest in UAC Foods of Nigeria which manufactures branded food products, and a 100% interest in the South African-based export company called Davita. The company will continue to look at expansion opportunities on the African continent and in selected emerging markets.

The company is particularly pleased that it has been able to invest with respected, reliable and strong local partners.

## Competitive landscape

The competitive landscape within the South African retail market has become even more intense, with retailers increasing their footprint through store expansion across South Africa and the rest of the continent. Since the recession, there has been a strong drive by retailers to ensure the provision of the cheapest possible alternatives to consumers and this has led to market dynamics being driven by deep discounting. Although Tiger Brands has implemented increased trade promotional activity and discounting in order to protect volumes, competitors and retailers have become more aggressive with their price discounting, resulting in price differentials which have attracted consumers away from their preferred brands.

Faced with the challenge of delivering on shareholder expectations, margin pressures and the need for greater product differentiation, retailers have been driving own-label initiatives. The key challenge for Tiger Brands has been to maintain the value perception of its brands, both in terms of quality and price, and in this regard, the group recognises that being cost-competitive is essential. The group has implemented a number of cost savings and efficiency initiatives for reinvestment into volume growth and innovation and to ensure the continued delivery of value to consumers. In addition, the group proactively engages with its customers to ensure the long-term growth of the categories in which the group participates.

## Transformation and Corporate Social Investment (CSI)

It remains essential for Tiger Brands to continue to build on its achievements from a transformation perspective. Over the past years, considerable progress has been made in transforming the company and Tiger Brands is pleased to maintain its Level 3 BEE rating. The company will not rest on its laurels in this area and the focus on transformation will continue.

The company has historically committed 1% of profit after tax for CSI projects focused primarily on education and nutrition. Our sterling work in this area is outlined later in this report. It is particularly pleasing that the Tiger Brands Foundation, which incidentally is one of the single largest shareholders in the company, has initiated very positive work in establishing a pilot in-school breakfast feeding scheme for schools in Alexandra township. To this end, it is currently feeding in excess of 6 500 children on a daily basis.

## Directorate

During the year, Funke Ighodaro joined the board as Chief Financial Officer and executive director, following the resignation from the board of the previous Chief Financial Officer, Michael Fleming. We are grateful for Michael's many years of service to the group and wish him well in his future endeavours.

In line with best governance practice, the board decided to limit the number of executive directors serving on the board to the CEO and the finance function. Neil Brimacombe and Bongiwe Njobe, the group executives responsible for international businesses and corporate affairs and sustainability respectively, therefore stood down as directors of the company but retain their group portfolios. We are grateful to them for their valuable contribution to the board.

## Outlook

The South African economy is expected to show a slow recovery and we remain cautious about the prospects for the year ahead. Trading is likely to continue to be challenging due to muted consumer demand, rising inflation and competitive pricing pressures.

The group remains focused on delivering on its strategic objectives by reinvigorating and growing the core businesses in South Africa, and on improving operational efficiencies across our businesses.

The group will continue to seek opportunities to expand its geographic footprint in a considered manner, as we believe that this will contribute meaningfully to future growth.

## Appreciation

I would like to thank Peter Matlare, his management team and all the employees at Tiger Brands for their contributions during the year. I also appreciate the efforts of my fellow board members and thank them for their continued guidance.

Lex

**Lex van Vught**
*Chairman*

## Implementing our strategy

Chief Executive Officer: **Peter Matlare**

**The group continues to take a long-term view of its business and remains focused on delivering value to stakeholders**

Global growth in the financial period under review was challenged in the face of the sovereign debt crisis in the Euro Zone, higher oil and food prices, political instability in the Middle East and natural disasters in Australasia and other parts of the world. South Africa did not escape the effects of the global slowdown, and economic recovery has been sluggish since the recession of 2009, with consumer spending negatively affected by high levels of household personal debt, declining disposable income growth, and high unemployment.

Notwithstanding these challenges, the group has been able to deliver a solid set of financial results. Group turnover increased by 5,8% to R20,4 billion (2010: R19,3 billion) and operating income grew at a faster rate than turnover, increasing by 7,6% to R3,2 billion. Operating margins improved by 30 basis points to 15,9%. Group earnings per share increased by 17,5% to 1 629 cents and on a normalised basis, excluding the R152,7 million once-off after-tax BEE charge incurred in the previous year, headline earnings per share increased by 5,7% to 1 575 cents per share. Cashflow remains very strong and the group generated operating cashflow of R3,6 billion during the year.

In line with its expansion strategy, the group concluded four acquisitions during the year, at a total cost of R2,1 billion, thereby extending its footprint into the rest of Africa. Further details of these acquisitions are provided in the financial review section. The group is most fortunate in all jurisdictions where we have investments, to have strong, reliable and credible partners.

### South African operations

The core South African businesses (excluding exports) grew turnover by 3,2% to R18,1 billion in a challenging economic environment, characterised by tough competitor activity and muted consumer demand. Sales volumes across the domestic operations fell by 2,1%, with the milling and bakery businesses affected by sustained price discounting by competitors and significant inflation in the pricing of wheat and maize.

The snacks & treats, beverages, home and personal care businesses suffered volume declines, partly as a result of industrial strike actions in the second half of the year, as well as weak consumer demand driven by reduced expenditure on discretionary spend items. The rest of the grains business as well as the groceries business showed good growth year on year, mitigating the impact of low price inflation in the groceries business and price deflation in the rice business.

The value added meat products (VAMP) business was affected by intense competition, particularly in its core polony market.

## Export and international operations

Turnover from the African operations (including exports and Davita but excluding Langeberg and Ashton Foods) now accounts for 7,5% of total group sales and grew by 75% year on year to R1,5 billion (2010: R0,9 billion). Excluding the impact of the new acquisitions concluded during the year, the African operations grew turnover by 17,8%, driven by a 32,3% increase in turnover from the group's existing export business. Chococam and Haco also performed very well in local currency terms, but their results in Rand terms were negatively affected by the depreciation of the Cameroon Franc and Kenyan Shilling against the Rand during the period.

Langeberg and Ashton Foods, the group's deciduous fruits export business, was negatively impacted by the strong Rand, as well as weak demand in developed markets, which resulted in a 15,6% drop in volumes and an 11% reduction in turnover.

### Strategy

Tiger Brands is committed to delivering growth ahead of the South African GDP, as stated in the group's mission statement. This reflects the group's strategic intent to deliver organic growth ahead of the markets in which it operates, by enhancing its market share position through brand building and innovation and by ensuring that the value proposition of its brands continues to meet consumers' demands in terms of value for money. In addition, it signifies the group's intent to extend its core brands into new market segments.

A strong growth vector remains the group's strategy to expand its footprint into the rest of Africa and other selected emerging markets. The group is focused on consolidating its existing acquisitions and on delivering growth through enhanced efficiencies and top line expansion. In addition, the continued growth of the exports of core brands into the rest of Africa remains a key objective. The group's long-term objective is that the international businesses will contribute 20% of the group's total revenues. The recent acquisitions significantly advance the group's ambition in this regard.

Despite inflationary and economic pressure, the group aims to retain its operating margin at a minimum of 15%. The focus is on driving cost efficiencies, through value chain process improvements, capital investment and enhanced synergies through shared services where appropriate. This will enable the group to compete effectively and deliver topline growth, while retaining its core profitability.

The programme of consolidation and focus on cost efficiencies in our African operations will ensure enhanced profitability which, together with our aim to grow in value added segments, will further protect delivery of return on investment benchmarks that exceed the company's cost of capital.

The retail and wholesale markets continue to consolidate as major retailers seek to grow their share of the overall market by entering into new channels and store formats. This should encourage better distribution of products and result in an extension of the group's footprint into new and existing channels, including under-served markets as well as new markets in other African countries, thereby deepening our market penetration. Walmart's entry into the South African market has hastened the pace of adoption of international retail practices by local retailers, which should positively impact the value proposition offered to consumers and enhance overall consumption growth. Tiger Brands' aim is to constructively align its performance objectives with those of its customers by focusing on long-term category growth plans to drive volume performance and to improve supply chain efficiencies to combat the market challenges.

## People and communities

The acquisition of talent is highly competitive and the attraction and retention of talent is imperative to support the company's growth agenda. The group assesses its competitiveness and employee sentiment by participating in the Deloitte "Best Company to Work For" survey and remains committed to providing a positive climate and enabling culture in order to remain an employer of choice. I would like to formally welcome Funke Ighodaro, Chief Financial Officer, and Phil Roux, business executive: Consumer Brands, who both joined the executive team during the current year, and wish them well in their roles.

The group continues to sustain its commitment to spending 1% of its profit after tax in corporate social investment initiatives that focus on food security and education. In addition, the Tiger Brands Foundation has been established and continues to make good progress. Its pilot feeding scheme in Alexandra has been a significant success. The Foundation now feeds seven schools in the area and will extend these to all 14 primary schools in the area during 2012.

The ultimate goal of the Foundation is to ensure that children are well nourished through a balanced diet, resulting in improved performance, growth and sound achievement in their academic studies.

## Outlook

2011 was a difficult year and in entering 2012, we expect that trading conditions will remain tough, with unemployment and tightening of disposable income continuing to adversely affect consumer spending. Price inflation is likely to persist, driven by increases in global soft commodity prices, packaging, fuel and energy costs, as well as rising wage demands which significantly exceed inflation. The volatility of foreign currency exchange rates further adds to the uncertainty. Nonetheless, we remain focused on the execution of our strategy, which we believe will deliver sustainable growth and strengthen our brands.

## Appreciation

I would like to thank our customers, suppliers and other stakeholders for their support during the year.

The group's employees coped admirably well in the face of unprecedented challenges in the current year and on behalf of the board and our shareholders, I would like to extend my sincere appreciation for their unwavering commitment to the company and hard work.

Peter

**Peter Matlare**
*Chief Executive Officer*

# Financial review

for the year ended 30 September 2011

Chief Financial Officer: Funke Ighodaro

**Pleasing results notwithstanding a difficult trading environment. We continue to invest for future growth through acquisitions and capital expansion.**

## Financial results

The group achieved pleasing results notwithstanding a difficult trading environment. Group turnover increased by 5,8% to R20,4 billion (2010: R19,3 billion) and operating income before depreciation and amortisation increased by 9,0% to R3,6 billion (2010: R3,3 billion). Depreciation and amortisation increased by 21,9% to R384,4 million (2010: R315,4 million) as a result of increased capital expenditure. Nonetheless, the group achieved good operational leverage, increasing the average operating margin by 30 basis points to 15,9%.

Operating income increased by 7,6% to R3,2 billion (2010: R3,0 billion). Excluding acquisitions, operating income grew by 3,8% to R3,1 billion and operating margins improved by 10 basis points to 15,7%.

Financing costs of R64,1 million (net of interest income) was significantly lower than in the prior year, due to the group's relatively higher cash balance in the first half of the current financial year. In addition, interest of R20,5 million relating to capital expenditure incurred on the Hennenman flour mill and the Durban bakery upgrade was capitalised during the year. Given the group's current debt levels, financing costs are expected to increase over the coming year.

Income from associates increased by 5,4% to R265,4 million and relates to the results of Carozzi, Oceana and UAC Foods, which collectively contributed a sizeable 10,3% of the group's after-tax profit for the current year. Carozzi's equity accounted results were down 17,7% to R98,4 million following a fire at its main Chilean pasta manufacturing plant, which resulted in the importation of pasta at higher costs. A new plant was commissioned in September 2011, which should result in a normalisation of profit margins in the coming year.

The group's share of Oceana's underlying after-tax profits (excluding the effect of a prior year impairment charge) increased by 5,9% to R149,1 million. The group's 49% shareholding in UAC Foods was acquired in May 2011 and its contribution to group earnings in the current financial year was in line with expectations.

Profit before tax increased by 19,1% to R3,6 billion (2010: R3,0 billion). This included a once-off abnormal take-on gain arising from the equity accounted net assets of National Foods Holdings Limited (National Foods), as well as the employer share of pension fund surpluses amounting to R44,3 million.

The group has held its 25,7% shareholding in National Foods, a Zimbabwean milling and consumer goods business, for many years, but had not previously recognised its share of earnings from the company due to the hyperinflationary economic climate in Zimbabwe. Subsequent to the financial year-end, the group has increased its shareholding in National Foods by 11,7% to 37,4% and will, with effect from 1 October 2011, equity account its share of earnings from the company.

The group's effective tax rate on profits before abnormal items was 31,3% (2010: 29,7%), reflecting the increased STC charge on dividends declared during the year. In the prior year, the group paid capital distributions out of share premium, which were not subject to STC.

### Earnings per share

Net profits attributable to Tiger Brands' shareholders increased by 17,9% to R2,6 billion (2010: R2,2 billion). On an adjusted basis, excluding the prior year IFRS 2 charge related to the group's BEE Phase II transaction that was implemented in October 2009, net profits increased by 10,2%.

Earnings per share increased by 17,5% to 1 629 cents (2010: 1 386 cents) and headline earnings per share, which excludes the once-off take-on gain related to the recognition of the group's share of net assets of National Foods, increased by 13,0% to 1 575 cents (2010: 1 393 cents). On an adjusted basis, excluding the prior year IFRS 2 BEE charge, headline earnings per share increased by 5,7%.

## Financial position

Property, plant and equipment increased to R3,3 billion from R2,6 billion due to the acquisitions made during the year, as well as increased capital expenditure. During the year, the group progressed with its capital investment programme and incurred capital expenditure of R817,8 million (2010: R634,2 million), with the most significant amounts being in respect of the expansion of the Hennenman flour mill (due for completion in December 2012 at a total expected cost of R561 million, with R370,3 million incurred in the current year) and the upgrade of the Durban bakery which was commissioned in September 2011 at a cost of R107,9 million incurred in the current year.

Goodwill and other intangible assets increased by R1,8 billion to R3,8 billion, mainly as a result of the acquisitions of Davita (R1,6 billion), Deli Foods (R224,6 million) and East Africa Tiger Brands Industries (R10,5 million). The increase in investments is mainly attributable to UAC Foods (R430,7 million) and the take-on equity accounted net assets of National Foods (R91,4 million).

Current assets remained in line with the prior year, with the increase in debtors and inventories (mainly due to acquisitions) offset by a lower cash balance.

Shareholders' equity rose by R1,5 billion to R9,9 billion in the year due to net profits after tax, which added R2,6 billion, and foreign currency and other movements, which added a further R189 million. Total dividends and capital distributions paid out of share premium amounted to R1,2 billion (net of amounts paid in respect of treasury and empowerment shares). The increase in non-controlling minority interests to R385,7 million (2010: R285,5 million) was mainly due to the minority interest in the newly acquired Ethiopian subsidiary, East Africa Tiger Brands Industries.

The movement in the group's net deferred tax liability mainly relates to the accounting requirement in terms of IAS12 to raise deferred tax on the trademarks and other intangibles acquired on the Davita and Deli Foods acquisitions. Given that no tax deduction is being claimed in respect of the cost of the trademarks, the deferred tax liability will be offset against goodwill in the event of a future sale or disposal of the relevant assets.

The group's net debt levels remain conservative and as at 30 September 2011 amounted to R1,7 billion (2010: net cash of R41,5 million), representing approximately 0,46 times group EBITDA and a debt: equity ratio of approximately 1:6.

The group is financed through a mixture of cash generated from operations, third-party borrowings and intergroup loans and has committed facilities in place to support its growth plans and for general business requirements. Tiger Brands is satisfied that its financing arrangements are adequate to meet its working capital needs for the foreseeable future.

## Events subsequent to the balance sheet date

With effect from 1 November 2011, the group acquired the Status range of deodorants from the Unilever group for a total purchase consideration of R214,1 million and sold the Mousson bath care brand and inventory to the Unilever group for R38,5 million. In October 2011, the group acquired an additional 11,7% shareholding in National Food Holdings Limited, thus increasing its shareholding to 37,4%.

## Cashflow and liquidity

The group continues to be highly cash generative and during the year generated R3,6 billion from its operations (2010: R3,4 billion). This was used to fund higher distributions to shareholders and increased tax payments, resulting in a net cash inflow from operating activities of R1,4 billion, which was roughly equivalent to the amount generated in the previous year. STC on dividends largely contributed to the higher tax payments in the year, which increased to R1,1 billion. Income from investments included dividends received from associates.

During the year, the company paid a final dividend in respect of the 2010 financial year of 241 cents per share and a capital distribution out of share premium of 235 cents per share, as well as an interim dividend in respect of the 2011 financial year of 281 cents per share, thereby increasing total distributions paid in the year by 4,3% to R1,2 billion.

## Acquisitions

The group spent R2,1 billion on the following four acquisitions during the year, net of cash of R226,7 million acquired with the businesses.

- 100% shareholding in Deli Foods Nigeria Limited, a biscuit manufacturer operating in the Nigerian market, acquired in April 2011 for R296,3 million;
- 51% shareholding in a newly established company, East Africa Tiger Brands Industries, involved in the manufacture of food, home and personal care products in the Ethiopian market, acquired in April 2011. The new company purchased the related businesses and assets of the East Africa Group of Companies of Ethiopia. Tiger Brands' 51% shareholding interest in the new company was funded by a R121,4 million cash injection of which R93,3 million was retained in the business;
- 49% interest in UAC Foods Limited, an established manufacturer of branded savoury snacks, dairy and beverage products in Nigeria, acquired in May 2011 for R421,1 million;
- 100% shareholding in Davita Trading (Pty) Limited, a South African manufacturer and exporter of powdered seasoning and beverage products, with a presence in 28 countries across Africa and the Middle East. This acquisition was concluded in May 2011 for a purchase consideration of R1,4 billion.

Further details of the acquisitions are set out in note 40 of the annual financial statements.

In line with its capital expansion strategy, the group invested R817,8 million on capital assets, compared to the R634,2 million spent in 2010.

## Final shareholder distribution

The board has decided to declare a final dividend of 510 cents per share for the year ended 30 September 2011. This dividend, together with the interim distribution of 281 cents per share, will therefore amount, in aggregate, to a total payment to shareholders of 791 cents per share. (2010: 746 cents per share). The total payment of 791 cents per share represents an increase of 6% on the total payment of 746 cents per share declared in respect of the previous year.

The company's stated policy of paying an annual dividend distribution, based on a headline earnings cover of 2 times, remains in place.

## Financial risk management

The group is exposed to a range of financial risks through its business activities, including risks relating to the market currency, interest rates, soft commodity prices, credit and liquidity. The group's exposure to these risks and the policies for managing the risks are detailed in note 37 of the annual financial statements. Further details of the risks are also outlined on pages 70 to 75 of the corporate governance report.

**Funke Ighodaro**
*Chief Financial Officer*

# Grains

**The Grains division achieved a commendable performance for the year, in the face of fierce competitive activity and muted consumer demand.**

## Business executive: Thabi Segoale

| | 2011 | 2010 | % change |
|---|---|---|---|
| Revenue (Rm) | 8 348,9 | 8 085,5 | 3,3 |
| Operating income before abnormal items (Rm) | 1 746,1 | 1 677,4 | 4,1 |
| Operating margin (%) | 20,9 | 20,7 | |

## Highlights

- **Satisfactory performance in the 2011 financial year despite the challenges of having to preserve sales volumes and profitability in the milling and baking business**
- **Significant progress in widening market universe and realigning business model**
- **Key brands continue to perform well, with Tastic and Albany retaining their number 1 and 2 brand positions respectively**
- **Progress in extending established brands into adjacent categories**


Albany
BAKERIES


Jungle
South Africa's Champion Energy Breakfast

# Grains continued

The grains division comprises the following businesses:

- Milling and baking including maize and wheat milling, Albany bread and sorghum beverages (King foods)
- Other grains, including rice and breakfast cereals

## Operating performance

Business performance for the 2011 financial year was satisfactory, despite the challenges of having to preserve sales volumes and profitability in the milling and baking business. As a result of rising global soft commodity prices of wheat and maize, as well as intense competitor activity, volumes came under pressure during 2011. However, the Grains business managed to achieve growth in turnover of 3,3% on the back of a slight improvement in operating margins (20,9% versus 20,7% in 2010) and delivered growth in operating profit of 4,1%.

The key brands performed well, with Tastic and Albany retaining their number 1 and number 2 positions respectively in the *Sunday Times* Top Brands Awards "essential foods" category. Similarly, the Aunt Caroline and Ace brands continued to hold strong brand equity.

### Milling and baking

The combined effects of significant inflation in maize and wheat pricing and the impact of extraordinary competitor discounting in the retail and wholesale channels, on bread and other wheat flour products adversely impacted the performance of the milling and baking business during 2011. The marginally lower wheat flour sales to the Albany division further impacted sales volumes of the wheat milling division, resulting in a 7,2% decline in sales volumes.

In the case of maize milling, the volume decline mirrored the overall category performance, with the significant price inflation (traded prices up almost 90% year on year) resulting in a shift from maize to other carbohydrates.

Although Albany's sales volumes contracted by 3,9%, it was able to widen its distribution base into peri-urban and rural markets; thereby limiting the extent of its volume decline.

Good progress was achieved in extending the Albany brand into the buns segment of the market, following its launch in November 2010 and a deliberate cost-containment intervention in the milling and baking business resulted in the contraction of fixed costs relative to the previous year.

The construction of the new Hennenman mill remains on track for completion in December 2012. Both the Pietermaritzburg and the Durban bakery upgrades were completed and commissioned according to plan during the current year.

### Sorghum Beverages

The Sorghum Beverages business delivered another stellar performance, despite a long-term decline of approximately 4% in the category.

Further progress has been achieved in reducing the dependence of the King Foods business on the sorghum beverages portfolio and this will continue to remain a key management focus area.

### Rice

The Tastic business delivered a sterling performance on the back of volume growth of 6,4% that was ahead of category growth of 0,6%. Both Aunt Caroline and Tastic gained market share during 2011.

Notwithstanding price deflation in the international price of rice, the business achieved operating profit growth for the year.

### Breakfast Cereals

The breakfast cereals business portfolio achieved positive sales volume growth, driven by volume growth of 12% in Ace Instant and 15% in Jungle Oats Instant. It is pleasing to note that the collective contribution of both products is now in excess of R150 million of the total revenues of the breakfast cereals business.

Marginal sales contribution was recorded for core oats and Morvite.

Leading market shares were maintained across all segments of the breakfast category, with the number one position in sales volumes in the hot breakfast cereals category being maintained.

## Strategic update

Our key strategic thrusts are profitable growth and sustainable market leadership, with a focus on mitigating the division's exposure to the cyclicality of soft commodity pricing. We continue to focus on building brand equity through innovations and brand support to ensure that our brands remain top of mind.

An important part of the brand strategy is product segment diversification and good progress has been attained in extending our established food brands into adjacent categories such as the extension of the Jungle brand into the "Ready to Eat" market with Jungle Energy Crunch, as well as the Albany buns extension previously mentioned.

With increasing popularity and growth of dealer own brands over the last few year, price point management and the defence of market share remain key focus areas. We continue to engage with customers to ensure optimal category value management and better distribution alignment as retailers expand their footprint into previously underserved markets.

## Outlook

Volumes, margins and profitability are expected to remain under pressure as market conditions remain challenging. Cost inflation remains of concern and the outlook for 2012 is uncertain and will be influenced by competitive pricing pressures.

**Thabi Segoale**

*Business Executive: Grains*

# Consumer Brands

## Competition intensified during the period under review and volume and market shares faced some pressure. However, the division, with its strong, resilient and leading brands, achieved steady progress in driving cost and efficiency improvements.

### Business executive: Phil Roux

| | 2011 | 2010 | % change |
|---|---|---|---|
| Revenue (Rm) | 9 704,6 | 9 416,2 | 3,1 |
| Operating income before abnormal items (Rm) | 1 457,1 | 1 463,0 | (0,4) |
| Operating margin (%) | 15,0 | 15,5 | |

### Highlights

- **FMCG market volumes contract as inflation increases**
- **Competition is fierce as local and multinational competitors and retailers battle for market share**
- **We are managing costs to enhance our competitiveness**
- **The group's leading brands received recognition through various awards in 2011**


SA's favourite
CROSSE & BLACKWELL


DOCTOR
No.

# Consumer Brands continued

The Consumer Brands division comprises the following businesses:

- Groceries
- HPCB (Home and Personal Care and Baby)
- VAMP (Value Added Meat Products)
- Snacks, Treats and Beverages
- Out of home

## Operating performance

Competition intensified across the consumer goods industry during the period under review and volume and market shares faced some pressure. However, the division was able to restore competitiveness, reversing some of the volume declines experienced earlier in the financial year, particularly in the Groceries business.

Across the division, a number of initiatives were implemented to improve operational efficiencies and reduce costs, including the integration of the home care, personal care and baby businesses under a single management team and the consolidation of the management of the snacks, treats and beverages businesses. Sales, merchandising and procurement functions have been streamlined to extract synergies, and the group continues to explore further opportunities for cost saving and improved efficiencies, for reinvestment into volume growth.

The group continues to strengthen its relationships with customers, providing support, based on consumer insights, to stimulate overall category growth and rewarding performance through effective trading terms. Innovation and renovation of core brands remain a central thrust to maintaining leading brand positions and delivering value to consumers.

### Groceries

Revenues grew by 8,1%, driven by a 5,8% growth in volumes and 1,9% increase in pricing and sales mix. Growth was strongest in the vegetables (9,1% volume growth) and spreads (6,2% volume growth) categories. The core Koo and Black Cat brands reflected a recovery of volumes following declines earlier in the year. The condiments division also performed strongly, with the All Gold tomato sauce and Crosse & Blackwell mayonnaise brands delivering good revenue growth. The pasta business delivered moderate volume growth in a highly competitive market which resulted in inflationary cost pressures being absorbed, negatively impacting margins.

Overall operating margins for the division improved by 120 basis points to 15,3%. This was largely due to the efforts to restore competitiveness through cost savings and improved operational efficiencies in the value chain and by reinvestment of cost savings in the division's brands.

A significant achievement for the division was the naming of the Koo brand as the number one favourite brand in South Africa, in the Sunday Times Top Brands awards. In the tinned foods category Koo, Lucky Star (owned by the group's associate, Oceana) and All Gold took the top three positions.

## Snacks & Treats

This is a discretionary product category and the entire sector has been hard hit by the depressed macroeconomic environment. There was also heightened competition and Tiger Brands experienced a 41,7% decline in profitability at the half year, which included a R5,5 million provision for restructuring.

Rigorous actions to restore volumes and margin have been taken. The business was merged with beverages and the management team was strengthened with a new executive team. The product range was rationalised by discontinuing underperforming product lines and various innovations have been introduced to recover volumes and market share. The business suffered industrial strike action in the second half, further impacting performance negatively. Operating profits declined by 16,9% to R195 million.

## Beverages

The beverage business was negatively impacted by the particularly cold winter which resulted in volumes declining across the sector. Growth was achieved in the dairy fruit blend category as a whole. However, our Super 7 brand performed poorly relative to the market leader. Other brands performed well, with Energade strengthening its number one position in the sports drinks category. Oros grew its market share and Halls achieved third place in the *Sunday Times* Top Brands fruit juice category. This brand strength has been retained through brand awareness activities which included sponsorships (such as Energade being a sponsor to the Springbok rugby team), events (Hall's community events and Rose's participation at the Durban July) and innovation (Oros Icy Pops).

## Value added meat products (VAMP)

This business was stable during the year under review with Enterprise holding its market share. Operating margins, however, declined from 10,6% in 2010 to 8,5% in 2011 as a result of cost push pressures in the cost of pork and mechanically deboned meat (MDM), key raw material ingredients. The decline in operating margins was also due to intense competition from new and existing entrants in the polony segment, which constitutes approximately 50% of the VAMP category.

# Consumer Brands continued

Tiger Brands' unique selling proposition in this category is that it offers high quality products in all segments of the pork-based chilled processed meats market. This proposition is continually renewed as we expect further pressure on margins due to increased competition.

## Home and Personal Care and Baby (HPCB)

During 2011 the home and personal care and baby businesses were merged under a single management structure. The management team was strengthened and the number of SKUs was reduced by more than 150, in an effort to focus on the core business and enhance efficiencies. Further work is underway to focus on profitable products through the discontinuation of a number of less profitable brands.

Subsequent to the year-end, the group acquired the Status brand and assets, the group's first deodorant product for men, effective 1 November 2011.

The baby care business continues to perform well. Innovation in this sector has gained traction and we continue to introduce new products and category extensions. The Purity jarred food range introduced traditional meals such as pap and gravy. New fruit and vegetable combinations have also been introduced, as well as an organic range. The Purity cream of maize cereal has also performed particularly well.

The division extended its offering into the OTC category by launching Pedia Kids, which is a range of children's pharmaceutical products, thereby enhancing its margins in the high value growth category of over the counter medicines.

In the baby well-being category, dual branding was introduced on some Elizabeth Anne products, with the Purity brand name being extended into this category.

The home care category experienced heightened competition, particularly from multinational FMCG companies. This has put pressure on margins given the constrained pricing environment.

The division experienced a four-week strike at its Isando site which contains three manufacturing units (Ingrams, Jeyes Fluid, Airoma).

### Out of Home

The out of home business saw significant gains over the prior year in volumes and operating margins as a result of a coordinated effort to gain market share. The business continues to employ a competitive pricing strategy to grow its business and is well placed for the future.

## Sustainability

Wherever possible, the consumer brands business sources raw materials locally and assists small black-owned businesses. Given the heightened competition in the consumer brand categories and the declining competitiveness of South African agriculture and manufacturing sectors, we are being required to consider global sourcing for raw materials and finished products.

The group has set water and electricity consumption targets for all of its manufacturing facilities and linked these to the short-term management incentive schemes. This has resulted in the businesses introducing initiatives to reduce consumption.

## Looking ahead

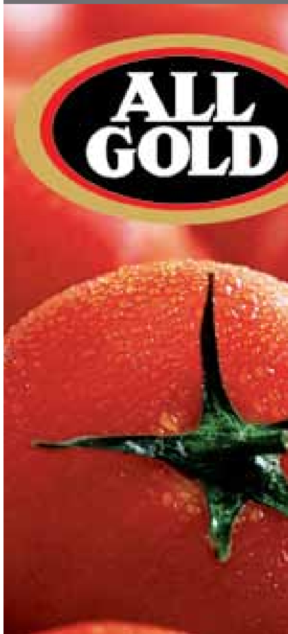
Slow consumer recovery and limited growth in the overall categories is expected in the coming year. The priorities for the year will therefore be to continue to reduce costs and improve efficiencies, for reinvestment in top line volume growth. In the longer term, we have confidence that the division is well positioned, with leading brands, to drive market growth and share recovery, and to expand into new market segments with our core brands through continued innovation efforts.

Phil Roux

*Business Executive: Consumer Brands*

# Exports and International

## Significant progress made in growing regional exports and in bedding down and integrating new acquisitions in the rest of the African continent.




### Business executive: Neil Brimacombe

| | 2011 | 2010 | % change |
|---|---|---|---|
| Revenue (Rm) | 2 381,2 | 1 822,4 | 30,7 |
| Operating income before abnormal items (Rm) | 208,9 | 25,7 | 712,8 |
| Operating margin (%) | 8,8 | 1,4 | |

### Highlights

- **Good performance by exports division with an improved distribution network and route to market capability**
- **Revenue synergies from Davita acquisition and complementary distribution footprint**
- **Acquisitions in Nigeria and Ethiopia concluded**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DELI

# Exports and International continued

The year under review was characterised by an excellent performance from the export division, as well as from the operations in Kenya (Haco Tiger Brands) and Cameroon (Chococam).

Underpinning this good performance, was the combination of robust volume growth, continued investment in core brands and relevant cost containment.

The year under review was also an exciting year from an acquisition perspective, with the acquisitions of Deli Foods (Nigeria), East Africa Tiger Brands Industries (EATBI) (Ethiopia), and Davita (South African-based export company), as well as the 49% participation in a joint venture with UAC Foods (Nigeria) coming into effect. The focus following the acquisition of these businesses is on integration, which involves upgrading dated assets and manufacturing equipment; implementing quality manufacturing processes; and enhancing key skills and technical capabilities. Growth opportunities are also being pursued through appropriate mix and margin management, reviewing brand portfolios, core brand renovation and innovation, and new sector/ category participation.

Acquisitions remain a key theme in the group's expansion strategy, and we continue to investigate opportunities across the rest of the continent, as well as in Latin America.

## Exports

Export growth of our core brands continues, with strong market demand for key categories, specifically condiments and ingredients, snacks and treats, and rice. Overall volumes grew by 25,7% during 2011 with Mozambique, Zambia and Zimbabwe all reflecting excellent growth.

Key initiatives in our supply chain saw order lead times being significantly reduced, together with focused marketing efforts in key geographies, contributing to our 2011 performance.

### Davita Trading (100% held by Tiger Brands)

Our acquisition of this South African-based export company became effective on 31 May 2011. The business exports powdered juices and seasonings (of which the core brands are Jolly Jus, Benny and Davita) to 28 countries in Africa and the Middle East. It has leading market shares in many of its key geographies and represents a new capability stream, with revenue synergies being pursued through select group brands. Its African distribution footprint is complementary to the group's existing export platform, particularly in West Africa.

Counterfeit products pose a challenge to this business with the sporadic availability of fake Jolly Jus products in Mozambique and the Democratic Republic of Congo. This is being addressed systematically through a multi-pronged approach including in-country lawyers working with the relevant port authorities, intellectual property protection, as well as prevention in the country of origin.

### Langeberg and Ashton Foods (67% held by Tiger Brands)

Langeberg and Ashton Foods is one of the largest producers of canned fruits globally and approximately 85% of its products are exported. This business was adversely impacted by the Rand's strength and by flat prices in Europe. Despite rising international consumption, European and South American countries continue to provide subsidies to their canned fruit industries which, together with their duty structures, impacted L&AF's competitiveness.

During the period under review costs were reduced by cutting overheads and improving yields. These led to reduced losses (R43,3 million in 2011 compared with R84,6 million in 2010). Profitability is expected to be restored in 2012, but will be subject to volatility in foreign currency exchange rates.

## International

### Kenya: Haco Tiger Brands (51% held by Tiger Brands)

This business was acquired on 1 June 2008 and has continued to reflect excellent growth. Volumes increased 28,1% in the year under review with margins increasing to 10,1%.

This has been achieved despite in-country inflationary pressures and the associated pressure on consumer category spending. The growth achieved was due to focused support of core brands, improved distribution penetration in existing markets as well as consumer-relevant innovation in existing categories. The growth in regional exports to key markets, namely Tanzania, Uganda and Ethiopia was particularly noteworthy.

The business continued to invest in capital equipment in order to enhance and expand its production capability and capacity as well as to enhance its efficiencies.

The outlook for this business for 2012 is more conservative and we expect slightly lower growth rates. The 2012 general elections in Kenya are unlikely to hamper demand, given constitutional reforms that continue to create a relatively stable political environment.

### Cameroon: Chocolateria Confiserie Camerounaise 'Chococam' (74,7% held by Tiger Brands)

This confectionery business was acquired by Tiger Brands in August 2008. It has shown good progress, with net sales increasing by 3,9% in 2011.

A border dispute impacted export volumes in the first quarter of the year as Gabon's borders, a key export market for Chococam, were closed for three months. Good domestic growth as well as a recovery of exported volumes in the second half mitigated the overall impact of the dispute.

Significant increases in the cost of key raw materials such as cocoa and sugar resulted in first half margin pressures requiring a focus on operational efficiencies. Some price recovery in the market saw margins restored in the second half of the year.

# Exports and International continued

A number of brand renovations were activated during the second half of the year including relaunches of Matinal, Big Gum and the key sugar confectionary brand, Kola.

The continued upgrade of manufacturing facilities, combined with the implementation of world class manufacturing principles has successfully enhanced the overall efficiencies of the business. 2012 will build on the positive momentum from 2011, with the outlook remaining positive.

### Ethiopia: East Africa Tiger Brands Industries (51% held by Tiger Brands)

The acquisition of a 51% stake in the East Africa Group of Companies of Ethiopia became effective in April 2011. Ethiopia is the second most populated country in Africa with in excess of 80 million people. It is also experiencing very positive growth rates of approximately 11% GDP growth per annum. The business's involvement in the food, home care and personal care categories are seen as key growth contributors. The business has leading market share in laundry soap, detergents and holds the second position in the pasta and personal care market in Ethiopia.

Over 90% of raw materials and packaging requirements are imported and routed through Djibouti, making this a primary challenge to the business with possible disruptions to the supply chain. We continue to explore alternative options to ensure continuity of supply.

Margins have been under pressure in the year under review due to a depreciating currency. Early indications following the acquisition have been positive and we expect strong volume growth in 2012 as we actively engage with key distributors to drive penetration and brand presence.

### Nigeria: Deli Foods (100% held by Tiger Brands)

Tiger Brands acquired this biscuit, cracker and wafer business in April 2011. Since then, it has shown excellent volume and sales momentum. There has however been pressure on margins due to first half cost push on sugar and wheat which the business has not been able to fully recover.

Continued good volume and sales growth is expected in 2012, with margins being addressed through product mix (higher value innovation) and operational efficiencies.

### Nigeria: UAC Foods (49% held by Tiger Brands)

In May 2011, UAC of Nigeria (UACN), a diversified Nigerian company, and Tiger Brands implemented a strategic joint venture partnership in which UACN holds a 51% equity stake and Tiger Brands holds 49% equity interest.

The joint venture acquired UACN's food and dairy operations as well as the Swan water business. These operations are custodians of Nigeria's heritage brands such as Gala (sausage rolls), Supreme (ice-cream) and Swan (bottled spring water).

2011 has seen significant margin compression in the snacks division, due to increased costs and an inability to recover these through price increases as well as increased market competition. Addressing these issues will be key focus areas in 2012, with value analysis and efficiencies being key corrective actions.

The focus has been on upgrading the assets in the business, addressing key manufacturing processes, and management structures.

### Chile: Empresas Carozzi

Empresas Carozzi is a leading branded food business in South America, based in Chile. Although the bulk of its sales and profits emanate from Chile, it also has operations in Peru and Argentina.

The trading year 2011 has been a particularly challenging year with after-tax contribution down 17,7% in Rand terms.

The overall Carozzi performance is reflective of general market pressures, with consumer spending being somewhat subdued and consequently, volumes within most Chilean categories were behind last year. In addition, an intensely competitive pricing environment, exacerbated by prime cost pushes not being fully recovered, has led to margin pressures across most categories.

The 2011 year was marred by a devastating fire, impacting the pasta manufacturing facility. As a consequence, it was necessary to source raw materials internationally but at a significantly reduced margin in order to retain shelf space and market share. A new pasta facility was commissioned in mid-October 2011. It is anticipated that margins will normalise in the 2012 year.

The Chilean pesos strengthened significantly relative to the US Dollar, driven in part by a recovery of copper prices since 2010. The foreign exchange rate impact on Carozzi exports has been significant.

Carozzi revenues and profits for 2012 will be boosted by the acquisition of Nutripro, the number one pet food business in Chile. Operational synergies are anticipated across the business.

## Looking ahead

The priorities for the year ahead are to continue to integrate the newly acquired businesses and to drive growth, using existing capabilities, categories and brands. We will also continue to identify opportunities for further acquisitions.

Neil Brimacombe

*Business Executive: Exports and International*

# Key stakeholders

## The Tiger Brands Blueprint

Building trust, respect and credibility among our stakeholders is vital to the group's future sustainability.

### Our commitment to stakeholders:

| | |
|---|---|
| Consumers | Trustworthy, high quality, leading brands that add value to consumers' lives |
| Customers | A high performance, leading company that builds valuable partnerships for future growth |
| Employees | Reward, recognition and growth opportunities from a leading company that cares about its employees and their future |
| Government and regulators | A successful, stable and ethical company that contributes to economic growth and the future of the country |
| Communities | A successful company, with quality brands, that is part of and adds to the wellbeing of the community |
| Investors | Delivering consistently high financial performance with the best brands for sustainable growth |

## Engaging our customers and consumers

The group's customers are the retailers and wholesalers that we distribute to. Consumers or shoppers are those individuals who consume our products. Forty-five million consumers use our products every day, with our products sold in over 28 countries across Africa. The group recognises that engaged customers and consumers ensure sustained and profitable growth and takes the engagement with both groups of stakeholders very seriously.

### Customer engagement

The retail landscape continues to undergo significant changes which impact on brand manufacturers and marketers. Key changes to the retail landscape include: global retailers expanding their footprint; local retailers consolidating their structures to leverage scale and enhance margins; an increasing demand for retail shelf space; a change in consumer habits; customers promoting private-label products; and retailers focusing on achieving topline growth through profitable category growth.

Tiger Brands engages with its customers in South Africa and the other countries in which it operates through a number of different channels. Customers are engaged on matters concerning category strategy, value-chain efficiencies, trading terms, pricing, and transactional and promotional activities.

Tiger Brands aims to establish customer leadership and competitive go-to-market capability in order to achieve the following:

- To be recognised as having the leading FMCG customer-management capability in South Africa.
- To achieve profitable expanded distribution, ie wider and deeper distribution of our products that will deliver incremental revenues for our businesses.
- To achieve positive return on investment from trade investment.
- To enhance go-to-market capabilities throughout Africa.

The group has embarked on a number of programmes to achieve these aims. Firstly, performance-focused trading terms with retailers are being introduced to better align the terms with agreed performance delivery and to leverage the scale of Tiger Brands.

Secondly, customer structures have been aligned to enhance our customer skills capability in order to meet customers' expectations of outstanding service and to help to grow their business and categories with their shoppers.

We aim to focus on cost efficiencies throughout the value chain to best compete on value and continue to invest in brands and innovation as we recognise the importance of maintaining and building our brand leadership position.

Customer performance is measured using three key metrics: preferred supplier status, category leadership, and service levels. Against the target of Tiger Brands having preferred supplier status in key customers, we have showed an improved performance. We aim to be category leaders in most of the categories within the top five customers, and for 2011 showed good progress.

### Consumer engagement

Consumers are at the heart of our business. They shape our overall strategy and underpin our brand innovation and marketing strategy. We recognise that our consumer-centric approach adds value to the company by offering a positive consumer experience which builds brand loyalty, the key to continued success.

## Consumer insights

We value consumer insights and continually invest in research surveys.

We use these insights to gain category understanding, pinpoint consumer needs, develop productive market segmentation models and identify potential market gaps or opportunities. The consumer insights are vital to enable us to continually refresh our brands, position our pricing, innovate and develop our marketing strategies.

As we develop our core brands across the regions where we operate throughout Africa, the importance of consumer understanding, in terms of commonalties and differences in needs and behaviours, is emphasised as an essential tool for defining our marketing strategy.

## Consumer services centre

We are proud of our in-house consumer services centre that addresses all consumer complaints and queries relating to any of our products. Staffed by 13 employees, the call centre ensures that calls are answered within 30 seconds. Although only open during working hours, all messages are followed up within 24 hours. We have systems in place for managing all types of complaints, particularly complaints that relate to food and health safety. These are elevated to the appropriate management levels and dealt with as an urgent priority. Products are uplifted from consumers within 12 hours of receipt of the complaint, and thorough investigation, response to the consumer and the appropriate follow-up actions are implemented.

## Consumer regulatory compliance

Tiger Brands is a member of the Consumer Goods Council of South Africa (CGCSA). We comply with all key legislation and regulations relating to consumers. We are compliant with the new Labelling and Advertising of Foodstuffs Regulation (R146 of 2010) which comes into effect on 1 March 2012, and the Consumer Protection Act (CPA) which came into effect on 1 April 2011 which regulates the way we interact with our consumers and how we market our products.

The main requirements that affect Tiger Brands relate to product labelling, pricing policies, product liability and product safety, returns policies, advertising, marketing, contracts, standard terms and conditions, and promotional competitions. Failure to comply with the Act can result in heavy penalties, reputational damage and loss of consumer confidence.

## Consumer nutrition

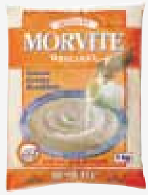
Tiger Brands is aware of the significant impact it has on the nutrition of its consumers. We monitor trends in nutrition and conform to standards as outlined by the World Health Organisation (WHO). The GDA (guideline daily amount) table is present on all our food products to ensure the consumer is well informed of what is and is not present in Tiger Brands' products in terms of nutritional values and this assists the consumer in careful meal planning.

### Eat Well, Live Well campaign

Tiger Brands' campaign, Eat Well, Live Well, is designed to encourage consumers to eat healthy and balanced meals. We have developed the Eat Well, Live Well stamp, which is carried on selected products through our food range, where such products meet the healthier eating criteria established in co-operation with experts from NITRO, the Stellenbosch University Nutritional Institute. All Tiger Brands products comply with the information requirements as set out in the Food Labelling Act. Products with the Eat Well, Live Well stamp of approval make it easy for consumers to make a healthy choice.

### Morvite – The all-in-one nutritious breakfast

Morvite is a fortified, sorghum-based breakfast cereal. Low in GI, gluten free and high in antioxidants, it is affordable, filling and quick to make. It is fortified with 11 vitamins and six minerals. Tiger Brands has recently introduced the new Morvite Boosta – a breakfast cereal that is enriched with 12 vitamins and 11 minerals.




## Looking ahead

The FMCG landscape has seen significant changes in the past few years as a result of the recession. Tiger Brands had to adapt its approach and engage differently with its customers and consumers.

Consumers are seeking additional value from supermarket purchases and Tiger Brands has to ensure that our products, which are the preferred choice by consumers, must be available to consumers at all points of purchase, at a price which represents value to shoppers. This necessitates a strong focus on cost efficiency throughout our value chain and appropriate promotional activation in store, together with accessible pricing.

## People

The group's vision is to be the most admired employer in the markets in which we operate and the specific aims are to:

- be an admired multi-country employer;
- have an enabling and inclusive culture;
- ensure sustainable long-term organisational health;
- develop people capability and capacity that delivers distinctive competencies; and
- integrate our people-management platform.

Our progress against four of these thrusts is outlined hereunder, with the fifth thrust, which is to develop people capability and capacity that delivers distinctive competencies, covered in the skills development section under transformation (please refer to page 56).

### Stakeholder engagement

In securing the interests of its employees, Tiger Brands fully complies with employment legislation and is committed to the protection of human rights. The company complies with all national legislation that prohibits child labour, forced or compulsory labour, discrimination, and the violation of the rights of indigenous peoples in countries where we operate.

Employees enjoy freedom of association and the group recognises 14 unions at 44 of our sites with approximately 60% of employees being union members. In 2011, the group lost a total of 111 days to strike action at various sites: King Food site in Potchefstroom accounted for 40 days, Snacks & Treats in Durban lost 32 days, Home and Personal Care in Isando 20 days, Value Added Meat Products in Germiston 12 days, Albany Durban 6 days, and Beverages Salt River lost 1 day.

At each of the 44 sites, there are forums which monitor employment equity, skills development and management issues, on which unions are represented. Following the industrial strike actions mentioned above, the group is working on rebuilding relationships to restore a healthy workplace climate and to meet our customer service level targets.

### Admired multi-country employer

Tiger Brands employs 9 004 permanent staff and a further 2 961 temporary staff within South Africa. These figures exclude seasonal and casual workers, who for the period under review numbered 5 150. The total number of employees in South Africa has remained constant. The group's total salary bill in South Africa in 2011 was approximately R2 billion (compared to R1,9 billion in 2010).

### Table 1: Tiger Brands' employee profile

| | South African employees | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | Indian | Coloured | White | Perma-nent | Tempor-ary | Total | Disabled** |
| 2011* | 6 172 | 769 | 1 067 | 996 | 9 004 | 2 961 | 11 965 | 74 |
| 2010 | 6 035 | 837 | 1 067 | 1 083 | 9 022 | 2 326 | 11 348 | 87 |
| 2009 | 5 895 | 820 | 1 032 | 1 154 | 8 901 | 2 542 | 11 443 | 33 |

* *Total count includes Davita Trading (Pty) Limited.*
** *Included in total number of employees.*

Commentary on the demographics of the workforce profile is provided in the Transformation section under Employment Equity.

During 2011, the group participated in the Deloitte's Best Company to Work For survey for the third time, including the businesses in Cameroon and Kenya which were reported on for the first time. Overall performance improved and the group achieved an overall score of 3,63 out of 5, ahead of the group's benchmark target score of 3,5. Annually, each business unit prepares and implements action plans to address key priority issues raised by employees in the survey.

Two important measures used to track the group's ability to attract and retain key talent are the recruitment success rate and employee retention rate. The group's overall staff turnover rate was 9,47% in 2011, slightly up from 8,1% in 2010, largely due to a combination of resignations, retrenchments and retirements (see Table 2 for the breakdown of reasons for turnover). The company has a retention target of 80% for key and critical talent, ie those employees identified as having technical or management skills. In 2011 we retained 85% of key and critical talent (2010: 89%), ahead of our target.

### Table 2: Reasons for overall employee turnover

| Reason | 2011 (%) | 2010 (%) |
|---|---|---|
| Resignation | 3,0 | 2,4 |
| Retrenchment | 1,0 | 0,7 |
| Retirement | 1,5 | 1,2 |
| Dismissal | 2,8 | 2,4 |
| Deceased | 0,8 | 1,0 |
| Other (disability/ absconded) | 0,3 | 0,4 |

There were no retrenchments at executive management level. However, in 2011, certain business units were consolidated, resulting in some senior management staff resignations. There were 19 retrenchments overall, one at senior management and 18 at middle management level.

## Competitive compensation

In addition to salaries and benefits, employees have the opportunity to share in the wealth created by Tiger Brands through equity ownership mechanisms including the General Staff Trust and the Black Managers' Trust. More than 8 000 employees participate in the General Staff Trust and have enjoyed biannual dividend payments since January 2006. In 2009, an additional tranche of shares was allocated to qualifying employees. Over 400 managers participate in the Black Managers' Trust, which aims, in addition to fostering employee ownership, to facilitate attraction and retention of appropriately skilled black managers.

The group has a short-term profit incentive which meaningfully rewards performance, and a long-term incentive programme that drives medium to long-term retention as well as medium to long-term wealth creation for key employees.

## Meaningful career opportunities

The Tiger Brands employee personal development plan sets out career plans and development objectives and is reviewed periodically by line managers and their respective subordinates. An individual performance agreement is developed in October each year to identify performance outputs and measures, as well as inhibitors, and to establish a plan to address these inhibitors. Formal reviews are conducted twice a year.

Since 2011, the group has implemented an international assignment policy in terms of which qualifying employees can be seconded to group businesses outside of their home countries on expatriate assignments. To date, five employees have been placed in Cameroon, Ethiopia and Nigeria. This means that, in addition to cross-category career growth opportunities, our employees have an option to explore career growth across multiple countries.

## Enabling and inclusive culture

Tiger Brands recognises those employees and business units that excel in particular areas. The group-wide employee recognition programme, Tiger Stripes, recognises deserving employees through awards in a number of categories. Fifteen individual finalists and three teams were recognised during 2011, with four individuals winning the Big Cat awards and three teams winning the Brand, People and the Chairman's awards at the group's annual gala dinner. An overall winner was selected and received an award at the group's annual gala dinner. Two further awards include the Chairman's award for best overall business performance, and the CEO's award for the winner of the year's identified strategic theme.

### Tiger Stripes Chairman's award winners 2011

The Tastic team from the Grains division were the proud recipients of the Brands award in the 2011 Tiger Stripes competition.

Sing Proud, an internal singing competition, was introduced in 2010 and continued this year, with Sing & Dance Proud, a competition open to groups of singers and dancers. The competition has achieved great success in terms of participation by employees across South Africa, Cameroon and Kenya. The finalists performed at the annual Tiger Stripes gala dinner, where an overall winner was selected.

### The Sing and Dance Proud competition

Three finalists performed at the Tiger Stripes Gala Awards and the winners were Tiger Entertainment, a traditional sing and dance group from Snacks, Treats and Beverages in Mobeni, Durban.

At our manufacturing units, we have implemented the workplace culture programme which facilitates improved relationships between management and employees and is reinforced by a group-wide code of conduct.

## Health and safety

As an employer in the manufacturing sector, the health and safety of staff is vital to the group. The CEO is ultimately responsible for the safety of employees and reports to the risk and sustainability committee as well as the audit committee of the board on such issues. All 44 sites in South Africa have health and safety committees, which are driven by the supply chain executives and site management. This discipline is embraced in the group's Cameroonian and Kenyan operations and will be expanded to our recently acquired businesses.

Key occupational health issues for employees working on site include noise level and dust. Those working in factories are provided with protective clothing which includes ear pieces, masks, gloves and thermal clothing as appropriate to mitigate these issues.

All sites are audited annually by an external service provider. The group's health and safety target is 95% for all businesses, which measures issues such as risk control, fire, defence, security and emergency planning. In 2011, the South African operations achieved 96%. There were no fatalities in the year under review (see table 3). These figures are representative of both permanent employees and contract staff.

### Table 3: Table of fatalities and injury rates at Tiger Brand's facilities

| Key performance indicators | **2011** | 2010 | 2009 |
|---|---|---|---|
| Fatalities | **nil** | nil | 1 |
| Disabling injury frequency rate (DIFR) | **1,03** | 1,26 | 0,91 |

## Employee wellness

The group provides a comprehensive employee wellness service to all employees through a combination of company-run on-site clinics and contracted professional services. R8,4 million was invested in 2011 to provide on-site clinic services (2010: R6,2 million). These clinics offer occupational health support as well as limited primary healthcare free of charge to all permanent and temporary employees on site.

Contracted services include an HIV/Aids management programme and an employee advisory and counselling service which are also offered free of charge to all permanent and temporary employees.

The HIV/Aids policy for the group governs our actions in this area. The group has a comprehensive HIV/Aids framework in place which includes support for HIV-positive employees through a third-party administered programme, which caters for both those with and without medical aid. 959 employees were voluntarily counselled and tested in 2011, with 2,6% testing positive (down from 7,5% in 2010). All employees who tested positive have enrolled on the programme.

In 2010, the group introduced an employee wellness pilot programme, which is a 24-hour telephonic counselling service as well as face-to-face professional counselling support service. This was piloted in four facilities, namely Albany Germiston, Value Added Meat Products Polokwane, Consumer Brands, including the Boksburg site, and the Beverages site at Roodekop, to establish demand and usage. Users are able to access psychologists, social workers, dieticians, biokineticists and financial and legal advisers. In May 2011, there was approval from the executive committee for the employee wellness service to be rolled out nationally across the group.

The group also offers all employees voluntary membership to our in-house medical scheme which offers cost-effective comprehensive health cover. The scheme has 4 650 principal members (down from 4 929 in 2010) and 10 713 beneficiaries. Affordability remains a barrier to this scheme and so 227 employees are covered by Sechaba Medical Solutions (Sizwe). Additionally, 404 employees are on the Food Workers Medical Benefit Fund and 57 are on Umvuzo. The in-house scheme has introduced a low-cost option that will be offered to employees in 2012.

## Integrated people management platform

In 2010, the group introduced a web-based learner-managed portal as well as a web-based recruitment portal where employees and external applicants are able to view vacancies and submit applications. These allow employees to manage their development based on their agreed personal development plans.

In 2011, we began the implementation of a complete HR information system, into which the web-based programme will link. The implementation will be phased, with the payroll module being the first phase. Implementation of the payroll module is expected to be completed by April 2012.

## Transformation

Through our operations, we contribute to the development of South Africa and the other countries in which we operate. Our primary objective is to run the business profitably and in so doing contribute to economic growth, trade, taxes and jobs. In the South African context, an added benefit is our commitment to participate in the agenda of the transformation of the economy.

In 2011 we distributed R2,2 billion in salaries and benefits to over 9 000 employees. We spent over R14,5 billion with suppliers. We also provided the governments of the countries in which we operate with over R1,1 billion in taxes, with the South African government receiving R1,0 billion of this. This makes us one of the largest corporate contributors to the fiscus.

### Transformation progress

As a responsible South African company, we drive broad-based black economic empowerment (B-BBEE) and measure our transformation performance against set targets. In 2011 the group was rated a B-BBEE Level 3 contributor for the second year in a row.

**Table 4: Tiger Brands B-BBEE scorecard**

| | Available points | **2011** | 2010 |
|---|---|---|---|
| Ownership | 20 | **18,4** | 19,7 |
| Management control | 10 | **6,5** | 9,6 |
| Employment equity | 15 | **9,6** | 9,1 |
| Skills development | 15 | **9,1** | 9,5 |
| Preferential procurement | 20 | **18,8** | 18,8 |
| Enterprise development | 15 | **10,3** | 10,1 |
| Socio-economic development | 5 | **5,0** | 5,0 |
| **Total** | 100 | **77,7** | 81,8 |
| **Level** | | **3** | 3 |

The most significant change in the year under review was management control, and the reasons for the change are provided below.

The ongoing focus areas, for both the past year as well as for the immediate future, are employment equity, skills development and enterprise development.

## Ownership

Our BEE equity ownership comprises 1% ownership by Brimstone (a black economic empowerment investment company), 5% ownership by the Tiger Brands Foundation and 6,4% employee ownership. The employee portion includes 4% ownership by the Black Managers' Trust, 0,53% ownership by the General Staff Trust, and 1,89% ownership by Thusani Trust, whose beneficiaries are children of our black employees.

## Management control

Management control is driven at a group level by the board and the chief executive officer. Our score in this area has deteriorated in the year under review in respect of executive directors and executive management. This is due to the group's adoption of best governance practices, which limit the number of executive directors serving on the board to only the CEO and finance function. With regards to executive management, the deterioration is as a result of the intentional appointment of non-South Africans to executive management to enhance debate and decision making as the group expands beyond South African borders.

### Table 5: Percentage of black directors and executive management

| | Non-executive directors | Executive directors | Executive management |
|---|---|---|---|
| 2011 | 44% | 33% | 33% |
| 2010 | 44% | 40% | 36% |
| 2009 | 42% | 33% | 44% |

## Employment equity

Tiger Brands continues to grow its black management talent pool. Table 6 shows we are making steady progress, with improvement at all levels. The company realises that achieving employment equity is a long-term challenge and thus invests in the junior and middle management levels in order to develop a pipeline of future black leaders at the senior and executive level.

### Table 6: Percentage of black management

| | Executive | Senior | Middle | Junior |
|---|---|---|---|---|
| 2011 | 33% | 45% | 53% | 69% |
| 2010 | 55% | 37% | 49% | 56% |
| 2009 | 50% | 35% | 43% | 55% |

Overall, 88,7% of our employees in 2011 are black (please refer to Table 1 on page 52 of the People section), 27% are women, and 0,9% are disabled (please refer to Table 1 on page 52 of the People section). Furthermore there is a slight increase of women in management positions in 2011 (refer to table 7).

### Table 7: Percentage of women

| | Executive | Senior | Middle | Junior |
|---|---|---|---|---|
| 2011 | 33% | 16% | 32% | 29% |
| 2010 | 27% | 16% | 31% | 26% |
| 2009 | 30% | 13% | 29% | 37% |

## Skills development

The shortage of skilled labour in South Africa, as well as the desire to develop the skills of our employees at Tiger Brands, motivates us to invest in training and development programmes for our staff.

We continue to invest in the training and education of our employees and the development of future talent for the group. In 2011, we spent approximately R16 million (2010: R14 million, 2009: R10 million) on in-house training programmes, including:

- **Tiger Brands Academy:** This in-house learning institution comprises the Marketing Academy (encompassing School of Magic), Supply Chain Academy, IT Academy, Leadership Academy, Finance Academy, Global Academy and Customer Academy. A total of 516 employees participated in academy programmes during the year under review, as reflected in the table below, down from the 1 387 that participated in 2010. The total training days provided through the academy was 1 530 (2010: 2 410).
- **Leadership Licence programme:** 49 of our leaders undertook this customised leadership development programme during the year. The programme is based on 21 identified competencies of a "tiger leader". Once an employee's competencies have been assessed, a leadership development plan is formulated with specific learning and development interventions identified.
- **Learnerships:** The Tiger Brands Academy has been offering the national certificate in manufacturing management (NQF5) and the national diploma in manufacturing management (NQF6) since 2001. In 2011, a National Diploma in Supply Chain Management (NQF6) was offered for the first time and replaces the Manufacturing Management diploma. The Supply Chain Academy also offers NQF courses in management, meat processing, electrical, fitter, packaging and plant baking. In 2011, we enrolled 156 learners in learnerships, down from the 165 enrolled in 2010. 90 apprentices were enrolled in section 18, 28 and 13 apprenticeships in 2011.
- **Graduate programme:** In 2011 a further 7 graduates joined us as part of the structured 12 month graduate programme. This brings the total number of graduates that have enrolled on the programme since 2006 to 84, 39 of whom have been retained by Tiger Brands (19 graduates lost 2006 – 2008 due to Adcock Ingram unbundling).
- **Workplace experience project:** Through this programme 57 young people received workplace experience in food technology, engineering, marketing, production and operations. These students become a feeder pool for the graduate programme and other entry level appointments. Of the 183 people who have been through the programme since 2008, approximately 24 are currently employed by the business.

| Academy | No of learners | Training days |
|---|---|---|
| Finance | 30 | 60 |
| Customer | 33 | 99 |
| Leadership | 49 | 147 |
| IT | 154 | 157 |
| Marketing | 53 | 317 |
| Manufacturing | 197 | 750 |
| **Total** | **516** | **1 530** |

- **ABET:** We spent over R227 000 on this programme which offers employees basic literacy and numeracy training. A total of 151 registered learners completed the programme in the year under review (2010: 33). Currently there are 467 registered learners, at different levels – ie from Basic Oral (BO) to Level 4 as reflected in the table on page 59 (2010: 540).

| Year | Active learners | Literacy BO | Literacy 1 | Literacy 2 | Literacy 3 | Literacy 4 | Numeracy BO | Numeracy 1 | Numeracy 2 | Numeracy 3 | Numeracy 4 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2011** | **467** | **18** | **61** | **130** | **86** | **59** | **0** | **36** | **46** | **27** | **4** |
| 2010 | 540 | 9 | 114 | 165 | 78 | 52 | 0 | 23 | 67 | 25 | 7 |

Our external development programmes include:

- **Thusani Trust:** Through this trust we offer bursaries to qualifying black employees' children. In 2011, R2,6 million was spent by the Trust on bursaries for 162 students (2010: 117). A total of 208 students graduated from tertiary institutions since 2007, with 35 graduating in 2011. The Trust owns 1,89% of Tiger Brands' share capital.
- **External Engineering bursaries:** We awarded three bursaries during 2011, bringing to six the total number of bursars we are supporting.
- **Ikusasa Lami project:** This project supports high school learners from non-fee paying schools. The learners visit Tiger Brands on a quarterly basis for exposure to the business and operations as well as guidance in career counselling. If the learners are interested in pursuing engineering as a career, they are invited to join Tiger Brands' bursary programme. In 2011 14 learners were supported through this programme.

In summary, our investment in people is depicted in the table below:

| Programme | Total number of students |
|---|---|
| Tiger Brands Academies | 516 |
| ABET | 467 |
| Employee bursaries | 102 |
| **Total employee** | **1 085** |
| **Support for full-time external students** | |
| Thusani Trust | 162 |
| Engineering bursars | 6 |
| Ikusasa Lami learners | 14 |
| **Total external support** | **182** |
| **Grand total** | **1 267** |

## Preferential procurement

Tiger Brands spends over R14,5 billion on goods and services with suppliers. The group has a policy in place to encourage suppliers to improve their B-BBEE performance, either by one level per annum in step with Tiger Brands, or two levels per annum if their rating is well below acceptable levels as defined in the DTI Codes.

This policy has accelerated transformation of our supply chain, with over 70% of our total spend being on B-BBEE compliant suppliers at over R8 billion.

## Enterprise development

Tiger Brands recognises that enterprise development is crucial to the transformation of South Africa in that it helps provide business opportunities, financing and support for black-owned business.

We have achieved the score of 10,3 with over R190 million spent on enterprise development in the year under review.

Two enterprise development opportunities which have progressed well in the past year include Nceku Trucking and the catering partnership with the Centre for Culinary Excellence. Further, we invested in a new enterprise, Khayelitsha Cookies, in the year under review.

**Matsie Matooane**

*Group Executive: Human Resources*

## CASE STUDY
### CATERING PARTNERSHIP WITH THE CENTRE FOR CULINARY EXCELLENCE

The catering partnership with the Centre for Culinary Excellence is intended to build capability (cooking and catering skills) among black-owned catering companies and chefs in a manner that facilitates a route to market for our Out of Home and Groceries divisions. The programme has completed the first phase of training and started a second phase aimed at rural women involved in the catering business. Furthermore, the company has expanded from Johannesburg to KwaZulu-Natal. Tiger Brands has built kitchens in Alexandra (where as part of the Tiger Brands Foundation we are feeding six schools in the area) and graduates from the catering school are encouraged to rent the kitchens over the weekends to run their own small catering business.

## Socioeconomic development

Tiger Brands has a history of investment in socioeconomic development. Giving back to our communities and making a difference is core to our values and a key part of the way we do business. In 2010 we established the Tiger Brands Foundation, which owns 5% of the shares in Tiger Brands Limited. The Foundation is now one of the main channels through which we invest in communities. Its focus areas are education and health. Currently, the Foundation provides approximately 6 500 children in six schools in Alexandra with breakfast on weekdays.

Tiger Brands has a corporate social investment (CSI) policy, and a CSI committee of five people, including three members of the executive committee. During 2011 we invested a total of R23,8 million in CSI, with 54 281 people benefiting from our projects. The key focus areas are: strategic (ie food security, goodwill building through staff volunteering, cause-related marketing and ad hoc humanitarian support).

Tiger Brands has always recognised the importance of transformation and in the past four years, we have progressed from a Level 7 contributor in terms of the DTI's B-BBEE codes, to a Level 3 contributor. Going forward we will continue to invest in the transformation of the company.

## CASE STUDY
## TIGER BRANDS FOUNDATION GETS GOING

In 2010, the Tiger Brands Foundation was established, with Tiger Brands Limited allocating 5% of its dividends to the Foundation. The Foundation is now one of the main channels through which we invest in communities. Its focus is to improve the lives of learners attending non-fee paying schools through an in-school breakfast feeding programme. A pilot project was launched on 25 July 2011, feeding breakfast to 6 866 learners across six primary schools in Alexandra township, Johannesburg. Since launching the pilot project, the foundation has invested in three state-of-the-art industrial container kitchens and trained the food handlers at all sites in food preparation, hygiene, health and safety. The project further created opportunities for 12 out of school youth "school monitors". To date 469 599 breakfasts have been served.

One of the highlights is the partnership developed with the Department of Basic Education (National Schools Nutrition Programme) and this is evidenced in the Memorandum of Understanding between the Department and the Foundation. The MoU is the first of its kind and forms an essential component to our current and future plans for the Foundation. In collaboration with the NSNP team, we will develop and enhance the feeding programmes to ensure learners throughout South Africa reach their full potential.

Going forward, the Foundation will be operating within 27 schools across four provinces, serving breakfast to more than 30 000 primary school learners. In addition, 11 new kitchens will be installed, creating a more hygienic and efficient system to prepare the meals for the learners.

# Environment

Tiger Brands is aware that whilst financial success is an essential component of stakeholder confidence, we need to ensure that our operations adhere to all environmental regulations and, as far as possible, do not damage the environment. As a manufacturing company we rely on energy and water for our production, and water quality in particular is vital to our product quality and consumer safety.

We commit to effective environmental governance practices within our sphere of influence, namely energy, water, waste and packaging. We aim to build an environmentally sensitive ethos among our stakeholders and to respond to climate change impacts, changing consumer demands and the regulatory environment.

To this end we have developed an overarching sustainability framework that encompasses an environmental strategy that is supported by an energy management strategy and a water management policy. The environmental strategy incorporates 20 key metrics in the areas of energy, water, waste and packaging and was agreed in 2009. In 2010 we collected data for a sub-set of the indicators, focusing on energy and water, and established a baseline for these measures. Usage and intensity targets were set for 2011. As data availability and integrity is critical for climate change response management, from 2012 onwards, we will continue to focus on improving the collection of data. Packaging management is complex and requires a long-term perspective that includes innovation consideration.

Tiger Brands strives to comply with international standards and has ISO 9000 as a basic standard across all facilities with plans to move towards ISO 22000 certification in due course. We have been included in the JSE Social Responsibility Index (SRI) for the second time and were included in the South African Carbon Disclosure Project (CDP) Leadership index and awarded a C performance rating in 2011.

## Energy usage and carbon footprint

Most of Tiger Brands' South African operations are based in urban areas and use municipally supplied power from the national grid. For some operations outside of South Africa, where access to the national grid is not always reliable, the group has to generate its own energy from multiple sources.

Data from manufacturing facilities is collated to establish energy mix, energy and carbon intensities. The businesses in South Africa rely on a host of energy sources; principally are coal, fuels, gas and electricity. Since the implementation of the environmental strategy, progress has been achieved in the reduction of our energy usage and carbon emissions.

In assessing capital investment decisions, particular attention is given to key initiatives to reduce energy usage and in ensuring that technology choices made are environmentally efficient.

## Water

Water is a critical part of our operations and therefore Tiger Brands has adopted a group-wide water management policy. The current projections for climate change that impacts on the areas where we operate indicate declining availability. Consequently, the company's response is twofold – internally to manage usage and standards, and to understand the external influences on water availability, quality and the reliability of supply.

We have set 2011 targets for water usage and effluent volume to enable us to monitor reductions going forward.

A key concern regarding water is the fluctuating quality experienced at manufacturing sites. To address this, sites monitor and manage water received from municipalities to ensure water quality is maintained, and usage within the sites is monitored and improved. Monitoring takes place through impact assessments and the installation of water meters that record the monthly water consumption at all operations.

In 2011, the group participated in the carbon disclosure project (water disclosure) for the first time. With baseline data collected and targets set, Tiger Brands will be able to monitor progress against targets from 2012 going forward.

## Waste

The most significant waste we produce is the organic matter, packaging materials and other non-hazardous waste resulting from day-to-day operations in our 44 manufacturing sites. There are currently 51 contracted waste collectors servicing Tiger Brands at the various operations. Service providers are required to adhere to waste segregation. Contracts have been reviewed to ensure compliance with this segregation.

## Packaging

Tiger Brands recognises the impact that packaging has on the environment. We are one of the founding companies of the multi-layer packaging forum, which is in the process of developing a recycling initiative for multi-layer packaging. Due to the lack of adequate baseline data, the company is taking important steps to ensure that we are in a position to effectively monitor, measure and compare operations, both with each other and with global benchmarks. This will be done both within South Africa and in those operations that Tiger Brands operates outside of South Africa.

The Waste Management Act of 2008 promotes the concept of extended producer responsibility, meaning that manufacturers are now responsible for how consumers dispose of packaging waste after they have consumed their products. As a result, Tiger Brands is exploring further packaging opportunities which have a less negative impact on the environment.

## Looking ahead

The approach to environmental issues in the past has mostly been concerned with compliance. In 2010, we identified those issues which have a high environmental impact and developed our environmental strategy. We have subsequently measured our baseline for both energy and water consumption and have set reduction targets for both. In the coming year, we will implement initiatives to help reach these targets.

In 2012 we will also measure the waste we generate, as well as the raw materials used in our packaging. These measures will form the baseline from which we can set targets and measure progress in these two areas.

**Bongiwe Njobe**
*Group Executive: Corporate affairs and Sustainability*

The board of directors and management of Tiger Brands remains committed to the highest standards of corporate governance and ethical and moral business behaviour.

It is important for such ethical practices to be adopted as the only acceptable standards of behaviour by all employees throughout the organisation. It is incumbent upon the board to set the tone and standards which must be consistently adopted by executive management and all employees. These standards are applicable to the day-to-day operations of the company and its interaction with all stakeholders.

In conformance with the primary South African corporate governance framework, the King III report on corporate governance, the group is committed to compliance with its principles and is satisfied that it has done so in all material respects, other than where it has been indicated to the contrary in this integrated report. It has also adopted the principles of the Global Reporting Initiative and the principle policies and practical applications of corporate governance as outlined by the Public Investment Corporation. In addition to this framework, Tiger Brands is committed in every country where we conduct business to complying with all relevant legislation, regulations and best practices.

## Exceptions to King III

For the 2011 financial year, apart from the exceptions hereunder, the board confirms that Tiger Brands has complied with the Code of Corporate Practice and Conduct as set out in the King III report.

The King III report requires yearly evaluation to be performed by the chairman or an independent provider for individual directors of the board.

The company performs an evaluation of the board and its committee once every two years, as opposed to annually. All retiring directors each year undergo an evaluation conducted by the remuneration committee with the assistance of an independent service provider where appropriate. The review is conducted before re-election at the annual general meeting of shareholders.

The King III report requires that an overview of the directors' appraisal process, results and action plans should be disclosed in the integrated annual report. Tiger Brands does not believe that this appraisal process need be disclosed, but the nomination committee reviews the appraisal process and makes the appropriate recommendations.

Whereas King III recommends that non-executive fees should comprise a base fee as well as an attendance fee per meeting, Tiger Brands does not deem it appropriate to link payment to attendance at board or committee meetings, other than in respect of unscheduled meetings as set out in more detail in the remuneration report. The non-executive directors of the board and the committees are required throughout the year to provide services and add value in terms of the functions and roles that they fulfil.

## The board

The board of Tiger Brands takes overall responsibility for directing the company towards the achievements of its strategic objectives, vision and mission. It is accordingly accountable for the development and execution of the group's strategy, operating performance and financial results.

The board of directors of Tiger Brands includes independent non-executive directors who are chosen for their business acumen and skills. The chairman of Tiger Brands acts in a non-executive capacity and is independent.

New appointees to the board are appropriately familiarised with the company through an induction programme.

The board of the company meets regularly and monitors the performance of executive management. It addresses a range of key issues and ensures that debate on matters of policy, strategy and performance is critical, informed and constructive. Non-executive directors also meet separately twice a year, without executive management being present, to informally discuss matters relating to the company.

All directors of Tiger Brands have access to the advice and services of the Company Secretary and, in appropriate circumstances, may, at the group's expense, seek independent professional advice concerning its affairs.

The board of Tiger Brands currently consists of nine independent non-executive directors and three executive directors.

Lex van Vught, an independent non-executive director, is chairman of the board. P B Matlare is the chief executive officer and an executive director. The roles of the chairman and the chief executive officer are separate. All non-executive directors are considered independent. During the period under review, M Fleming resigned as chief financial officer and executive director of the company. N Brimacombe and B Njobe stood down as directors of the company with effect from 30 April 2011. O Ighodaro was appointed as Chief Financial Officer and executive director with effect from 1 June 2011. There are three female board members and five directors who are historically disadvantaged South Africans.

The board is governed by a charter that sets out the responsibilities of the board which include:

- responsibility for approving the strategic direction of the group and the budgets necessary for its implementation;
- being the guardian of the values and ethics of the group;
- responsibility for appointing the chief executive officer;
- retaining full and effective control of the company;
- monitoring the management and the implementation of the corporate vision;
- communicating with shareholders openly and timeously throughout the year; and
- it may delegate responsibility to an executive committee or board subcommittees.

The board has delegated certain specific responsibilities that are outlined hereunder. These committees assist the board and directors in discharging their duties and responsibilities in terms of the Companies Act and the appropriate governance authorities. In terms of the Companies Act, the company will form a social and ethics committee. The formation of this committee will be dealt with by the board upon recommendation of its nomination committee.

## Directors

In terms of the articles of association, non-executive directors have no fixed term of appointment and are subject to retirement by rotation and re-election by shareholders.

Executive directors are subject to standard terms and conditions of employment and a three-month notice period, except in the case of one executive director, who is subject to a one-month notice period. Any director appointed to fill a vacant position during the year must retire and stand for re-election at the first annual general meeting following his/her appointment.

## Independent advice

The board accepts that there may be occasions where directors consider it necessary to take independent professional advice. This is done at the company's expense in terms of an agreed procedure.

All directors of Tiger Brands have access to the advice and services of the Company Secretary and in appropriate circumstances may, at the group's expense, seek independent professional advice concerning its affairs.

## Frequency of meetings

The board meets at least six times a year. In addition to the four quarterly board meetings, cessions are held annually to discuss:

- strategy; and
- budget and business plans.

In addition to the board meetings, board education and training takes place on an ad hoc basis.

Non-executive directors are encouraged to meet both officially and unofficially with senior executive management on a regular basis.

## Directors' attendance at board meetings:

| Director | 23/11/10 | 15/02/11 | 27/05/11 | Ad hoc 13/07/11 | 12/08/11 | Ad hoc 14/09/11 |
|---|---|---|---|---|---|---|
| **Independent non-executive** | | | | | | |
| L C van Vught (Chairman) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| B L Sibiya (Deputy chairman) | ✓ | ✓ | ✓ | ✓ | ✓ | A |
| S L Botha | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| R M W Dunne | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| M Makanjee | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| K D K Mokhele | ✓ | A | ✓ | ✓ | ✓ | ✓ |
| R D Nisbet | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| M P Nyama | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| A C Parker | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Executive** | | | | | | |
| P B Matlare (Chief Executive Officer) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| O Ighodaro (Chief Financial Officer)[3] | | | | ✓ | ✓ | ✓ |
| M Fleming[1] | ✓ | | | | | |
| C F H Vaux | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| N G Brimacombe[2] | ✓ | ✓ | | | | |
| B N Njobe[2] | ✓ | ✓ | | | | |

[1] *Resigned 31 December 2010.*
[2] *Resigned 30 April 2011.*
[3] *Appointed 1 June 2011.*
✓ *Indicates attendance.*
A *Apologies tendered.*

## Committees of the board

The following committees assist the board in the fulfilment of its obligations from a governance perspective:

- Audit committee
- Risk and sustainability committee
- Remuneration and nomination committee
- Transformation committee

All committees exist under a charter or terms of reference which are regularly reviewed. It is considered appropriate that the risk and sustainability committee is a subcommittee of the audit committee. The audit committee, although previously regarded as a subcommittee of the board, is a statutory committee required in terms of the Companies Act.

The board will establish a social and ethics committee and in so doing will give consideration as to whether there is required to be any realignment to the existing committees and their charters or terms of reference. The social and ethics committee, as with the audit committee, will be a statutory committee established in terms of the provisions of the Companies Act.

### Remuneration and nomination committee

The members of the remuneration and nomination committee are S L Botha, L C van Vught, B L Sibiya and M Nyama. The committee performs two distinct functions, one relating to remuneration and the other relating to the nomination of non-executive directors to the board of the company. A comprehensive remuneration report is contained on pages 81 to 99 of this integrated report, where the responsibilities in respect of remuneration committees are outlined in detail.

With regard to the nomination responsibility, the committee is responsible for making recommendations and will give consideration to the composition of the board, taking into account retirements, nominations, and appointments of directors, and make appropriate recommendations to the board.

### Directors' attendance at remuneration and nomination committee meetings:

| Director | 19/11/10 | 02/02/11 | 13/05/11 | 14/09/11 |
|---|---|---|---|---|
| **Independent non-executive** | | | | |
| L C van Vught (Chairman) | ✓ | ✓ | A | ✓ |
| B L Sibiya (Deputy chairman) | A | ✓ | ✓ | ✓ |
| S L Botha | ✓ | ✓ | ✓ | ✓ |
| M P Nyama | ✓ | ✓ | ✓ | ✓ |
| **Executive** | | | | |
| P B Matlare (Chief Executive Officer) | ✓ | ✓ | ✓ | ✓ |

*✓ Indicates attendance.*

*A Apologies tendered.*

## Audit committee

The company has an audit committee which has operated under an approved charter and which is required to operate in terms of the Companies Act. The report of the audit committee is set out on page 77. The members of the audit committee are all independent non-executive directors, as noted below.

### Directors' attendance at audit committee meetings:

| Director | 15/11/10 | 10/05/11 | 13/09/11 |
|---|---|---|---|
| **Independent non-executive** | | | |
| R M W Dunne | ✓ | ✓ | ✓ |
| K D K Mokhele | ✓ | ✓ | ✓ |
| R D Nisbet | ✓ | ✓ | A |
| A C Parker | ✓ | ✓ | ✓ |

*✓ Indicates attendance.*
*A Apologies tendered.*

## Risk and sustainability committee

The risk and sustainability committee is constituted as a subcommittee of the audit committee. Duties and responsibilities of the members of the committee who are directors of the company are in addition to the responsibilities held by them as members of the board. The committee has an independent oversight role and makes recommendations to the board for its consideration and final approval. The committee does not assume the function of management, which remains the responsibility of the executive directors, officers and other members of senior management. Alexander Forbes undertakes annual risk and environmental reviews at all operations which are considered by the committee and attend every meeting of the committee.

The risk and sustainability committee is chaired by an independent non-executive director, R M W Dunne, who is also the chairman of the audit committee. K D K Mokhele, a non-executive director, is also a member. The other members of the risk and sustainability committee comprise members of the group's senior management. The senior management representatives on the committee include representatives of the sustainability, financial, legal/secretarial, operational management and supply chain functions of the group. These members report to the group executive committee on risk and sustainability issues. The internal and external auditors also attend all meetings of the risk and sustainability committee.

The group compliance officer attends meetings of the committee and has direct access to the chairman of the committee. Specialists are invited to attend meetings of the committee when appropriate, so as to provide advice on matters of risk and sustainability being addressed by the committee.

## Directors' attendance at risk and sustainability committee meetings:

| Director | 08/11/10 | 16/02/11 | 10/05/11 | 12/08/11 |
|---|---|---|---|---|
| **Independent non-executive directors** | | | | |
| R M W Dunne | ✓ | ✓ | ✓ | ✓ |
| K D K Mokhele | A | ✓ | ✓ | ✓ |
| **Executive directors** | | | | |
| N G Brimacombe[2] | ✓ | A | A | ✓ |
| M Fleming[1] | ✓ | | | |
| O Ighodaro[3] | | | | ✓ |
| C F H Vaux | ✓ | ✓ | ✓ | ✓ |

[1] *Resigned 31 December 2010.*
[2] *Resigned as director of the company on 30 April 2011 but remains on the committee in a management capacity.*
[3] *Appointed 1 June 2011.*
✓ *Indicates attendance.*
A *Apologies tendered.*

Reports on the proceedings of the committee and the minutes of the meetings are submitted to the audit committee. In addition, major risks are considered by the board on a regular basis.

The risk and sustainability committee is governed by a charter which outlines its primary purposes as being to:

- establish and maintain a common understanding of the risk universe and sustainability issues, which need to be addressed in order to align with the group's strategy and ensure sustainability of the group;
- ensure that a proper business risk assessment is carried out and that a risk profile is compiled by management;
- identify on an ongoing basis the most significant commercial, financial and sustainability risks;
- satisfy the corporate governance reporting requirements of the committee;
- monitor the group's risk management and assurance efforts;
- monitor the group's strategy in respect of sustainability issues and to report to the audit committee on the independent assurance on sustainability issues; and
- report to the board, through the audit committee, on the risk management work undertaken and the extent of any action taken by management to address areas identified for improvement.

The risk management process, which is assessed by the committee, involves a formalised system to identify and assess risk, both at a strategic and at an operational level. The process includes the evaluation of the mitigating controls and other assurances in identifying and assessing the risks.

Risk categories that have been assessed by the committee include, inter alia, reputation risk, raw material procurement risk, brand risk, product risk, legislative issues, people risks, competitive forces, information technology issues, insurable perils, sustainability risks, investor risks and financial risks.

The safety of the group's employees is considered to be of paramount importance. To this end, the committee has focused its attention on the process of determining the disabling injury frequency rate (DIFR) occurrences and degree of seriousness of such injuries on a regular basis. Particular management attention will be given in the forthcoming years to reporting on and improving the level of the disabling injury frequency rate. No work-related fatalities occurred in the year under review.

Major risks are reviewed quarterly and updated on an ongoing basis.

The group's strategic risks are identified, documented and monitored by management and reviewed by the risk and sustainability committee.

## Significant risks

The significant and potentially high impact risks identified include the following areas:

- **Macroeconomic conditions**

The group is dependent on ongoing consumer demand for its brands which could be affected by adverse economic conditions, impacting on revenues, profitability, cash flow and the carrying value of intangible assets. The group monitors and assesses the impact of macroeconomic conditions on customers, suppliers, funding requirements and the business environment in general. Other than the negative impact the weak economy has had on consumer demand, the group has continued to effectively sustain operations and generate positive returns and cash flow for shareholders.

- **Legislative issues**

Fair trade, product safety and tariff enforcement are areas relevant to the group, where interaction at appropriate governmental level is required. The group is compliant with the regulatory framework within which it operates.

- **Transformation**

The group recognises that participation in the successful transformation of South African society is critical for the sustainability of the current macroeconomic environment.

Significant progress has been made in this regard as outlined on pages 56 to 60 whereby the company has achieved a Level 3 rating in terms of the B-BBEE transformation scorecard during 2011.

- **Product safety**

The group continually monitors, reviews and approves quality control procedures and consequent consumer assurance in the respective supply chains throughout the business. The majority of the group's manufacturing facilities are HACCP compliant or in the process of seeking HACCP or ISO 22000 accreditation. The residual risk is considered low.

- **Production facilities**

The group formally reviews both preventative and mitigating controls on a regular basis relating to key production facilities and assets throughout the group. Although the impact of a catastrophic loss of a manufacturing facility is likely to have a high impact on the short-term supply of a specific range of products within a specific business unit, the likelihood of such an event occurring is considered to be low risk due to the group's preventative maintenance approach and regular risk audits conducted by a reputable expert service provider. The group maintains appropriate insurance cover in the event of such business interruptions arising.

- **Information technology**

The risks surrounding the security, back-up, conversion and updates relating to the group's information technology systems are continually assessed. Disaster recovery plans and conversion of enterprise resource planning (ERP) systems are reviewed regularly as disruptions to critical management information and application systems could have a material impact on the group's continuing operations.

- **Foreign exchange**

The foreign exchange environment is monitored on an ongoing basis and any transactions involving foreign currency are managed through a clear foreign exchange policy where open positions are limited. The residual risk to the group is considered low. Further detail to the group's risk in respect of foreign currency can be found in note 37 to the financial statements.

- **Reputation risk**

The group constantly monitors and addresses issues that can adversely impact the group's reputation and the reputation of its brands as well as all other facets of the business that can have an impact on reputation.

- **Human resources**

The group continues to develop its internal talent pool and to seek innovative ways to find and retain skilled staff. Succession planning is in place and specific skills shortages are being addressed. Further detail in this regard can be found on pages 51 to 55.

- **Resources and procurement**

The group continually monitors and reviews the changes in climatic conditions, which is being expanded to assess the agricultural arena in view of the increasing focus on climate change and its implications for our supply chain.

Exposures and strategy relating to procurement of key raw materials required by the group are reviewed on an ongoing basis. Further detail with regard to soft commodity price risk is articulated in note 37 to the financial statements.

- **Electricity and water supply**

As a consequence of the increase in demand for electricity in South Africa, the company is required to assess its current exposure and back-up position with regard to electricity supply and possible alternative sources of energy. Where practical, the group has installed standby generators at sites where business continuity risks are critical in the event of power supply disruptions. The company assesses savings opportunities in respect of electrical consumption. The company is also required to regularly assess the quality of water used at its facilities and the sustainability of supply. At certain manufacturing sites it has become necessary to install water treatment plants to maintain a low level of risk with regard to incoming water quality.

## Risk control process

The responsibility for each of the strategic risks that have been identified has been assigned to an appropriate member of the group's senior management team who is required to report to the executive committee on the identified risks assigned to them and outline the steps being taken to manage or mitigate such risks.

The group also runs a number of specific risk control initiatives addressing health and safety management, security, fire defence, food safety, environmental management and quality management, and has adopted a system of incident reporting at operational level which allows for reporting to management by exception.

The group has also implemented a control risk assessment process at all operations.

These risk management activities are complemented by the enforcement of the group's code of ethics, the confidential ethics hotline and the use of an internal commercial audit department to assist in addressing potential fraud or criminal activity.

The commercial audit department carries out compliance-based audits focusing on the control environment. The commercial audit department also responds to issues arising from the ethics hotline, as well as any reports of defalcation or other issues requiring investigation. The company has a zero-tolerance approach to compliance with all laws.

## Transformation committee

The transformation committee is a subcommittee of the board and acts in terms of a charter. Its primary purposes include:

- changing and developing a new way of doing business within Tiger Brands that represents and celebrates diversity;
- fostering and encouraging broader economic participation in the industries in which the company participates;
- developing an employee profile that is more inclusive and representative of the demographic spectrum of South Africa and maintaining a reputation of being an "employer of choice";
- ensuring that actual organisational culture change occurs, and business benefits are achieved; and
- reporting to the board on the transformation work undertaken, and the extent of any action taken by management to address areas identified for improvement.

The transformation committee comprises independent non-executive directors as well as representatives of management. The committee is chaired by B L Sibiya and the other independent non-executive directors are M Makanjee and A C Parker. Executive management includes P B Matlare and B N Njobe.

The company's overall B-BBEE score has been retained at Level 3 in the year under review.

### Directors' attendance at transformation committee meetings:

| Director | 19/11/10 | 11/02/11 | 13/05/11 | 29/07/11 |
|---|---|---|---|---|
| **Independent non-executive** | | | | |
| B L Sibiya (Deputy chairman) | A | ✓ | ✓ | ✓ |
| M Makanjee | A | ✓ | ✓ | ✓ |
| A C Parker | ✓ | ✓ | ✓ | ✓ |
| **Executive** | | | | |
| P B Matlare (Chief Executive Officer) | A | ✓ | ✓ | A |
| B N Njobe[2] | ✓ | ✓ | | |

*[2] Resigned 30 April 2011.*

*✓ Indicates attendance.*

*A Apologies tendered.*

## Ethics

The group has adopted a code of ethics which applies to executive directors, non-executive directors, managers and all other employees of the group. The code of ethics was reviewed and revised in 2011. The purpose and scope of the code is to:

- promote and enforce ethical business practices and standards in the group; and
- reflect the group's policy on ethics and accordingly should be carefully studied as it forms part of the expectations the company has of all its managers and employees. An acceptance of employment with the company is deemed to be an acceptance of the principles set out in this code.

The code is intended for use to raise ethical awareness, and as a guide in day-to-day decisions. It is also used in training programmes, and to help assure customers, suppliers and competitors of the integrity of the group companies with which they deal.

The group is a founder member of the Ethics Institute of South Africa.

A confidential ethics hotline has been established and all reports received are investigated by the commercial audit department. The commercial audit department has been successful in investigating and assisting in prosecutions as and when fraud or defalcations have been reported and identified.

## Dealing in company shares

A policy in dealing in company shares was adopted in 2011, which policy makes provision for the procedure for dealing in Tiger Brands shares. The policy outlines procedures that are to be implemented throughout the group to protect directors and executives against possible and unintentional contravention of the insider trading laws and stock exchange regulations.

Any investment in or disinvestment from a group company must be referred to the chairman of the company concerned to obtain consent before any instruction is given to a stockbroker. The consent required may be delayed or withheld according to judgement of the circumstances prevailing at the time. Short-term or speculative positions may not be taken by directors or executives of the company in any of the securities of the group companies. Participants in the group's share incentive schemes are subject to the rules of the scheme and the provisions of the Listings Requirements of the JSE Limited.

Unless extraordinary circumstances exist, and are approved by the chairman, no investment or disinvestment may take place during the closed periods, which are between 31 March and the release of the interim results in May, and between 30 September and the release of the final results in November, and any other closed period as may be outlined in terms of the JSE Listings Requirements.

Ian Isdale

*Company Secretary and Legal Adviser*

This report is provided by the audit committee appointed in respect of the 2011 financial year of Tiger Brands Limited in compliance with Section 270A of the Companies Act, No. 61 of 1973, as amended (the Act). The committee's operation is guided by a detailed charter that is informed by the Act and King III and is approved by the board.

## Membership

The committee was appointed by the board of directors in respect of the 2011 financial year. Shareholders will be requested to approve the appointment of the members of the audit committee for the 2012 financial year at the annual general meeting scheduled for 14 February 2012. Attendance by members at meetings in 2011 is set out on page 70 of this integrated report. The committee comprises solely independent non-executive directors. The current members are:

R W M Dunne (Chairman)
K D K Mokhele
A C Parker
R Nisbet

## Purpose

The purpose of the committee is to:

- assist the board in discharging its responsibility for reporting financial information by playing a proactive role in enhancing the credibility of financial reporting and to provide a channel of communication between the board, internal and external auditors and management;
- ensure that an effective control environment in the Tiger Brands Group is thereby maintained by supporting the board in the discharge of its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management and the integrity of financial statements and reporting;
- provide the chief financial officer, external and internal auditors with unrestricted access to the committee and its chairman as is required in relation to any matter falling within the remit of the committee;
- meet with the external auditors with or without other board members, as the committee may elect;
- meet at least once per annum with the internal auditors without the external auditors, other executive board members or the company's chief financial officer being present;
- review and recommend to the company's board, for approval, the company's audited financial statements for the financial year ended 30 September 2011;
- oversee the activities of and ensure co-ordination between the activities of the internal and external auditors;
- perform duties that are assigned to it by the Act, and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;
- receive and deal with any complaints concerning the accounting practices, internal audit or the content and audit of its financial statements or related matters;
- conduct annual reviews of the committee's work and terms of reference and make recommendations to the board to ensure that the committee operates at maximum effectiveness; and
- assess the performance and effectiveness of the committee and its members on a regular basis.

## Execution of functions

The audit committee has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the group's accounting, internal auditing, internal control and financial reporting practices.

During the year under review:

- In respect of the external auditor and the external audit, the committee among other matters:
  - nominated Ernst & Young Inc. as the external auditor and designated auditor respectively to the shareholders for appointment as auditor for the financial year ended 30 September 2011, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The committee confirms that the auditor and the designated auditor are accredited by the JSE Limited;
  - approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
  - reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;
  - obtained an annual written statement from the auditor that its independence was not impaired;
  - determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services undertaken;
  - obtained assurances from the external auditor that adequate accounting records were being maintained;
  - considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005, and determined that there were none; and
  - nominated the external auditor and the designated independent auditor for each of the group companies.
- In respect of the financial statements, the committee among other matters:
  - confirmed the going concern as the basis of preparation of the interim and annual financial statements;
  - reviewed compliance with the financial conditions of loan covenants and determined that the capital of the Company was adequate;
  - examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public prior to submission to and approval by the board;
  - ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group was determined to be a going concern;
  - considered accounting treatments, significant unusual transactions and accounting judgements;

- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the group financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- met separately with management, external audit and internal audit.

- In respect of internal control and internal audit, including forensic audit, the committee among other matters:
  - reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit function and compliance with its charter;
  - considered the reports of the internal auditor and external auditor on the group's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
  - received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
  - reviewed significant issues raised by the internal and forensic audit processes and the adequacy of corrective action in response to significant internal and forensic audit findings;
  - assessed the adequacy of the performance of the internal audit function and found it to be satisfactory; and
  - based on the above, the committee formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.
- In respect of risk management and information technology, the committee, insofar as relevant to its functions:
  - reviewed the group's policies on risk assessment and risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going concern assessment, and found them to be sound; and
  - considered and reviewed the findings and recommendations of the risk committee.
- In respect of sustainability issues the committee has:
  - overseen the process of sustainability reporting and considered the findings and recommendations of the risk and sustainability committees; and
  - met with and company senior management to consider the findings on assurance, as well as to make appropriate enquiries from management and has, through this process, received the necessary assurances that material disclosures are reliable and do not conflict with the financial information.
- In respect of legal and regulatory requirements to the extent that it may have an impact on the financial statements, the committee:

- reviewed with management legal matters that could have a material impact on the group;
- reviewed with the company's internal counsel the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via the group's whistle-blowing service, including complaints or concerns regarding accounting matters, internal audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- considered reports provided by management, the internal auditor and the external auditor regarding compliance with legal and regulatory requirements.

- In respect of the co-ordination of assurance activities, the committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.
- Considered the expertise, resources and experience of the chief financial officer and concluded that these were appropriate.

## Independence of the external auditor

The audit committee is satisfied that Ernst & Young Inc. is independent of the group after taking the following factors into account:

- representations made by Ernst & Young Inc. to the audit committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the company;
- the auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the independent regulatory board for Auditors and international regulatory bodies.

## Annual financial statements

Following the review by the audit committee of the annual financial statements of Tiger Brands Limited for the year ended 30 September 2011, the committee is of the view that in all material respects they comply with the relevant provisions of the Act and IFRS and fairly present the consolidated and separate financial position at that date and the results of operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the remainder of the annual report.

Having achieved its objectives, the committee has recommended the financial statements and annual report for the year ended 30 September 2011 for approval to the Tiger Brands board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

On behalf of the audit committee

**Richard Dunne**

*Chairman: Audit Committee*

This remuneration report primarily covers the remuneration of the company's executive and non-executive directors, as well as that of senior management (including prescribed officers).

## Remuneration committee

The primary function of the remuneration committee (the committee) is to determine the company's general policy on executive and senior management remuneration. It has also been delegated by the board with the responsibility for determining the remuneration of the executive directors and other senior management members of the company, including cash salaries, performance-based short-term incentives, pensions, medical aid and other benefits, as well as approving all grants of options under the Tiger Brands Phantom Cash Option Scheme. The committee is also responsible for making recommendations to the board on the various fees paid to the company's non-executive directors. The full terms of reference of the committee, which are in compliance with the King Code of Governance Principles for South Africa 2009 (King III), can be found on the Tiger Brands website **(www.tigerbrands.com).**

The committee comprises four independent non-executive directors, who at 30 September 2011 were S L Botha (Chairperson), L C van Vught, B L Sibiya and M P Nyama. The company's Chief Executive Officer attends the committee meetings by invitation and assists the committee in its deliberations, except when issues relating to his own compensation are discussed. No directors are involved in deciding their own remuneration. In 2011, the committee was also advised by the company's human resources and finance functions. It also sought external advice from PricewaterhouseCoopers relating to the relevance and competitiveness of the company's long-term incentive scheme, and from Spencer Stuart relating to current global trends in the search for talent.

Following a review in September 2010 of the principles and recommendations contained in the King III Code on Remuneration, it was found that the company was largely compliant with the recommendations contained therein. However, a number of areas were identified where changes should be made and these were highlighted in the 2010 annual report. Where the recommendations have not been adopted, the reasons therefore are provided where appropriate.

The chairperson reports to the board on the committee's deliberations and decisions. The committee met four times during 2011. Attendance is reported on page 71 in the corporate governance section of the integrated report.

## Remuneration policy

The company's remuneration policy was reviewed and updated in 2010. Following this exercise, the committee is satisfied that the company's remuneration policy is compliant with the recommendations of King III.

The Tiger Brands group remuneration policy aims to ensure that the group attracts and retains key and critical people required to deliver group business goals and results.

The policy, in conjunction with the remuneration philosophy and strategy is predicated on the following key principles:

- Remuneration should support the vision to be the most admired branded FMCG company in emerging markets by attracting and retaining the right talent.

- Remuneration should have a direct correlation with the growth plans and financial performance of the businesses and the group.
- Remuneration should be reviewed and benchmarked annually through professional in-country service providers to ensure the group remains competitive in the diverse markets in which it operates, ie both locally and internationally, never applying percentiles rigidly but taking into account industry type, skills scarcity, performance and legislative structures and requirements.
- Remuneration must support the group's strategy, and be consistent with the organisation's culture of fairness and equity.
- Remuneration should motivate and allow for differentiation in rewarding high performers.
- Individual contribution based on the role and responsibilities should have a direct bearing on the levels of remuneration.
- Total incentive-based rewards are earned through the attainment of demanding targets consistent with shareholders' growth expectations.

## Composition of executive remuneration

The remuneration of executive directors and senior management is determined on a total cost-to-company basis (ie total remuneration package). The total remuneration packages comprise an annual cash amount, various benefits including retirement provision, group life, health and disability insurance, funeral benefits and a travel allowance scheme where applicable.

The total remuneration packages of the executive directors and senior management are subject to annual review and benchmarked against external market data taking into account the size of the company, its market sector and business complexity. Individual performance, as reflected by formal performance ratings, value-add to the business and organisation as a whole, and overall responsibility are also taken into consideration. In respect of scarce skills, where scarcity is as a consequence of a unique combination of skills and experience an individual has, steps are taken to build a talent pool around the relevant individual to de-risk the organisation. The remuneration packages of this category of persons are adjusted to reflect market conditions.

Total remuneration packages are reviewed annually in October of each year. For consistently high performers, it is the intention to set guaranteed (non-variable) pay at above median levels of remuneration as reflected by an appropriate external executive remuneration survey.

Outside of the total remuneration package structure, executive directors and senior management participate in an incentive bonus plan and in the Tiger Brands Phantom Cash Option Scheme (and historically the Tiger Brands (1985) Share Option Scheme). One executive director, one prescribed officer and two other members of the Tiger Brands executive committee are also participants in the Tiger Brands Black Managers Trust.

The short-term incentive bonus plan, Phantom Cash Option Scheme, Black Managers Trust, retirement and other benefits are commented on in more detail below:

### Incentive bonus plan

The executive directors and senior management participate in an annual incentive bonus plan, which is based on the achievement of short-term performance targets. These targets comprise a financial as well as a number of strategic components. In 2011, the short-term incentive scheme in respect of members of the Tiger Brands executive committee (including the Chief Executive Officer), carried an 80% weighting in respect of the financial component and a 20% weighting for the strategic component.

The strategic element of the bonus consisted of a number of components, focusing on the following areas:

- BEE transformation, with specific emphasis on employment equity, skills development and enterprise development, as measured by the company's externally verified transformation scorecard.
- Organisational and cultural development of the company as measured by an external survey.
- Further progress in the company's growth strategy in the rest of Africa and the successful integration of businesses acquired.
- Environmental policy – the setting of targets and tracking of individual business unit performance against target.
- Relative share price performance – the market performance of the company's ordinary shares compared to the performance of the FINDI 30 index over a five-year period.

Each of the above elements carried an appropriate weighting. The financial performance component is based on growth in profits, as measured by headline earnings per share, and the return on net assets employed, with the greater emphasis on growth in headline earnings per share. Measures and targets are set and reviewed annually by the remuneration committee. Performance against individual targets and objectives is also taken into account in the final bonus determination.

Incentive bonuses payable to executive directors in respect of 2011 are outlined in the table of directors' emoluments. In addition, incentive bonuses payable to prescribed officers are reflected in a separate table below directors' emoluments. Incentive bonuses payable to members of the executive committee, excluding executive directors and prescribed officers, are disclosed in aggregate on page 96.

The incentive scheme for 2011 was targeted at 100% of total annual remuneration package, with 80% of the incentive bonus being based on the group's financial performance (headline earnings per share and return on net assets) and the remaining 20% (subject to minimum financial performance criteria being achieved) based on the level of achievement and progress made against the various strategic targets referred to above. All participants on this scheme are able to earn an annual short-term incentive of up to 150% of total remuneration package. The bonuses accruing to executive directors in respect of 2011 equated to, in aggregate, 7,05% (2010: 12,09%) of their combined total remuneration packages. In addition, the bonuses accruing to prescribed officers and the remaining members of the executive committee for 2011 equated to, in aggregate, 9,47% (2010: 14,64%) of their combined total remuneration packages.

The profit incentive scheme for 2012 is similar to the 2011 scheme, with 80% of the bonus being based on financial performance criteria (headline earnings per share and return on net assets), and the remaining 20% based on specific strategic criteria.

The strategic element of the bonus for 2012 will focus on the following areas:

- BEE transformation, with specific emphasis on employment equity, skills development and enterprise development.
- Further progress in the organisational and cultural development of the company.
- Meaningful progress in building organisational talent and management capability.
- Further progress in the company's growth strategy in the rest of Africa and the successful integration of businesses acquired.
- Energy management – reduction in total energy consumption; improvement in energy intensity and energy cost reduction.
- Relative share price performance versus the performance of the Financial and Industrial 30 index (FINDI 30).

The 2012 incentive scheme is targeted at 100% of the total annual remuneration package, with participants on the scheme able to earn an incentive of up to 150% of total remuneration package (ie the scheme is capped at 150%).

The maximum short-term incentive is paid only when the company achieves stretch business performance targets and all the strategic targets are achieved. Consistent with the approach adopted for 2011, the payout percentages for 2012 have been determined on a progressive basis (as opposed to a straight-line basis) to give greater recognition to superior earnings performance in real terms.

## Phantom Cash Settled Option Scheme

The committee gives consideration to granting options to executive directors and senior management on an annual basis.

On 23 February 2006, shareholders approved the adoption of a Phantom Cash Option Scheme to replace the Tiger Brands (1985) Share Option Scheme. In terms of the Phantom Cash Option Scheme, cash options have been granted to the executive directors and senior managers on an annual basis since 2006.

The rules of the Phantom Cash Option Scheme are based on the 1985 share option scheme. Apart from the fact that the options in the new scheme are "cash settled" rather than "equity settled", the major difference between the two schemes is that the maturity period of the cash settled options is six years as opposed to 10 years. The cash options awarded in 2006 and 2007 are subject to purely time-based vesting conditions, which is consistent with the previous scheme (ie one-third becoming vested on each of the third, fourth and fifth anniversary dates of the date of original grant). With effect from January 2008, and in line with global best practice and emerging South African practice, the company introduced performance vesting conditions to govern the vesting of a portion of the options granted under the Phantom Cash Option Scheme.

With regard to the options granted from 2008 to 2011, a total of 50% of the options are not subject to performance vesting conditions. The vesting of these options will remain time-based. The right to exercise the remaining 50% is, however, subject to the requirement that the company's headline earnings per share increase by a minimum of 3% per annum above inflation, on a rolling cumulative basis, over the relevant three, four and five-year performance periods. Annual retesting of the performance condition is permitted up to the sixth anniversary of the date of original grant in respect of the options granted in 2008, 2009 and 2010. No annual retesting is permitted in respect of options granted after 1 January 2011.

The grant price of the cash-settled options awarded between 2006 and 2010 is equal to the average closing market price of a Tiger Brands share on the JSE for the 30-trading days immediately prior to the grant date of the option. The cash settlement amount of the option is equal to the difference between the closing market price of a Tiger Brands share on the date on which the option is exercised and the grant price. The participants therefore receive the same net proceeds as under the previous equity-settled option scheme, apart from broking fees and associated costs which are not payable under the Phantom Cash Option Scheme.

The structure and design of the company's cash-settled option scheme was reviewed by the committee at its meeting on 17 September 2010. As indicated above, for options issued from 2011 onwards, and in line with the principles of King III, annual retesting of the performance condition is no longer permitted. In order to avoid an all-or-nothing approach, a sliding vesting scale has replaced annual retesting. In terms of this approach, a sliding vesting scale (based on varying levels of real growth in headline earnings per share) will be applied on the third, fourth and fifth anniversary dates of the original grant date of the options, in respect of each one-third tranche respectively. In addition, from 2011 onwards, the method of determination of the grant prices at which options are awarded has been changed from the 30-day average closing share price prior to the date of the option grant to the 10-day volume-weighted average price (VWAP) prior to the grant date. The use of a 10-day VWAP price is considered by the committee to be appropriate as it smoothes out any volatility in the share price in the period immediately leading up to the grant date.

For future option grants under the Phantom Cash Option Scheme, 50% of the awards granted will continue to be subject to performance vesting conditions with the remaining 50% being purely time-based. This split is considered appropriate as part of the award is intended to serve as a retention tool rather than as an incentive mechanism.

The number of underlying Phantom shares over which the cash options are granted is determined by reference to a predetermined multiple of annual total remuneration package. The individual multiples applied to the executive directors, prescribed officers and other members of the executive committee in respect of the 2011 allocations, ranged between 1,0 and 1,4 times. The values so arrived at are divided by the option grant price to determine the total number of options to be awarded to an individual.

## Vesting of share options in the event of termination of employment

In the event that an individual's employment is terminated, vesting of any outstanding (unvested) share options under the Phantom Cash Option Scheme is dependent upon the reasons for termination. These termination rules were reviewed by the committee at its meeting held on 17 September 2010, and certain changes have been implemented in order to align the scheme with the recommendations contained in King III. A comparison of the old and new rules is set out in the table below. The new rules have been applied to options awarded from 1 January 2011 onwards.

## Vesting of unvested options on termination of employment

| Termination event | Old rule | New rule |
|---|---|---|
| (a) Resignation and dismissal for good cause | Options lapse | No change |
| (b) Normal retirement | Options vest post-retirement subject to normal vesting criteria | No change |
| (c) Employee-initiated early retirement | For options granted post 1 January 2009, options vest after date of early retirement subject to normal vesting criteria, but prorated based on the period of service at the date of early retirement relative to the full vesting period of the unvested options | No change, but subject to sliding scale as indicated above (ie retesting not permitted) |
| (d) Retrenchment | For options granted post 1 January 2009, options will be allowed to vest early (and performance conditions waived), based on the extent to which the retrenched employee has served at the date of retrenchment relative to the full vesting period of the unvested options | Prorated for time (as per old rule) and test the extent to which performance conditions are met, applying the sliding scale to all available tranches (ie retesting not permitted) |
| (e) Disposal of a subsidiary or business | Performance conditions are waived and all unvested options are deemed to vest on the date of the disposal | Prorated for time and test the extent to which performance conditions are met, applying the sliding scale to all available tranches at the date of exit |
| (f) Death | Performance conditions waived and accelerated vesting applied to all available tranches | No change – although not in line with King III, a pragmatic approach has been taken in view of the small number of incidents |

Details of equity-settled options issued in terms of the Tiger Brands (1985) Share Option Scheme held by executive directors as at 30 September 2011, together with options exercised during the year, are set out in note 24 to the notes of the annual financial statements. These options, all of which have vested as at 30 September 2011, are summarised in the following table:

### Tiger Brands (1985) Share Option Scheme – Share options issued to executive directors

| | Balance at beginning of year (number) | Share options granted | Share options exercised | Balance at end of year (number) | Fair market value[1] of outstanding options (R'000) |
|---|---|---|---|---|---|
| **Executive director** | | | | | |
| N G Brimacombe (1 Oct – 30 Apr 2011) | 69 100 | – | 69 100 | – | – |
| C F H Vaux | 65 400 | – | – | 65 400 | 9 045 |

[1] *The fair value of the options is estimated using a Black-Scholes option-pricing model solved numerically with an explicit finite-difference technique. All options have vested and are therefore valued with an American expiry profile.*

In addition to holding equity settled options over shares in Tiger Brands Limited, one executive director also holds options over shares in the Spar Group Limited and Adcock Ingram Holdings Limited. These options were created as part of the Spar and Adcock Ingram unbundling transactions, to ensure that Tiger option holders were treated on a consistent basis with Tiger shareholders following the distribution of Tiger's investments in those companies.

As far as the impact of the Adcock Ingram unbundling on the Tiger Brands Phantom Cash Option Scheme is concerned, all cash-settled options in favour of Tiger Brands employees which were unexercised at the date of the unbundling, were adjusted in terms of an equalisation formula as to quantum and to price. As a result, no Adcock Ingram cash-settled options were granted to Tiger Brands employees.

## Phantom Cash Option Scheme

Details of Phantom Cash Options held by executive directors under the Tiger Brands Phantom Cash Option Scheme as at 30 September 2011, are set out hereunder:

| Name | Date of grant | Holding at 1 October 2010 | Granted 2011 | Exercised 2011 | Forfeited 2011 |
|---|---|---|---|---|---|
| O Ighodaro, appointed 1 June 2011 | Jun 2011 | – | 21 850 | – | – |
| **Total** | | **–** | **21 850** | **–** | **–** |
| P B Matlare | Feb 2011 | – | 35 300 | – | – |
| | Feb 2010 | 73 200 | – | – | – |
| | Feb 2009 | 40 400 | – | – | – |
| | Apr 2008 | 126 563 | – | 42 187 | – |
| **Total** | | **240 163** | **35 300** | **42 187** | **–** |
| C F H Vaux | Feb 2011 | | 22 100 | | |
| | Feb 2010 | 45 400 | – | – | – |
| | Feb 2009 | 25 400 | – | – | – |
| | Apr 2008 | 29 363 | – | – | – |
| | Jan 2008 | 23 920 | – | – | – |
| | Jan 2007 | 22 022 | – | 14 682 | – |
| | Jan 2006 | 15 188 | – | 15 188 | – |
| **Total** | | **161 293** | **22 100** | **29 870** | **–** |
| M Fleming | Feb 2010 | 31 800 | – | – | 31 800 |
| | Feb 2009 | 14 800 | – | – | 14 800 |
| | Apr 2008 | 16 959 | – | – | 16 959 |
| | Jan 2008 | 6 834 | – | – | 6 834 |
| | Jan 2007 | 6 581 | – | 2 194 | 4 387 |
| | Jan 2006 | 6 708 | – | 4 472 | 2 236 |
| **Total** | | **83 682** | **–** | **6 666** | **77 016** |

Excluded from the above table are the Phantom Cash Options held by N G Brimacombe and B N Njobe, both having resigned as executive directors effective 30 April 2011. Their details are included in the tables below under prescribed officers and executive committee members, respectively.

| Holding at 30 September 2011 | Number of options subject to retention | Number of options subject to performance targets | Grant price (Rand) | Number of options vested at 30 September 2011 | Fair market value of vested options at 30 September 2011 (R'000) |
|---|---|---|---|---|---|
| 21 850 | 10 925 | 10 925 | 186,97 | — | — |
| **21 850** | **10 925** | **10 925** | | **—** | **—** |
| 35 300 | 17 650 | 17 650 | 189,09 | — | — |
| 73 200 | 36 600 | 36 600 | 172,07 | — | — |
| 40 400 | 20 200 | 20 200 | 141,91 | — | — |
| 84 376 | 42 188 | 42 188 | 106,44 | — | — |
| **233 276** | **116 638** | **116 638** | | **—** | **—** |
| 22 100 | 11 050 | 11 050 | 189,09 | — | — |
| 45 400 | 22 700 | 22 700 | 172,07 | — | — |
| 25 400 | 12 700 | 12 700 | 141,91 | — | — |
| 29 363 | 14 681 | 14 682 | 106,44 | 9 787 | 965 |
| 23 920 | 11 960 | 11 960 | 130,59 | 7 973 | 602 |
| 7 340 | 7 340 | — | 133,39 | — | — |
| — | — | — | 118,13 | — | — |
| **153 523** | **80 431** | **73 092** | | **17 760** | **1 567** |
| — | — | — | 172,07 | — | — |
| — | — | — | 141,91 | — | — |
| — | — | — | 106,44 | — | — |
| — | — | — | 130,59 | — | — |
| — | — | — | 133,39 | — | — |
| — | — | — | 118,13 | — | — |
| **—** | **—** | **—** | | **—** | **—** |

Details of Phantom Cash Options held by prescribed officers under the Tiger Brands Phantom Cash Option Scheme as at 30 September 2011, are set out hereunder:

| Name | Date of grant | Holding at 1 October 2010 | Granted 2011 | Exercised 2011 | Forfeited 2011 |
|---|---|---|---|---|---|
| N G Brimacombe (1 May – 30 Sep 2011) – Note 1 | Various | 163 317 | 21 300 | 18 942 | — |
| P M Roux (17 Jan – 30 Sep 2011) – Note 2 | Various | — | 52 000 | — | — |
| N Segoale (1 Oct – 30 Sep 2011) – Note 3 | Various | 102 205 | 50 300 | 14 302 | — |

Note 1 – N G Brimacombe's Phantom Cash Option details are recorded in full in the table above.

Note 2 – Includes a special retention allocation on 17 January 2011 of 26 000 Phantom Cash Options which are subject to a five year vesting period for the full allocation.
Performance conditions are applicable to 50% of the allocation.

Note 3 – Includes a special retention allocation of 30 000 Phantom Cash Options on 1 June 2011, which are subject to the normal vesting conditions.

Aggregated details of Phantom Cash Options held by members of the executive committee, other than the executive directors and prescribed officers above, as at 30 September 2011, are set out hereunder:

| Name | Date of grant | Holding at 1 October 2010 | Granted 2011 | Exercised 2011 | Forfeited 2011 |
|---|---|---|---|---|---|
| **Total** | Various | 296 809 | 72 400 | 13 162 | — |

| Holding at 30 September 2011 | Number of options subject to retention | Number of options subject to performance targets | Grant price (Rand) | Number of options vested at 30 September 2011 | Fair market value of vested options at 30 September 2011 (R'000) |
|---|---|---|---|---|---|
| 165 675 | 92 983 | 72 692 | Various | 30 838 | 2 619 |
| 52 000 | 26 000 | 26 000 | Various | – | – |
| 138 203 | 69 102 | 69 101 | Various | – | – |

| Holding at 30 September 2011 | Number of options subject to retention | Number of options subject to performance targets | Grant price (Rand) | Number of options vested at 30 September 2011 | Fair market value of vested options at 30 September 2011 (R'000) |
|---|---|---|---|---|---|
| 356 047 | 195 996 | 160 051 | Various | 48 643 | 4 099 |

## Black Managers Trusts

The Tiger Brands Black Managers Trust (BMT I) was established in 2005 as part of the company's Phase I staff empowerment transaction, implemented in October 2005. In terms of the BEE Phase I staff empowerment transaction, the allocation of participation rights to black managers will entitle beneficiaries to receive the underlying Tiger shares (and shares in Adcock Ingram on a one-for-one basis) – after making the required capital contributions to the BMT I – at any time after the specified lock-in period, ie from 1 January 2015.

An executive director and a prescribed officer have each received allocations from the BMT I. P B Matlare was allocated the rights to 13 500 Tiger shares in July 2008 at an initial notional price of R117,91 per Tiger underlying share. This notional cost will vary over time in terms of a Formula and, when these participation rights are taken up, this will result in the participant being entitled to receive 13 500 Tiger shares as well as 13 500 Adcock Ingram shares. On the same basis, N Segoale, a prescribed officer, was allocated the rights to 13 500 Tiger shares (and 13 500 Adcock Ingram shares) in July 2007 at an initial combined notional price of R117,30 for a Tiger and an Adcock share.

In addition, on 31 December 2009, a top-up allocation of rights to 2 763 Tiger shares (and 2 763 Adcock Ingram shares) was awarded by the BMT I to each of P B Matlare and N Segoale at an initial combined notional price of R122,39 for a Tiger and an Adcock share.

The Tiger Brands Black Managers Trust No. II (BMT II) was established as part of Tiger Brands' BEE Phase II transaction that was implemented on 20 October 2009. In terms of this scheme, the above two individuals, P B Matlare and N Segoale, each received an allocation of rights to 16 300 Tiger shares on 31 January 2010 at a notional price of R147,59 per Tiger share. After the lock-in period for this scheme (ie after 31 December 2017), a certain number of the allocated shares will be distributed to the above persons once Tiger Brands has exercised its right to repurchase a portion of the original allocation from the BMT II, in terms of a Repurchase Formula.

## Share dilution limit

In terms of the rules of the Tiger Brands Phantom Cash Option Scheme, at any point in time the aggregate of the number of Phantom Shares relating to all unexercised options in terms of the scheme, together with all unexercised options in terms of the Tiger Brands (1985) Share Option Scheme, is limited to 10% of the total issued share capital of the company. As at 30 September 2011, the aggregate number of all outstanding options represented 2,42% (2010: 2,58%) of the company's total issued share capital.

## Retirement benefits

During the year, the group made contributions on behalf of the executive directors to an umbrella retirement scheme operated by Investment Solutions. The scheme is a defined contribution retirement plan, with the company contributing 15,7% (2010: 15,4%) of gross pensionable remuneration for retirement funding purposes. The cost of these contributions forms a component of the directors' total remuneration packages. With regard to the prescribed officers and remaining members of the executive committee, two members, during the course of the financial year, transferred into the abovementioned umbrella retirement scheme. In addition, two other members of the executive committee participate in the abovementioned umbrella retirement scheme. The remaining members of the executive committee belong to the Tiger Brands Management Provident Fund, which is a defined contribution plan. The company contributes 15,8% (2010: 15,9%) of gross pensionable remuneration to the Tiger Brands Management Provident Fund for retirement funding purposes.

Details of contributions made in the year ended 30 September 2011 on behalf of executive directors, prescribed officers and other members of the executive committee are set out on pages 96 and 97.

## Other benefits

The executive directors, prescribed officers and other members of the executive committee enjoy various other benefits including medical aid cover, permanent health insurance, death in service and funeral cover, as well as the entitlement to a travel allowance where applicable. Post-retirement death benefits are also provided in respect of the Company Secretary, Mr I W M Isdale.

The total value of other benefits paid in respect of the executive directors, prescribed officers and other members of the executive committee is set out on pages 96 to 99.

## Executive service contracts

Executive directors, prescribed officers and other members of the executive committee are not employed on fixed-term contracts and have standard employment agreements with current notice periods of either one or three months. The current retirement age is 63 although a retirement age of 65 applies to certain individuals.

Contractual entitlements on termination of employment include, for employees who leave for reasons of retirement or retrenchment, a pro rata short-term incentive payment, subject to the extent of achievement of the relevant financial and strategic performance targets at the end of the financial year and the necessary individual performance agreement being in place for the individual concerned at the date of his or her exit. Such pro rata incentive payment is subject to the relevant employee being in service for a minimum period of three months during the financial year in question. No pro rata bonus is paid for employees who leave other than for reasons of retirement or retrenchment.

The termination rules relating to options issued under the Tiger Brands Phantom Cash Option Scheme are set out in the table on page 88 and 89. Options previously issued under the Tiger Brands (1985) Share Option Scheme are retained if the reason for termination is for good cause. As at 30 September 2011, all outstanding options issued under the Tiger Brands (1985) Share Option Scheme had vested in full.

On 15 June 1999, Mr I W M Isdale entered into an employment agreement with the company in respect of his services as Company Secretary. The employment agreement is subject to a notice period of not less than three months to be given by either party. The company may elect to make the payment of a cash sum in lieu of notice of termination.

In the event of such termination of employment creating an obligation on the employer to pay severance pay to the individual concerned in terms of the Labour Relations Act, 1995, or the Basic Conditions of Employment Act, 1997, then the severance package shall be equal to a multiple of monthly remuneration. The multiple applicable to Mr I W M Isdale equates to 20 months' remuneration. However, the multiple is limited to the number of months that remain from the termination date to the date on which the employee would have reached his normal retirement age. The payment is based on pensionable remuneration plus the value of medical aid, group life and permanent health insurance benefits. In addition, a fixed amount will be payable by the company as compensation for the loss of benefits arising in terms of the company's post-retirement death benefit scheme.

## Succession planning

Development of a formal succession plan for senior and executive management takes place in March of each year. The plan is discussed and approved by the executive committee. The objective is to ensure that immediate succession is in place and also to develop a pool of persons with potential for development and future placement. This includes managers at lower levels.

## Board evaluation process

The chairman of the company conducted an internal performance evaluation of the board during the latter part of 2010. Overall, the board was considered to be balanced and effective. However, a number of areas were identified for improvement. An area that required attention was board training. In addition, the composition of the board was perceived to be sub-optimum in respect of gender and international representation. Succession planning for both the board and executive management was not seen as being properly formalised, although a fully documented plan in respect of succession planning for executive management is in place and is reviewed annually by the remuneration committee.

## External company board appointments

Tiger Brands encourages members of the executive committee to consider accepting appropriate opportunities to serve as non-executive directors on the main board or board subcommittees of external companies. Tiger Brands believes this policy encourages members of the executive to broaden their skills base and experience. A formal policy has been adopted in this regard and, in terms thereof, an executive member will be limited to one substantive outside directorship. Directors' fees paid to executive members by outside companies in terms of the policy may be retained by the individual concerned. Tiger Brands currently has four members of the executive committee serving in the capacity of non-executive directors on the main boards of external companies.

## Non-executive directors

Non-executive directors are expected to carry out all the tasks and duties normally associated with the position of a non-executive director as defined by the Companies Act of 2008, King III and the articles of association of the company. The board and each of its committees has a charter which sets out the responsibilities of the board and its respective committees.

Non-executive directors are expected to provide the organisation with leadership, expertise and knowledge on strategy, enterprise, innovative ideas and to contribute to the business planning of the company.

Non-executive directors are compensated based on their overall contribution and input to the company, and not just for attendance at meetings. Consistent non-attendance at meetings, if applicable, will be appropriately handled as part of the internal board evaluation process. On this basis, non-executive directors receive an annual fee for their services on the board and board committees, rather than a base fee and a separate meeting attendance fee which is contemplated by King III.

There are no contractual arrangements for compensation for the loss of office. Non-executive directors do not receive short-term incentives nor do they participate in the company's long-term incentive scheme. The annual fees payable to non-executive directors for the period commencing 1 March 2011 were approved by shareholders on 15 February 2011.

Fees payable to non-executive directors are approved by the shareholders in terms of the company's articles of association. In terms of the company's articles of association, non-executive directors who perform services outside the scope of the ordinary duties of a director may be paid additional remuneration, the reasonable maximum of which is fixed by a disinterested quorum of directors.

The board recommends the fees payable to the non-executive directors for approval by the shareholders at the annual general meeting of the company. Proposals for fees are first prepared by the executive committee for consideration by the remuneration committee. Following consideration by the remuneration committee, a final recommendation is then made to the board for its consideration prior to being put to the shareholders for approval.

Consideration is given to the increasing levels of responsibility being placed upon directors, as well as to market benchmarks for similar sized companies and projected inflation over the relevant period. The table below sets out the current annual fees:

## Levels of fees for non-executive directors

| *(Rand)* | **From 1 March 2011 – 29 February 2012** |
|---|---|
| Base fee | 271 250 |
| **Committee chair** | |
| Audit committee | 206 150 |
| Remuneration committee | 141 050 |
| Risk/sustainability committee | 117 180 |
| Transformation committee | 117 180 |
| **Committee membership** | |
| Audit committee | 101 990 |
| Remuneration committee | 70 525 |
| Risk/sustainability committee | 58 590 |
| Transformation committee | 58 590 |
| **Chairman's remuneration** | 1 259 685 |
| **Deputy chairman's remuneration** | 651 000 |

The chairman and deputy chairman do not receive any additional remuneration for their participation in the subcommittees of the board.

In addition to the above fees, non-executive directors are paid an amount of R14 310 per meeting in respect of special meetings of the board and an amount of R2 862 per hour in respect of any additional work undertaken by them, provided that payment in respect of any such additional work is approved by the remuneration committee and the Chief Executive Officer.

Fees paid to individual non-executive directors for the year ended 30 September 2011 are set out in the table of directors' emoluments on page 96.

The board, based on the recommendation of the remuneration committee, has determined that shareholders be requested to approve that, the various fees payable to non-executive directors, as reflected in the table above, be increased with effect from 1 March 2012. Approval of shareholders will also be sought for increasing the fees paid for attendance at special board meetings and for additional work undertaken by non-executive directors.

Details of the proposed increases are contained in the notice of annual general meeting of shareholders in respect of the shareholder meeting to be held on 14 February 2012. The specific resolutions to be voted on by shareholders in respect of directors' remuneration increases are special resolution numbers 1, 2 and 3.

It is company practice to conduct a benchmarking exercise on the fees payable to non-executive directors every two years. A market review of non-executive directors' remuneration was undertaken in 2011, which forms the basis of the proposed increases.

### (a) Table of directors' emoluments for the year ended 30 September 2011

| (R'000) | Fees | Cash salary | Bonus | Other benefits | Retirement fund contributions | Gains on options exercised | Total 2011 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| N G Brimacombe (Note 1) | | 1 571 | – | 61 | 323 | 10 724 | **12 679** |
| M Fleming (Note 2) | | 595 | – | 210 | 119 | 2 043 | **2 967** |
| O Ighodaro (Note 3) | | 914 | 4 800 | 20 | 160 | – | **5 894** |
| P B Matlare (CEO) | | 3 798 | 475 | 300 | 672 | 3 648 | **8 893** |
| B N Njobe (Note 4) | | 1 186 | – | 158 | 220 | – | **1 564** |
| C F H Vaux (Note 5) | | 2 871 | 351 | 404 | 581 | 2 311 | **6 518** |
| **Total A** | | 10 935 | 5 626 | 1 153 | 2 075 | 18 726 | **38 515** |
| **Non-executive directors** | | EFs | | | | | |
| L C van Vught (Chairman) | 1 232 | 14 | | | | | **1 232** |
| S L Botha (Note 6) | 149 | 54 | | | | | **149** |
| S L Botha (Note 7) | 304 | – | | | | | **304** |
| R M W Dunne | 589 | 14 | | | | | **589** |
| M Makanjee | 373 | 54 | | | | | **373** |
| K D K Mokhele | 431 | 14 | | | | | **431** |
| R D Nisbet | 375 | 14 | | | | | **375** |
| M P Nyama | 398 | 68 | | | | | **398** |
| A C Parker | 485 | 68 | | | | | **485** |
| B L Sibiya (Deputy chairman) | 630 | – | | | | | **630** |
| Total B | 4 966 | | | | | | **4 966** |
| **Total A + B** | 4 966 | 10 935 | 5 626 | 1 153 | 2 075 | 18 726 | **43 481** |

Details of remuneration paid to prescribed officers of the company, are set out hereunder:

| (R'000) | Fees | Cash salary | Bonus | Other benefits | Retirement fund contributions | Gains on options exercised | Total 2011 |
|---|---|---|---|---|---|---|---|
| N G Brimacombe (1 May – 30 September 2011) | | 1 122 | 334 | 44 | 231 | – | **1 731** |
| P M Roux (Note 8) | | 2 390 | 281 | 417 | 400 | – | **3 488** |
| N Segoale (Note 9) | | 2 450 | 5 328 | 398 | 454 | 1 149 | **9 779** |
| **Total** | | 5 962 | 5 943 | 859 | 1 085 | 1 149 | **14 998** |

Aggregated details of remuneration paid to members of the executive committee, other than the executive directors and prescribed officers above, are set out hereunder:

| (R'000) | Fees | Cash salary | Bonus | Other benefits | Retirement fund contributions | Deemed interest | Gains on options exercised | Total 2011 |
|---|---|---|---|---|---|---|---|---|
| **Total** | | 9 280 | 1 368 | 970 | 1 856 | – | 1 306 | **14 780** |

**Number of members (excluding executive directors and prescribed officers) – 2011**

Note 1 – N G Brimacombe resigned as a director of the company effective 30 April 2011.

Note 2 – M Fleming resigned from the company effective 31 December 2010. Outstanding leave valued at R140 655 was paid out on termination. M Fleming was the recipient of the Tiger Stripes CEO award in November 2010, entitling him to a cash award in the sum of R25 000. He also received a farewell gift in the sum of R11 500. All these amounts are reflected under Other benefits in the table above.

Note 3 – O Ighodaro became an executive director with effect 1 June 2011. A retention bonus was awarded to O Ighodaro in the sum of R4 800 000. The full amount of the bonus is refundable to the company should the employee terminate her services prior to 1 July 2012. An amount equal to 50% of the bonus is refundable to the company should the employee leave the company between 1 July 2012 and 30 June 2013.

Note 4 – B N Njobe resigned as a director of the company effective 30 April 2011.

Note 5 – Includes a once-off gratuity payment of R373 300 reflected under Other benefits.

Note 6 – Fees paid to MTN Group Management Services Limited.

Note 7 – Fees paid directly to S L Botha.

Note 8 – Included in Other benefits are relocation costs of R316 226.

Note 9 – The bonus amount of R5 328 350 includes a retention bonus of R5 000 000. The full amount of the retention bonus is refundable to the company should the employee terminate his services prior to 1 June 2014.

EFs – Extra fees paid for additional work undertaken. These extra fees are included in the column under fees and are also shown separately for information purposes.

## (b) Table of directors' emoluments for the year ended 30 September 2010

| *(R'000)* | Fees | Cash salary | Bonus | Other benefits | Retirement fund contributions | Deemed interest | Gains on options exercised | Total 2010 |
|---|---|---|---|---|---|---|---|---|
| Executive directors | | | | | | | | |
| N G Brimacombe (Note 1) | | 2 684 | — | 200 | 538 | — | — | 3 422 |
| M Fleming | | 1 952 | 473 | 128 | 409 | 10 | 934 | 3 906 |
| P B Matlare (CEO) | | 3 622 | 855 | 248 | 634 | — | — | 5 359 |
| B N Njobe | | 1 969 | — | 273 | 367 | — | — | 2 609 |
| C F H Vaux (Note 2) | | 2 684 | 3 223 | 28 | 543 | — | — | 6 478 |
| **Total A** | | 12 911 | 4 551 | 877 | 2 491 | 10 | 934 | 21 774 |
| **Non-executive directors** | | EFs | | | | | | |
| L C van Vught (Chairman) | 1 161 | — | | | | | | 1 161 |
| S L Botha (Note 3) | 385 | — | | | | | | 385 |
| R M W Dunne | 610 | 62 | | | | | | 610 |
| U P T Johnson (to 31 December 2009) | 76 | — | | | | | | 76 |
| M Makanjee (from 1 August 2010) | 42 | — | | | | | | 42 |
| K D K Mokhele | 352 | 8 | | | | | | 352 |
| R D Nisbet (from 1 August 2010) | 109 | 68 | | | | | | 109 |
| M P Nyama (from 1 August 2010) | 42 | — | | | | | | 42 |
| A C Parker | 352 | 8 | | | | | | 352 |
| P M Roux (to 30 June 2010) | 188 | — | | | | | | 188 |
| B L Sibiya (Deputy chairman) | 600 | — | | | | | | 600 |
| **Total B** | 3 917 | | | | | | | 3 917 |
| **Total A + B** | 3 917 | 12 911 | 4 551 | 877 | 2 491 | 10 | 934 | 25 691 |

Aggregated details of remuneration paid to members of the executive committee, other than the executive directors above (but including the top three earners who are not executive directors), are set out hereunder:

| *(R'000)* | Fees | Cash salary | Bonus | Other benefits | Retire-ment fund contri-butions | Deemed interest | Gains on options exer-cised | Total 2010 |
|---|---|---|---|---|---|---|---|---|
| **Total** | | 7 361 | 1 402 | 933 | 1 485 | – | 503 | 11 684 |

| Number of members (excluding executive directors) – 2010 | 6 |
|---|---|

Note 1 – Includes a once-off gratuity payment of R100 000 reflected under Other benefits.

Note 2 – Includes a retention bonus of R2 600 000 paid to C F H Vaux in April 2010. In April 2008, a retention bonus comprising a cash lump sum of one times total remuneration package and a special allocation of share options, was awarded to C F H Vaux. The payment of the cash lump sum of R2 600 000 was subject to the recipient still being in the employ of the company on 1 April 2010.

Note 3 – Director's fees paid to MTN Group Management Services.

EFs – Extra fees paid for additional work undertaken. These extra fees are included in the column under fees and are also shown separately for information purposes.

# Management reporting

There are comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all operating units and categories. Individual operational, functional and category budgets are approved by the relevant company executives, while the group budget is reviewed by the directors of the company. Monthly results and the financial status of operating units are reported against approved budgets and compared to the prior year. Profit projections and cash flow forecasts are updated regularly, while working capital and cash/borrowing levels are monitored on an ongoing basis.

As part of the strategic planning process, category growth and brand plans are compiled at the appropriate level, incorporating detailed action plans and allocated responsibilities. Progress against the action plans is reviewed on a regular basis.

# Responsibility for annual financial statements

The directors of Tiger Brands Limited are responsible for the integrity of the annual financial statements of the company, consolidated subsidiaries, associates and proportionately consolidated entities and the objectivity of other information presented in the integrated report.

The fulfilment of this responsibility is discharged through the establishment and maintenance of sound management and accounting systems, the maintenance of an organisation structure which provides for delegation of authority and establishes clear responsibility, together with the constant communication and review of operations' performance measured against approved plans and budgets.

Management and employees operate in terms of a code of ethics approved by the board. The code requires compliance with all applicable laws and maintenance of the highest integrity in the conduct of all aspects of the business.

The annual financial statements, prepared in terms of International Financial Reporting Standards, are examined by our auditors in conformity with International Standards on Auditing.

An audit committee of the board of directors, composed entirely of independent non-executive directors, meets periodically with our internal and external auditors and management to discuss internal accounting controls and auditing and financial reporting matters. The auditors have unrestricted access to the audit committee.

The directors have no reason to believe that the group's operations will not continue as going concerns in the year ahead, other than where closures or discontinuations are anticipated, in which case provision is made to reduce the carrying cost of the relevant assets to net realisable value.

# Report of the independent auditor

We have audited the group annual financial statements and annual financial statements of Tiger Brands Limited, which comprise the consolidated and separate statements of financial position as at 30 September 2011, the consolidated and separate income statements, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 14, 15, 87 to 91, 96 to 99, 105, 106 and 108 to 195.

## Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Tiger Brands Limited as at 30 September 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

*Ernst & Young Inc.*

Ernst & Young Inc.
Director – Derek Engelbrecht
*Registered Auditor*
*Chartered Accountant (SA)*

52 Corlett Drive
Illovo
2196

15 December 2011

# Directors' approval

The annual financial statements for the year ended 30 September 2011, which appear on pages 14, 15, 87 to 91, 96 to 99, 105, 106 and 108 to 195, which are in agreement with the books of account at that date, and the related group annual financial statements, were approved by the board of directors on 15 December 2011 and signed on its behalf by:

**L C van Vught**
*Chairman*

**P Matlare**
*Chief Executive Officer*

15 December 2011

# Certificate by company secretary

Certified in terms of section 88 (2) (e) that the company has filed required returns and notices in terms of the Companies Act 71 of 2008, and that all such returns and notices appear to be true, correct and up to date.

**I W M Isdale**

*Company Secretary*

15 December 2011

# Preparation of annual financial statements

The preparation of the annual financial statements for the year ended 30 September 2011, which appear on pages 14, 15, 87 to 91, 96 to 99, 105, 106 and 108 to 195, has been supervised by O Ighodaro, Chief Financial Officer of Tiger Brands Limited.

# Statutory information

## Authorised and issued share capital

Details of authorised and issued share capital are set out in notes 24 and 25 on pages 159 to 160 of the annual financial statements and in the statement of changes in equity on pages 114 and 115.

During the year under review, the number of shares in issue increased by 442 000 (330 200 excluding Spar and Adcock employees) shares as a result of options exercised in terms of the Tiger Brands (1985) Share Option Scheme.

## Share purchase and share option schemes

### Tiger Brands (1985) Share Purchase Scheme

117 100 shares were paid for in full and released to the employees concerned.

### Tiger Brands (1985) Share Option Scheme

| | 2011 | 2010 |
|---|---|---|
| Shares under option at beginning of year | 1 412 730 | 1 490 230 |
| Adjustments | – | (2 700) |
| Disposals | – | – |
| Options granted | – | – |
| Exercised subject to loans | – | (9 100) |
| Exercised and paid in full | (330 200) | (65 700) |
| Forfeited | – | – |
| **Shares under option at end of year** | 1 082 530 | 1 412 730 |
| **Options available for issue** | 4 866 216 | 4 866 216 |

The above table excludes Spar and Adcock Ingram employees. Refer to note 24.2 which reflects details including both Spar and Adcock employees.

### Subsidiaries, associates and investments

Financial information concerning the principal subsidiaries, associates and investments of Tiger Brands Limited is set out in Annexure A to C of the annual financial statements.

### Dividends

Details of dividends declared and paid during the year are outlined in note 10 to the annual financial statements.

### Attributable interest

The attributable interest of the company in the profits and losses of its subsidiaries and associated companies is as follows:

| *(Rand in millions)* | 2011 | 2010 |
|---|---|---|
| **Subsidiaries** | | |
| Total income after taxation | 2 253,1 | 1 927,6 |
| **Associate companies** | | |
| Total income after taxation | 265,4 | 251,7 |

## Major shareholders

Details of the registered and beneficial shareholders of the company are outlined on pages 196 to 200.

## Directors

The following movements in the directorate were recorded during the year under review:

### Resignations

| | |
|---|---|
| 31 December 2010 | M Fleming |
| 30 April 2011 | N Brimacombe |
| 30 April 2011 | B Njobe |

### Appointments

| | |
|---|---|
| 1 June 2011 | O Ighodaro |

In terms of the company's articles of association, O Ighodaro, having been appointed during the course of the year, retires at the forthcoming annual general meeting to be held on 14 February 2012. In terms of the company's articles of association, P B Matlare, B L Sibiya, L C van Vught and R M W Dunne retire by rotation.

All retiring directors are eligible and offer themselves for re-election.

The names of the directors who presently hold office are set out on pages 16 to 19 of this report.

# Statutory information continued

No director holds 1% or more of the ordinary shares of the company. The directors of the company beneficially hold, directly and indirectly, 7 880 ordinary shares of its issued ordinary shares.

Details of the directors' shareholding (direct and indirect beneficial) are reflected below. The register of interests of directors and others in shares of the company is available to the members on request.

| | 2011 | | 2010 | |
|---|---|---|---|---|
| Name of director | Direct number of shares | Indirect number of shares | Direct number of shares | Indirect number of shares |
| R M W Dunne | – | 5 000 | – | 5 000 |
| L C van Vught | – | 2 880 | – | 2 880 |
| | | 7 880 | | 7 880 |

## Share repurchase

At the annual general meeting of shareholders held in February 2011, shareholders passed a special resolution authorising the company, or a subsidiary, to acquire the company's own ordinary shares. Notwithstanding the approval obtained, during the period to 30 September 2011, no further shares were acquired as the directors did not deem it appropriate.

The company, through its subsidiary Tiger Consumer Brands Limited, has previously purchased a total of 10 326 758 shares at an average price of R106,67 per share, for a total consideration of R1 101,5 million.

## American Depository Receipt facility

With effect from 9 September 1994 a sponsored American Depository Receipt (ADR) facility was established. This ADR facility is sponsored by the Bank of New York Mellon and details of the administrators are reflected under Administration on page 202.

## Special resolutions

No special resolutions relating to capital structure, borrowing powers or any other material matter that affects the understanding of the group were passed by subsidiary companies during the year under view.

## Retirement funds

Details in respect of the retirement funds of the group are set out on pages 92 to 93, and on pages 167 to 170 of the annual financial statements.

## Insurance and risk management

The group's practice regarding insurance includes an annual assessment, in conjunction with the group's insurance brokers, of the risk exposure relative to assets and possible liabilities arising from business transactions. In addition, the group's insurance programme is monitored by the risk and sustainability committee.

All risks are considered to be adequately covered, except for political risks in the case of which as much cover as is reasonably available has been arranged. Self-insurance programmes are in operation covering primary levels of risk at a cost more advantageous than open-market premiums. Regular risk management audits are conducted by the group's risk management consultants, whereby improvement areas are identified and resultant action plans implemented accordingly. Assets are insured at current replacement values.

## Events subsequent to the year-end

1. With effect from 1 November 2011, Tiger Brands Limited, through its subsidiaries, acquired the Status deodorant trademarks from Unilever Plc and Unilever South Africa (Pty) Limited for R205 million plus the value of inventory.

2. On the same date, Tiger Brands Limited, through its subsidiaries, disposed of the Mousson trademarks to Unilever South Africa (Pty) Limited for a consideration of R35 million plus the value of inventory.

3. With effect from 21 October 2011, Tiger Brands Limited acquired an additional 11,7% of National Foods Holdings Limited of Zimbabwe at a cost of approximately R97,1 million.

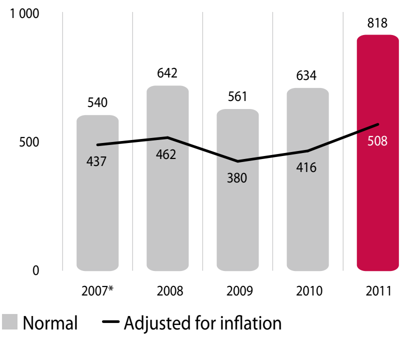
# Effects of changing prices

The group has a diverse range of operations spread throughout South Africa as well as internationally. Many of these operations are affected by different inflation factors, due to the varying nature of businesses, climatic conditions, geographical locations and business cycles. The diversity of these factors does not allow for meaningful inflation-adjusted statements to be prepared using a simple, standardised procedure.

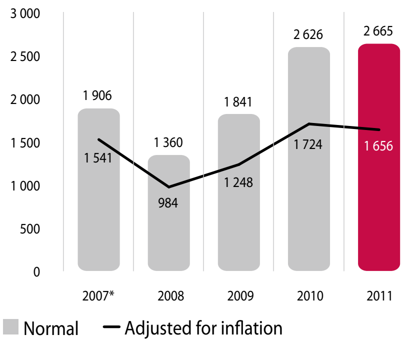
The effect of inflation is monitored by examination of cash flows inherent in operating results, budgets, plans and new projects, with emphasis concentrated towards the objective of the creation of shareholder wealth in real terms.

The following graphs show the extent to which certain key performance indicators compare when discounted by the movement in the Consumer Price Index (base 2008).

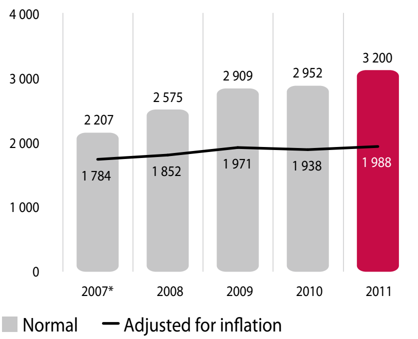
Capital expenditure (Rm)




Cash available from operations (Rm)




Profit before tax and abnormal items (excludes income from associates) (Rm)




*2007 adjusted for the Adcock unbundling. Years prior to 2009 have not been adjusted for the sale of Sea Harvest or change in accounting treatment of Oceana.*

# Income statements

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | *(Rand in millions)* | Notes | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| **3 850,2** | 1 053,4 | **Revenue** | 2 | **20 479,2** | 19 378,2 |
| | | **Turnover** | 3 | **20 430,2** | 19 316,0 |
| | | Cost of sales | | **(12 794,1)** | (12 037,0) |
| | | **Gross profit** | | **7 636,1** | 7 279,0 |
| | | Sales and distribution expenses | | **(2 728,4)** | (2 606,6) |
| | | Marketing expenses | | **(574,3)** | (576,8) |
| **(25,5)** | 19,2 | Other operating expenses | | **(1 088,8)** | (1 080,5) |
| **(25,5)** | 19,2 | **Operating income/(loss) before abnormal items** | 4 | **3 244,6** | 3 015,1 |
| **(304,9)** | (41,0) | Abnormal items | 5 | **126,7** | (187,6) |
| **(330,4)** | (21,8) | **Operating income/(loss) after abnormal items** | | **3 371,3** | 2 827,5 |
| **(12,3)** | (29,0) | Finance costs | 6.1 | **(83,6)** | (125,8) |
| **121,3** | 137,2 | Interest received | 6.2 | **19,5** | 43,6 |
| **3 728,9** | 916,2 | Investment income | 7 | **19,4** | 18,6 |
| | | Income from associated companies | 16 | **265,4** | 251,7 |
| **3 507,5** | 1 002,6 | **Profit before taxation** | | **3 592,0** | 3 015,6 |
| **(102,0)** | (31,9) | Taxation | 8 | **(1 013,7)** | (840,1) |
| **3 405,5** | 970,7 | **Profit for the year** | | **2 578,3** | 2 175,5 |
| | | *Attributable to:* | | | |
| **3 405,5** | 970,7 | Owners of the parent | | **2 583,9** | 2 192,3 |
| | | Non-controlling interests | | **(5,6)** | (16,8) |
| **3 405,5** | 970,7 | | | **2 578,3** | 2 175,5 |
| | | **Basic earnings per ordinary share (cents)** | | **1 629** | 1 386 |
| | | Diluted basic earnings per ordinary share (cents) | | **1 598** | 1 364 |
| | | Headline earnings per share is disclosed in note 9. | | | |

# Statements of comprehensive income

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | *(Rand in millions)* | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|
| 3 405,5 | 970,7 | Profit for the year | 2 578,3 | 2 175,5 |
| | | Net (loss)/gain on hedge of net investment | (19,2) | 29,8 |
| | | Foreign currency translation adjustments | 94,6 | (37,4) |
| 14,7 | (14,7) | Net gain/(loss) on cash flow hedges | 45,1 | (19,9) |
| (0,4) | (1,5) | Net gain/(loss) on available-for-sale financial assets | (19,8) | 91,3 |
| | | Tax effect | 16,2 | (17,6) |
| 14,3 | (16,2) | Other comprehensive income, net of tax | 116,9 | 46,2 |
| | | Other comprehensive income, net of tax for associates | – | – |
| 3 419,8 | 954,5 | Total comprehensive income for the year, net of tax | 2 695,2 | 2 221,7 |
| | | *Attributable to:* | | |
| 3 419,8 | 954,5 | Owners of the parent | 2 700,8 | 2 238,5 |
| – | – | Non-controlling interests | (5,6) | (16,8) |
| 3 419,8 | 954,5 | | 2 695,2 | 2 221,7 |

# Statements of financial position

at 30 September 2011

| COMPANY 2011 | COMPANY 2010 | *(Rand in millions)* | Notes | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | **ASSETS** | | | |
| | | **Non-current assets** | | | |
| | | **Property, plant and equipment** | 11 | 3 316,7 | 2 585,6 |
| | | Land and buildings | | 1 085,2 | 819,3 |
| | | Plant, vehicles and equipment | | 2 230,2 | 1 766,3 |
| | | Capitalised leased assets | | 1,3 | — |
| | | **Goodwill** | 12.1 | 2 361,8 | 1 156,1 |
| | | **Intangible assets** | 12.2 | 1 463,9 | 829,7 |
| 2 885,7 | 1 256,0 | **Interest in subsidiary companies** | 14 | | |
| 2 913,1 | 2 867,8 | **Amounts owed by subsidiaries** | 15 | | |
| 2 472,8 | 1 936,8 | **Investments** | | 2 360,4 | 1 717,2 |
| 452,5 | 31,5 | Investments in associated companies | 16 | 1 793,0 | 1 167,5 |
| 1 876,5 | 1 826,7 | Other investments | 17 | 556,7 | 535,8 |
| 143,8 | 78,6 | Loans | 18 | 10,7 | 13,9 |
| 79,8 | 498,2 | **Current assets** | | 6 693,3 | 6 695,3 |
| | | Inventories | 20 | 3 037,3 | 2 898,7 |
| 13,6 | 7,0 | Trade and other receivables | 21 | 3 149,5 | 2 875,3 |
| 66,2 | 491,2 | Cash and cash equivalents | 22 | 506,5 | 921,3 |
| 8 351,4 | 6 558,8 | **Total assets** | | 16 196,1 | 12 983,9 |
| | | **EQUITY AND LIABILITIES** | | | |
| 7 603,4 | 5 521,6 | **Issued capital and reserves** | | 9 859,8 | 8 315,9 |
| 69,7 | 481,4 | Ordinary share capital and share premium | 25 | 69,7 | 481,4 |
| 2 941,1 | 2 926,8 | Non-distributable reserves | | 1 189,2 | 957,3 |
| 4 297,8 | 1 865,0 | Accumulated profits | | 10 978,6 | 9 366,5 |
| | | Tiger Brands Limited shares held by subsidiary | 27 | (718,1) | (742,4) |
| | | Tiger Brands Limited shares held by empowerment entities | 27 | (1 957,6) | (1 998,5) |
| 294,8 | 248,4 | Share-based payment reserve | 23 | 298,0 | 251,6 |
| | | **Non-controlling interests** | | 385,7 | 285,5 |
| 7 603,4 | 5 521,6 | **Total equity** | | 10 245,5 | 8 601,4 |
| 682,3 | 606,0 | **Non-current liabilities** | | 1 213,6 | 878,0 |
| 0,5 | (3,6) | Deferred taxation liability | 28 | 299,9 | 123,5 |
| | | Provision for post-retirement medical aid | 35 | 376,5 | 350,7 |
| 155,2 | 136,7 | Long-term borrowings | 31 | 537,2 | 403,8 |
| 526,6 | 472,9 | Amounts owed to subsidiaries | 38 | | |
| 65,7 | 431,2 | **Current liabilities** | | 4 737,0 | 3 504,5 |
| 39,3 | 42,0 | Trade and other payables | 29 | 2 559,5 | 2 578,9 |
| | | Provisions | 30 | 435,3 | 387,3 |
| — | 0,1 | Taxation | | 102,0 | 62,3 |
| 2,7 | 389,1 | Short-term borrowings | 31 | 1 640,2 | 476,0 |
| 23,7 | — | Amounts owed to subsidiaries | 38 | | |
| 8 351,4 | 6 558,8 | **Total equity and liabilities** | | 16 196,1 | 12 983,9 |

# Statements of cash flows

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | *(Rand in millions)* | Notes | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| (25,5) | 19,2 | Cash operating profit/(loss) | A | 3 776,9 | 3 492,6 |
| (6,5) | (10,5) | Working capital changes | B | (172,9) | (112,6) |
| (32,0) | 8,7 | **Cash generated from/(utilised by) operations** | | 3 604,0 | 3 380,0 |
| 122,2 | 137,8 | Interest received and income from investments | | 38,9 | 62,2 |
| (12,3) | (29,0) | Finance costs | | (83,6) | (125,8) |
| 3 595,9 | 781,2 | Dividends received from associates and subsidiaries | | 152,3 | 130,6 |
| 132,1 | 134,4 | Dividends received from empowerment entities | | | |
| (100,6) | (42,6) | Taxation paid | C | (1 046,3) | (821,5) |
| 3 705,3 | 990,5 | Cash available from operations | | 2 665,3 | 2 625,5 |
| (1 410,3) | (1 355,0) | Dividends paid (including capital distributions) | D | (1 230,2) | (1 179,5) |
| 2 295,0 | (364,5) | **Net cash inflow/(outflow) from operating activities** | | 1 435,1 | 1 446,0 |
| | | Purchase of property, plant, equipment and intangibles | E | (817,8) | (634,2) |
| | | Proceeds from disposal of property, plant and equipment | | 5,6 | 3,5 |
| | | Cash cost of businesses acquired | F | (1 690,5) | (474,5) |
| | | Proceeds received on repayment of loans | | 3,3 | — |
| (2 302,5) | (1 611,4) | Investments acquired | | (421,1) | — |
| — | 2,3 | Proceeds from disposal of investments | | 6,1 | 8,3 |
| (71,7) | (33,1) | Other outflow | G | — | (3,5) |
| (2 374,2) | (1 642,2) | **Net cash outflow from investing activities** | | (2 914,4) | (1 100,4) |
| (79,2) | (2 006,7) | **Net cash (outflow)/inflow before financing activities** | | (1 479,3) | 345,6 |
| 22,1 | 1 764,8 | Increase in shareholder funding | H | 22,1 | 1 764,8 |
| | | Cash flow relating to increase in treasury shares | | 0,3 | (1 620,5) |
| (1,8) | — | Foreign long-term borrowings repaid | | — | — |
| (366,1) | 319,1 | Long and short-term borrowings (repaid)/raised | | (118,6) | (29,1) |
| | | BEE Phase II – donation to General Staff Trust | | — | (127,4) |
| | | BEE Phase II – donation by strategic black partner | | — | 13,4 |
| (345,8) | 2 083,9 | **Net cash (outflow)/inflow from financing activities** | | (96,2) | 1,2 |
| (425,0) | 77,2 | **Net (decrease)/increase in cash and cash equivalents** | | (1 575,5) | 346,8 |
| | | Effect of exchange rate changes | | 55,5 | (10,7) |
| 491,2 | 414,0 | Cash and cash equivalents at beginning of year | I | 508,2 | 172,1 |
| 66,2 | 491,2 | **Cash and cash equivalents at end of year** | J | (1 011,8) | 508,2 |

# Notes to the cash flow statements

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | | *(Rand in millions)* | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | A. | Cash operating profit | | |
| (25,5) | 19,2 | | Operating profit/(loss) before abnormal items | 3 244,6 | 3 015,1 |
| | | | *Add back:* | | |
| | | | Amortisation | 11,2 | 5,5 |
| | | | (Loss)/profit on sale of assets | (2,3) | 5,2 |
| | | | Provision for post-retirement medical aid | 25,7 | 24,3 |
| | | | Depreciation | 373,2 | 309,9 |
| | | | Other non-cash items | 124,5 | 132,6 |
| (25,5) | 19,2 | | Cash operating profit/(loss) | 3 776,9 | 3 492,6 |
| | | B. | Working capital changes | | |
| | | | Decrease in inventories | 23,9 | 222,0 |
| (3,8) | 10,8 | | (Increase)/decrease in trade and other receivables | (89,3) | (233,0) |
| (2,7) | (21,3) | | Decrease in trade and other payables | (107,5) | (101,6) |
| (6,5) | (10,5) | | Working capital changes | (172,9) | (112,6) |
| | | C. | Taxation paid | | |
| 0,1 | 0,1 | | Amounts (payable)/receivable at beginning of year, net | (62,3) | (52,3) |
| (102,0) | (31,9) | | Per income statements | (1 013,7) | (840,1) |
| 4,1 | (10,7) | | Deferred tax | 10,5 | 8,3 |
| | | | Adjustment for businesses acquired | (87,6) | – |
| | | | Exchange rate difference | 4,8 | 0,3 |
| (2,8) | (0,1) | | Amounts payable/(receivable) at end of year, net | 102,0 | 62,3 |
| (100,6) | (42,6) | | Total taxation paid | (1 046,3) | (821,5) |
| | | D. | Dividends paid | | |
| (972,7) | – | | Per statement of changes in equity | (847,8) | (13,2) |
| (437,6) | (1 355,0) | | Capital distribution (net of group credit in respect of treasury and empowerment shares) | (372,7) | (1 155,4) |
| | | | Dividends paid to outside shareholders | (9,7) | (10,9) |
| (1 410,3) | (1 355,0) | | Total dividends paid | (1 230,2) | (1 179,5) |
| | | E. | Purchase of property, plant, equipment and intangibles | | |
| | | | Expansion | (430,6) | (271,1) |
| | | | Replacement | (387,2) | (363,1) |
| | | | | (817,8) | (634,2) |

| COMPANY 2011 | COMPANY 2010 | | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | F. | **Cash cost of businesses acquired** | | |
| | | | Inventories | (114,9) | (74,5) |
| | | | Accounts receivable | (131,9) | – |
| | | | Accounts payable | 57,1 | – |
| | | | Taxation and deferred taxation | 266,1 | – |
| | | | Cash and cash equivalents | (226,7) | – |
| | | | Property, plant and equipment | (251,6) | (77,7) |
| | | | Long-term borrowings | 244,7 | – |
| | | | Goodwill | (656,7) | (72,3) |
| | | | Intangibles | (1 209,8) | (250,0) |
| | | | Non-controlling interest | 106,5 | – |
| | | | Total cost of businesses acquired | (1 917,2) | (474,5) |
| | | | *Add:* Cash and cash equivalents acquired | 226,7 | – |
| | | | **Cash cost of businesses acquired** | (1 690,5) | (474,5) |
| | | G. | **Other outflows** | | |
| (71,7) | (32,4) | | Net increase in loans to subsidiaries, associates and others | – | (2,1) |
| – | (0,7) | | Cash-related abnormal items | – | (1,4) |
| (71,7) | (33,1) | | | – | (3,5) |
| | | H. | **Increase in shareholder funding** | | |
| 22,1 | 1 764,8 | | Proceeds from issue of share capital | 22,1 | 1 764,8 |
| 22,1 | 1 764,8 | | | 22,1 | 1 764,8 |
| | | I. | **Cash and cash equivalents at beginning of year** | | |
| 491,2 | 414,0 | | Cash resources | 921,3 | 506,2 |
| | | | Short-term borrowings regarded as cash and cash equivalents | (413,1) | (334,1) |
| 491,2 | 414,0 | | | 508,2 | 172,1 |
| | | J. | **Cash and cash equivalents at end of the year** | | |
| 66,2 | 491,2 | | Cash resources | 506,5 | 921,3 |
| | | | Short-term borrowings regarded as cash and cash equivalents | (1 518,3) | (413,1) |
| 66,2 | 491,2 | | | (1 011,8) | 508,2 |

# Statements of changes in equity

for the year ended 30 September 2011

| *(Rand in millions)* | Share capital and premium | Non-distributable reserves: Non-distributable reserves | Non-distributable reserves: Other capital reserves | Non-distributable reserves: Cash flow hedge reserve |
|---|---|---|---|---|
| GROUP | | | | |
| **Balance at 30 September 2009** | 70,8 | 628,7 | 84,8 | (13,4) |
| Profit for the year | – | – | – | – |
| Other comprehensive income for the year | – | – | – | (19,9) |
| | 70,8 | 628,7 | 84,8 | (33,3) |
| Issue of share capital and premium | 1 765,6 | – | – | – |
| Capital distributions out of share premium | (1 355,0) | – | – | – |
| BEE Phase II capital contribution | – | – | – | – |
| Transfers between reserves | – | 121,2 | 1,2 | – |
| Share-based payment reserve | – | – | – | – |
| Dividends paid to empowerment entities and non-controlling interests | – | – | – | – |
| Sale of shares by empowerment entity | – | – | – | – |
| **Balance at 30 September 2010** | 481,4 | 749,9 | 86,0 | (33,3) |
| Profit for the year | **–** | **–** | **–** | **–** |
| Other comprehensive income for the year | **–** | **–** | **–** | **45,1** |
| | **481,4** | **749,9** | **86,0** | **11,8** |
| Issue of share capital and premium | **25,9** | **–** | **–** | **–** |
| Capital distribution our of share premium | **(437,6)** | **–** | **–** | **–** |
| Acquisition of East Africa Tiger Brands Industries | **–** | **–** | **–** | **–** |
| Transfers between reserves | **–** | **113,1** | **1,9** | **–** |
| Share-based payment reserve | **–** | **–** | **–** | **–** |
| Dividends on ordinary shares | **–** | **–** | **–** | **–** |
| Total dividends | **–** | **–** | **–** | **–** |
| *Less:* Dividends on treasury and empowerment shares | **–** | **–** | **–** | **–** |
| Sale of shares by empowerment entity | **–** | **–** | **–** | **–** |
| **Balance at 30 September 2011** | **69,7** | **863,0** | **87,9** | **11,8** |
| Refer to note: | 25 | | | |

| | Available-for-sale reserve | Foreign currency translation reserve | Accumulated profits | Shares held by subsidiary and empowerment entities | Share-based payment reserve | Total attributable to owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | 148,1 | (59,5) | 7 309,8 | (1 319,9) | 134,3 | 6 983,7 | 301,0 | 7 284,7 |
| | — | — | 2 192,3 | — | — | 2 192,3 | (16,8) | 2 175,5 |
| | 87,6 | (21,5) | — | — | — | 46,2 | — | 46,2 |
| | 235,7 | (81,0) | 9 502,1 | (1 319,9) | 134,3 | 9 222,2 | 284,2 | 9 506,4 |
| | — | — | — | (1 625,0) | — | 140,6 | — | 140,6 |
| | — | — | — | 199,6 | — | (1 155,4) | (8,9) | (1 164,3) |
| | — | — | — | — | — | — | 13,4 | 13,4 |
| | — | — | (122,4) | — | — | — | — | — |
| | — | — | — | — | 117,3 | 117,3 | — | 117,3 |
| | — | — | (13,2) | — | — | (13,2) | (2,0) | (15,2) |
| | — | — | — | 4,4 | — | 4,4 | (1,2) | 3,2 |
| | 235,7 | (81,0) | 9 366,5 | (2 740,9) | 251,6 | 8 315,9 | 285,5 | 8 601,4 |
| | — | — | 2 583,9 | — | — | 2 583,9 | (5,6) | 2 578,3 |
| | (19,1) | 90,9 | — | — | — | 116,9 | — | 116,9 |
| | 216,6 | 9,9 | 11 950,4 | (2 740,9) | 251,6 | 11 016,7 | 279,9 | 11 296,6 |
| | — | — | — | — | — | 25,9 | — | 25,9 |
| | — | — | — | 64,9 | — | (372,7) | — | (372,7) |
| | — | — | — | — | — | — | 106,5 | 106,5 |
| | — | — | (115,0) | — | — | — | — | — |
| | — | — | — | — | 46,4 | 46,4 | — | 46,4 |
| | — | — | (856,8) | — | — | (856,8) | (0,7) | (857,5) |
| | — | — | (1 000,9) | — | — | (1 000,9) | (0,7) | (1 001,6) |
| | — | — | 144,1 | — | — | 144,1 | — | 144,1 |
| | — | — | — | 0,3 | — | 0,3 | — | 0,3 |
| | 216,6 | 9,9 | 10 978,6 | (2 675,7) | 298,0 | 9 859,8 | 385,7 | 10 245,5 |
| | | | | 27 | 23 | | | |

# Statements of changes in equity continued

for the year ended 30 September 2011

| *(Rand in millions)* | Share capital and premium | Non-distributable reserves | Other capital reserves | Cash flow hedge reserve | Available-for-sale reserve | Accumulated profits | Share-based payment reserve | Total attributable to owners of the parent |
|---|---|---|---|---|---|---|---|---|
| COMPANY | | | | | | | | |
| **Balance at 30 September 2009** | 70,8 | 2 918,6 | 19,3 | – | 5,1 | 894,3 | 131,1 | 4 039,2 |
| Profit for the year | – | – | – | – | – | 970,7 | – | 970,7 |
| Other comprehensive income for the year | – | – | – | (14,7) | (1,5) | – | – | (16,2) |
| | 70,8 | 2 918,6 | 19,3 | (14,7) | 3,6 | 1 865,0 | 131,1 | 4 993,7 |
| Issue of share capital and premium | 1 765,6 | – | – | – | – | – | – | 1 765,6 |
| Capital distributions out of share premium | (1 355,0) | – | – | – | – | – | – | (1 355,0) |
| Share-based payment reserve | – | – | – | – | – | – | 117,3 | 117,3 |
| **Balance at 30 September 2010** | 481,4 | 2 918,6 | 19,3 | (14,7) | 3,6 | 1 865,0 | 248,4 | 5 521,6 |
| Profit for the year | – | – | – | – | – | 3 405,5 | – | 3 405,5 |
| Other comprehensive income for the year | – | – | – | 14,7 | (0,4) | – | – | 14,3 |
| | 481,4 | 2 918,6 | 19,3 | – | 3,2 | 5 270,5 | 248,4 | 8 941,4 |
| Issue of share capital and premium | 25,9 | – | – | – | – | – | – | 25,9 |
| Capital distributions out of share premium | (437,6) | – | – | – | – | – | – | (437,6) |
| Share-based payment reserve | – | – | – | – | – | – | 46,4 | 46,4 |
| Dividends on ordinary shares | – | – | – | – | – | (972,7) | – | (972,7) |
| **Balance at 30 September 2011** | 69,7 | 2 918,6 | 19,3 | – | 3,2 | 4 297,8 | 294,8 | 7 603,4 |

# Notes to the financial statements

for the year ended 30 September 2011

## 1. Accounting policies

### Corporate information

The consolidated financial statements of Tiger Brands Limited (the company) and the Tiger Brands group (the group) for the year ended 30 September 2011 were authorised for issue in accordance with a resolution of the directors on 15 December 2011. Tiger Brands Limited is incorporated and domiciled in South Africa, where the shares are publicly traded.

### Basis of preparation

The consolidated financial statements have been prepared on the historical-cost basis, except for items measured at fair value as indicated below.

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the AC500 standards as issued by the Accounting Practices Board.

### Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries (as well as special-purpose entities controlled by the group or company). The financial statements of the subsidiaries are prepared for the same reporting period using consistent accounting policies. Where the financial year-end of a subsidiary is not coterminous with that of the group or the accounting policies adopted by the subsidiary differ from the group's accounting policies, the financial statements of the subsidiary are adjusted in accordance with the group's accounting policies and year-end.

The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

Subsidiaries acquired with the intention of disposal within 12 months are consolidated in line with the principles of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and disclosed as held for sale.

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss, or net assets not held by the group. It is presented separately in the consolidated income statement, and in the consolidated statement of financial position, separately from own shareholder's equity.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

### Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as set out below. The group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- IFRS 1 *Limited exemption from comparative IFRS 7 disclosures for first-time adopters* (effective 1 July 2010)
- IFRS 1 *Additional exceptions for first time adoption* (effective 1 January 2010)
- IFRS 2 *Group Cash-settled Share-based Payment Transactions* (effective 1 January 2010)
- IFRS 3 *Transition Requirements for Contingent Consideration from a Business Combination that Occurred before the Effective Date of the Revised* IFRS (effective 1 July 2010)
- IFRS 3 *Measurement of Non-controlling Interests* (NCI) (effective 1 July 2010)
- IFRS 3 *Un-replaced and Voluntary Replaced Share-based Payment Awards* (effective 1 July 2010)
- IFRS 5 *Disclosure of Non-current Assets (or Disposal Groups) Classified as Held for Sale or Discontinued Operations* (effective 1 January 2010)
- IFRS 8 *Disclosure of Information about Segment Assets* (effective 1 January 2010)
- IAS 1 *Current/Non-current Classification of Convertible* (effective 1 January 2010)

# Notes to the financial statements continued

for the year ended 30 September 2011

- IAS 7 *Classification of Expenditures on Unrecognised Assets* (effective 1 January 2010)
- IAS 17 *Classification of Leases of Land and Buildings* (effective 1 January 2010)
- IAS 27 *Transition Requirements for Amendments Made as a Result of IAS 27 Consolidated and Separate Financial Statements* (effective 1 July 2010)
- IAS 32 *Classification of Rights Issues* (effective 1 February 2010)
- IAS 36 *Unit of Accounting for Goodwill Impairment Test* (effective 1 January 2010)
- IAS 39 *Scope Exemption For Business Combination Contracts* (effective 1 January 2010)
- IAS 39 *Cash Flow Hedge Accounting* (effective 1 January 2010)
- IAS 39 *Assessment of Loan Prepayment Penalties as Embedded* (effective 1 January 2010)
- IFRIC 19 *Extinguishing Financial liabilities with Equity Instruments* (effective 1 July 2010)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the group, its impact is described in more detail under the heading "Further information on changes to accounting policies" on page 130 to 134.

## Foreign currencies

### Foreign currency transactions

The consolidated financial statements are presented in South African Rand, which is the company's functional and presentation currency. Each foreign entity in the group determines its own functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

### Translation of foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange differences are taken to profit or loss, except for differences arising on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to other comprehensive income, in the consolidated annual financial statements, until the disposal of the net investment, at which time they are recognised in profit and loss. Tax charges and credits attributable to such exchange differences are also accounted for in other comprehensive income.

If non-monetary items measured in a foreign currency are carried at historical cost, the exchange rate used is the rate applicable at the initial transaction date. If they are carried at fair value, the rate used is the rate at the date when the fair value was determined.

### Foreign operations

At the reporting date the assets and liabilities of the foreign operations are translated into the presentation currency of the group (Rand) at the exchange rate ruling at the reporting date. The income statement is translated at the weighted average exchange rate for the year. Exchange differences are taken directly to a separate component of other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation, and are translated at the closing rate.

The functional currencies of the foreign operations are as follows:

- Chococam (subsidiary) – Cameroon Franc;
- Deli Foods (subsidiary) – Nigerian Naira;
- East Africa Tiger Brands Industries (associate) – Ethiopian Birr;
- Empress Carozzi (associate) – Chilean Peso;
- Haco (subsidiary) – Kenyan Shilling; and
- Empresas Carozzi (associate) – Chilean Peso.

## Hyperinflationary economies

Where the functional currency of a foreign operation is the currency of a hyperinflationary economy, the financial statements are restated for the decrease in general purchasing power before they are translated into the group's presentation currency (ZAR).

## Interest in group companies

### Business combinations

Business combinations are accounted for using the acquisition method. The value of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The company carries its investments in subsidiaries and associate companies at cost less accumulated impairment losses.

### Associates

An associate is an entity over which the group has significant influence through participation in the financial and operating policy decisions. The entity is neither a subsidiary nor a joint venture.

Associates are accounted for using the equity method of accounting. Under this method, investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the group's share of the net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested separately for impairment.

The income statement reflects the group's share of the associate's profit or loss. However, an associate's losses in excess of the group's interest are not recognised. Where an associate recognises an entry directly in other comprehensive income, the group in turn recognises its share in the consolidated statement of other comprehensive income. Profits and losses resulting from transactions between the group and associates are eliminated to the extent of the interest in the underlying associate.

After application of the equity method, each investment is assessed for indicators of impairment. If applicable, the impairment is calculated as the difference between the current carrying value and the higher of its value in use or fair value less costs to sell. Impairment losses are recognised in profit or loss.

Where an investment in an associate is classified as held for sale in terms of IFRS 5, equity accounting is discontinued, and the investment is held at the lower of its carrying value and fair value less costs to sell.

Where an associate's reporting date differs from the group's, the associate prepares financial statements as of the same date as the group. If this is impracticable, financial statements are used where the date difference is no more than three months. Adjustments are made for significant transactions between the relevant dates. Where the associate's accounting policies differ from those of the group, appropriate adjustments are made to conform the accounting policies.

### Joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control. The strategic, financial and operating policy decisions of the joint venture require the unanimous consent of the parties sharing control.

The group reports its interests in joint ventures using proportionate consolidation. The group's share of the assets, liabilities, income and expenses of joint ventures are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Where the group transacts with its joint ventures, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

Any goodwill arising on the acquisition of joint ventures are accounted for in accordance with the group's policy for goodwill. The financial statements of the joint ventures are prepared for the same reporting period as the group, using consistent accounting policies.

Where an investment in a joint venture is classified as held for sale in terms of IFRS 5, proportionate consolidation is discontinued, and the investment is held at the lower of its carrying value and fair value less costs to sell.

## Segment reporting

### Reporting segments

The group has reportable segments that comprise the structure used by the chief operating decision maker (CODM) to make key operating decisions and assess performance. The group's reportable segments are operating segments that are differentiated by the activities that each undertakes and the products they manufacture and market (referred to as business segments).

# Notes to the financial statements continued

for the year ended 30 September 2011

The group evaluates the performance of its reportable segments based on operating profit. The group accounts for intersegment sales and transfers as if the sales and transfers were entered into under the same terms and conditions as would have been entered into in a market-related transaction.

The financial information of the group's reportable segments is reported to the CODM for purposes of making decisions about allocating resources to the segment and assessing its performance.

## Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Assets subject to finance lease agreements are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate assets. Expenditure incurred on major inspection and overhaul, or to replace an item, is also accounted for separately if the recognition criteria are met.

Depreciation is calculated on a straight-line basis, on the difference between the cost and residual value of an asset, over its useful life. Depreciation starts when the asset is available for use. An asset's residual value, useful life and depreciation method is reviewed at least at each financial year-end. Any adjustments are accounted for prospectively.

The following useful lives have been estimated:

| | |
|---|---|
| Freehold land | Not depreciated |
| Freehold buildings | |
| – general purpose | 40 years |
| – specialised | 20 – 50 years |
| Leasehold improvements | The lease term or useful life, whichever is the shorter period |
| Vehicles and computer equipment | 3 – 5 years |
| Plant and equipment | 5 – 15 years |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## Goodwill and intangible assets

### Goodwill

Goodwill is initially measured at cost, being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill relating to subsidiaries and joint ventures is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

Goodwill is reviewed annually for impairment, or more frequently if there is an indicator of impairment. Goodwill is allocated to cash-generating units expected to benefit from the synergies of the combination. When the recoverable amount of a cash-generating unit is less than its carrying amount, an impairment loss is recognised. The impairment loss is allocated first to any goodwill assigned to the unit, and then to other assets of the unit pro rata on the basis of their carrying values. Impairment losses recognised for goodwill cannot be reversed in subsequent periods.

Where goodwill relates to a specific cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Unless internally generated costs meet the criteria for development costs eligible for capitalisation in terms of IAS 38 (refer to research and development costs accounting policy on page 121), all internally generated intangible assets are expensed as incurred.

The useful lives of intangible assets are either finite or indefinite.

Intangible assets with finite lives are amortised over their useful life and assessed for impairment when there is an indication that the asset may be impaired.

The amortisation period and the method are reviewed at each financial year-end. Changes in the expected useful life or pattern of consumption of future benefits are accounted for prospectively.

The following useful lives have been estimated:

| | |
|---|---|
| Trademarks | 1 – 20 years |
| Customer and supplier-related intangibles | 5 – 15 years |
| Other intangible assets | 1 – 5 years |

Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment, either individually or at the cash-generating level. The useful lives are also reviewed each period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment to a finite life is accounted for prospectively.

Certain trademarks and customer lists have been assessed to have indefinite useful lives, as presently there is no foreseeable limit to the period over which the assets can be expected to generate cash flows for the group.

### Research and development costs

Research costs, being the investigation undertaken with the prospect of gaining new knowledge and understanding, are recognised in profit or loss as they are incurred.

Development costs arise on the application of research findings to plan or design for the production of new or substantially improved materials, products or services, before the start of commercial production. Development costs are only capitalised when the group can demonstrate the technical feasibility of completing the project, its intention and ability to complete the project and use or sell the materials, products or services flowing from the project, how the project will generate future economic benefits, the availability of sufficient resources and the ability to measure reliably the expenditure during development. Otherwise development costs are recognised in profit or loss.

During the period of development, the asset is tested annually for impairment. Following the initial recognition of the development costs, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when development is complete. The development costs are amortised over the period of expected future sales.

## Impairment

The group assesses tangible and intangible assets, excluding goodwill, development assets not yet available for use and indefinite-life intangible assets, at each reporting date for an indication that an asset may be impaired. If such an indication exists, the recoverable amount is estimated as the higher of the fair value less costs to sell and the value in use. If the carrying value exceeds the recoverable amount, the asset is impaired and is written down to the recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the hierarchy is firstly a binding arm's-length sale, then the market price if the asset is traded in an active market, and lastly recent transactions for similar assets.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to the revised recoverable amount, but not in excess of what the carrying amount would have been had there been no impairment. A reversal of an impairment loss is recognised immediately in profit or loss.

### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

## Financial instruments

Financial instruments are initially recognised when the group becomes a party to the contract. The group has adopted trade date accounting for "regular way"

# Notes to the financial statements continued

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purchases or sales of financial assets. The trade date is the date that the group commits to purchase or sell an asset.

Financial instruments are initially measured at fair value plus transaction costs, except that transaction costs in respect of financial instruments classified at fair value through profit or loss are expensed immediately. Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial instrument, ie those costs that would not have been incurred had the instrument not been acquired.

A contract is assessed for embedded derivatives when the entity first becomes a party to the contract. When the economic characteristics and risks of the embedded derivative are not closely related to the host contract, the embedded derivative is separated out, unless the host contract is measured at fair value through profit and loss.

The group determines the classification of its financial instruments at initial recognition.

## Classification

The group's classification of financial assets and financial liabilities are as follows:

| *Description of asset/liability* | *Classification* |
|---|---|
| Investments | Available-for-sale |
| Preference share investments | Held-to-maturity |
| Loans and advances receivable | Loans and receivables |
| Loans to subsidiaries | Loans and receivables |
| Trade and other receivables | Loans and receivables |
| Cash and cash equivalents | Loans and receivables |
| Loans payable and borrowings | Financial liabilities at amortised cost |
| Trade and other payables | Financial liabilities at amortised cost |
| Loans from subsidiaries | Financial liabilities at amortised cost |

## Available-for-sale financial assets

These are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables or held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised directly in other comprehensive income. When such a financial asset is disposed of, the cumulative gain or loss previously recognised in other comprehensive incomes is recognised in profit or loss and interest earned on the financial asset is recognised in profit or loss using the effective interest rate method. Dividends earned are recognised in profit or loss when the right of receipt has been established.

## Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where there is a positive intention and ability to hold them to maturity.

After initial recognition, held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is computed as the amount initially recognised minus the principal repayments, plus or minus the cumulative amortisation. Amortisation is calculated using the effective interest rate method. The effective interest rate method allocates interest over the relevant period using a rate that discounts the estimated future cash flows (excluding future credit losses) to the net carrying amount of the instrument. The rate calculation includes all fees, transaction costs, premiums and discounts.

Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, as well as through the amortisation process.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost less impairment losses.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

## Financial liabilities at amortised cost

After initial recognition, liabilities that are not carried at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

## Fair value

The fair value of listed investments is the quoted market bid price at the close of business on the reporting date. For unlisted investments, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of similar instruments, discounted cash flow analysis and option-pricing models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 37.

## Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence a financial asset or group of assets is impaired.

## Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Factors taken into consideration would include external market and economic outlook reports, observable trends and cyclicality.

If an available-for-sale asset is impaired, the amount transferred from other comprehensive income to profit or loss is:

- the difference between the asset's acquisition cost (net of any principal payments and amortisation); and
- its current fair value, less any impairment loss previously recognised in profit or loss.

Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

## Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses) discounted at the asset's original effective interest rate.

The group assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the sale. The carrying amount of the asset is reduced through the use of an allowance account, and is recognised in profit and loss. Impaired debts are derecognised when they are assessed as uncollectible.

If, in a subsequent period, the amount of the impairment decreases and the decrease relates objectively to an event occurring after the impairment, it is reversed to the extent that the carrying value does not exceed the amortised cost. Any subsequent reversal of an impairment loss is recognised in profit or loss.

## Held-to-maturity financial investments

For held-to-maturity investments, the group assesses individually whether there is objective evidence of impairment, such as significant financial difficulty of the issuer. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to profit or loss.

## Derivative instruments

Derivatives are financial instruments whose value changes in response to an underlying factor, require little or no net investment and are settled at a future date. Derivatives, other than those arising on designated hedges, are measured at fair value with changes in fair value being recognised in profit or loss.

## Hedge accounting

At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which the group wishes to apply hedge accounting

# Notes to the financial statements continued

for the year ended 30 September 2011

and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

## Fair value hedges

Fair value hedges cover the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk). Foreign currency risk of an unrecognised firm commitment is accounted for as a cash flow hedge.

The gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised immediately in profit and loss. The gain or loss from remeasuring the hedging instrument at fair value is also recognised in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the change in the fair value of the firm commitment is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The change in the fair value of the hedging instrument is also recognised in profit or loss in the "Operating income/(loss) before abnormal items" line in the income statement.

The group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

## Cash flow hedges

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability; or
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income, while any ineffective portion is recognised in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or financial asset or liability is recognised or when the forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amount deferred in other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

## Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for similarly to cash flow hedges. On consolidation, gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss.

## Current versus non-current classification

Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e the underlying contracted cash flows).

- Where the group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as,and are effective hedging instruments are classified consistent with the classification of the underlying hedged item.

The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

### Derecognition of financial assets and financial liabilities

Financial assets or parts thereof are derecognised when:

- the right to receive the cash flows has expired;
- the right to receive the cash flows is retained, but an obligation to pay them to a third party under a "pass-through" arrangement is assumed; or
- the group transfers the right to receive the cash flows, and also transfers either all the risks and rewards, or control over the asset.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expired.

## Non-current assets held for sale and discontinued operations

An item is classified as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held-for-sale are not subsequently depreciated and are held at the lower of their carrying value and fair value less costs to sell.

A discontinued operation is a separate major line of business or geographical area of operation that has been disposed of, or classified as held-for-sale, as part of a single co-ordinated plan. Alternatively, it could be a subsidiary acquired exclusively with a view to resale.

In the consolidated income statement of the reporting period and of the comparable period, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities down to the level of profit after taxes, even when the group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

## Inventories

Inventories are stated at the lower of cost or net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

| | |
|---|---|
| Raw materials: | Purchase cost on a first-in first-out basis. |
| Finished goods and work-in-progress: | Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. |

Consumables are written down with regard to their age, condition and utility.

Costs of inventories include the transfer from other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated completion and selling costs.

## Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## Leases

At inception date an arrangement is assessed to determine whether it is, or contains, a lease. An arrangement is accounted for as a lease where it is dependent on the use of a specific asset and it conveys the right to use that asset.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the group as lessee. Finance lease assets and liabilities are recognised at the lower of the fair value of the leased property or the

# Notes to the financial statements continued

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present value of the minimum lease payments. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessor.

Capitalised lease assets are depreciated in line with the group's stated depreciation policy. If there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life and lease term.

Operating leases are those leases which do not fall within the scope of the definition of a finance lease. Operating lease rentals are charged against trading profit on a straight-line basis over the lease term.

## Revenue

Revenue comprises turnover, dividend income, interest income and rental income. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable excluding value added tax, normal discounts, rebates, settlement discounts, promotional allowances, and internal revenue which is eliminated on consolidation.

The group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The group has concluded that it is acting as a principal in all of its revenue arrangements.

### Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on dispatch of the goods.

### Dividend income

Dividend income is recognised when the group's right to receive payment is established. Non-resident shareholders' taxation is provided in respect of foreign dividends receivable, where applicable.

### Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

## Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 October 2009. The group continues to expense borrowing costs relating to construction projects that commenced prior to 1 October 2009.

## Taxation

The income tax expense represents the sum of current tax payable (both current and deferred) and secondary taxation on companies.

### Normal tax – current

The normal tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. Normal tax may include under or overprovisions relating to prior year taxation. The group's liability for normal tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Normal tax relating to items recognised outside profit or loss is recognised outside profit or loss. Normal tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

### Normal tax – deferred

Deferred tax is calculated on the liability method, using the difference between the carrying amounts of assets and liabilities and their corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities are recognised for taxable temporary differences except:

- where the liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, where it is probable that the asset will be utilised in the foreseeable future except:

- where the asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, only to the extent that it is probable that the differences will reverse in the foreseeable future, and taxable profit will be available against which these differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent it has become probable that future taxable profit will allow the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates/laws that have been enacted or substantively enacted by the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Secondary tax on companies

Secondary taxation on companies (STC) on dividends declared is accrued in the period in which the dividend is declared.

### Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## Employee benefits

A liability is recognised when an employee has rendered services for benefits to be paid in the future, and an expense when the entity consumes the economic benefit arising from the service provided by the employee.

In respect of defined contribution plans, the contribution paid by the company is recognised as an expense. If the employee has rendered the service, but the contribution has not yet been paid, the amount payable is recognised as a liability.

In respect of defined benefit plans, the company's contributions are based on the recommendations of independent actuaries and the liability is measured using the projected unit credit method.

Actuarial gains and losses are recognised in the income statement when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

Past-service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a defined benefit plan, the past-service cost is recognised immediately.

The defined benefit asset or liability recognised in the statement of financial position comprises the present value of the defined benefit obligation, plus any unrecognised actuarial gains (minus losses), less unrecognised past-service costs, net actuarial losses and the fair value

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of plan assets out of which the obligations are to be settled. The value of an asset recognised is restricted to the sum of the unrecognised past-service costs and unrecognised actuarial gain or loss and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions.

## Post-retirement medical obligations

The group provides post-retirement healthcare benefits to certain of its retirees based on the qualifying employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations are based on assumptions which include employee turnover, mortality rates, discount rate based on current bond yields of appropriate terms, healthcare inflation costs and rates of increase in salary costs. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are recognised in the same manner as those of defined benefit pension obligations noted in the previous accounting policy.

## Share-based payments

Certain employees (including senior executives) of the group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions) or share appreciation rights (that are classified as cash-settled transactions).

### Equity-settled share options granted before 7 November 2002

No expense is recognised in the income statement for such awards.

The group has taken advantage of the voluntary exemption provision of IFRS 1 *First-time Adoption of International Financial Reporting Standards* in respect of equity-settled awards and has applied IFRS 2 *Share-based Payment* only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005.

### Equity-settled and cash-settled share options granted after 7 November 2002

#### *Equity-settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a modified version of the Black-Schöles model, further details of which are given in note 23.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge for a period represents the movement in the cumulative expense at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. If, at the date of modification, the total fair value of the share-based payment is increased or is otherwise beneficial to the employee, the difference is recognised as an additional expense.

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it had vested on the date of cancellation, and any unrecognised expense recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted and designated as a replacement for the cancelled award, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of earnings and headline earnings per share.

#### *Cash-settled transactions*

The cost of cash-settled transactions is measured initially at fair value at the grant date using a modified version of the Black-Schöles model, taking into account the terms and conditions upon which the instruments were granted (see note 23). This fair value is expensed over the period until vesting with recognition of a corresponding liability.

The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

## Accounting for BEE transactions

Where equity instruments are issued to a black economic empowerment (BEE) party at less than fair value, the instruments are accounted for as share-based payments in terms of the stated accounting policy.

Any difference between the fair value of the equity instrument issued and the consideration received is accounted for as an expense in the income statement.

A restriction on the BEE party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

## Treasury shares

Shares in Tiger Brands Limited held by the group are classified within total equity as treasury shares. The shares acquired by the Black Managers Trust (I and II),Thusani Trust, Brimstone SPV and The Tiger Brands Foundation are accounted for as treasury shares in line with the consolidation requirement for special-purpose entities. Treasury shares are treated as a deduction from the issued and weighted average number of shares for earnings per share and headline earnings per share purposes, and the cost price of the shares is reflected as a separate component of capital and reserves in the statement of financial position. Dividends received on treasury shares are eliminated on consolidation. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares. Consideration received or paid in respect of treasury shares is recognised in equity.

## Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are not recognised as assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Alternatively, it may be a present obligation that arises from past events but is not recognised because an outflow of economic benefits to settle the obligation is not probable, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities unless they are acquired as part of a business combination.

## Events after the reporting period

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the reporting date, but before the financial statements are authorised for issue, provided there is evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

## Significant accounting judgements and estimates

### *Judgements*

In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

## Consolidation of special-purpose entities

The special-purpose entities established in terms of the BEE transaction implemented in October 2005 and October 2009, have been consolidated in the group results. The substance of the relationship between the company and these entities has been assessed and the decision made that they are controlled entities, mainly due to the fact that they have been formed to carry out specific objectives and that they will operate in terms of the autopilot principles as set out in SIC-12 Consolidation – Special Purpose Entities.

## Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### *Carrying value of goodwill, tangible and intangible assets*

Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if there is an indicator of impairment. Tangible assets and finite life intangible assets are tested when there is an indicator of impairment. The calculation of the recoverable amount requires the use of estimates and assumptions concerning

# Notes to the financial statements continued

for the year ended 30 September 2011

the future cash flows which are inherently uncertain and could change over time. In addition, changes in economic factors, such as discount rates, could also impact this calculation. Further details are given in note 12 and note 13.

### *Residual values and useful lives of tangible and intangible assets*

Residual values and useful lives of tangible and intangible assets are assessed on an annual basis. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation charges and carrying values of tangible and intangible assets in the future. Further details are given in note 11 and note 12.

### *Fair value of BEE share allocations*

In calculating the amount to be expensed as a share-based payment, the group was required to calculate the fair value of the equity instruments granted to the BEE participants in terms of the staff empowerment transaction implemented in October 2005 and October 2009. This fair value was calculated by applying a valuation model which is in itself judgemental and takes into account certain inherently uncertain assumptions (detailed in note 23).

Had different assumptions been applied, this could have impacted the expense recognised.

### Share-based payments

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 23.

### Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 19.

### Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 34 and note 35.

### Provisions

Best estimates, being the amount that the group would rationally pay to settle the obligation, are recognised as provisions at the reporting date. Risks, uncertainties and future events, such as changes in law and technology, are taken into account by management in determining the best estimates. Where the effect of discounting is material, provisions are discounted. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which requires management judgement.

The establishment and review of the provisions requires significant judgement by management as to whether or not a reliable estimate can be made of the amount of the obligation.

The group is required to record provisions for legal or constructive contingencies when the contingency is probable of occurring and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date. Further details are given in note 30.

### Further information on changes to accounting policies

- IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters:* IFRS 1 has been amended to allow first-time adopters to utilise the transitional provisions in IFRS 7 as they relate to the March 2009 amendments. The adoption of this amendment had no effect on the group's financial statements as the group adopted IFRS in 2006.

- IFRS 2 *Share-based Payments – Group Cash-settled Share-based Payment Arrangements:* This amendment provides guidance on accounting for cash-settled transactions in a group. The adoption of this amendment did not have an impact on the group, as the scheme involves the payment of cash granted by the entity who receives the services.

- IAS 32 *Presentation of Financial Instruments – Classification of Rights Issues:* The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. The amendment is effective for financial periods beginning on or after 1 February 2010 and did not have an impact on the group due to no such schemes being entered into.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments:* IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. This interpretation is effective for periods beginning on or after 1 July 2010 and did not have a significant impact on the group as liabilities have not traditionally been settled by issuing equity instruments.

## April 2009 improvements to IFRS

These improvements are mostly effective from 1 January 2010. The second omnibus of improvements to IFRS was issued in April 2009. A description of the more significant changes is included below. These changes have had no material effect on the financial statements.

- IFRS 5 *Non-current Assets Held for Sale – Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations:* This amendment clarifies that the disclosures required in respect of non-current assets (or disposal groups) classified as *held for sale* or discontinued operations are only those set out in IFRS 5.

- IFRS 8 *Operating Segments – Disclosure of information about segment assets:* This amendment clarifies that segment assets and liabilities need only be reported when included in measures used by the chief operating decision maker.

- IAS 1 *Presentation of Financial Statements – Current/ non-current classification of convertible instruments:* The amendment clarifies that the terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

- IAS 7 *Statement of Cash Flows – Classification of expenditures on unrecognised assets:* This amendment clarifies that only an expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

- IAS 17 *Leases – Classification of leases of land and buildings:* This amendment clarifies that lease of land may be classified as a finance lease even if the transfer of title does not take place but the risks and rewards of ownership have been transferred.

- IAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent:* This amendment provides guidance on when an entity is a principal or agent.

- IAS 36 *Impairment of Assets – Unit of accounting for goodwill impairment test:* This amendment was made to state that the largest unit permitted for allocating goodwill acquired in a business combination for the purpose of impairment testing is an operating segment as defined by IFRS 8 before aggregation.

- IAS 39 *Financial Instruments: Recognition and Measurement – Scope exemption for business combination contract:* The standard clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

- IAS 39 *Financial Instruments: Recognition and Measurement – Assessment of loan prepayment penalties as embedded derivatives:* The amendment clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

- IAS 39 *Financial Instruments: Recognition and Measurement – Cash flow hedge accounting:* The amendment clarifies that a reclassification adjustment of the gain or losses on cash flow hedges should be recorded in the period that the hedged forecast cash flows affect profit or loss.

# Notes to the financial statements continued

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## May 2010 improvements to IFRS

These improvements are effective from 1 July 2010. A description of the more significant changes is included below. These changes have had no material effect on the financial statements.

- IFRS 3 *Business Combinations – Transition requirement for contingent consideration from a business combination that occurred before the effective date of the revised IFRS/Measurement of non-controlling interests/Unreplaced and voluntary replaced share-based payment awards:* This amendment provides more guidance on the measurement of non-controlling interests and the accounting for unreplaced and voluntarily replaced share-based payments. This amendment also deals with the transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.
- IAS 27 *Consolidated and Separate Financial Statements – Transition requirements for amendments made as a result of IAS 27:* This amendment provides clarity that transitional provisions relating to IAS 21, IAS 28 and IAS 31 apply prospectively.

## Standards and interpretations not yet effective

The group has not applied the following IFRS and IFRIC Interpretations that have been issued but are not yet effective, and will be adopted by the group when they become effective. These are as follows:

- IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters:* Entities whose functional currency is, or has been, subject to severe hyperinflation may be unable to comply with restatement of financial information as required by IAS 29. Therefore, the IASB has provided guidance on how to resume presenting IFRS financial statements when the functional currency ceases to be subject to severe hyperinflation. When an entity's date of transition to IFRS is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. The amendment also provides first-time adopters with relief from retrospective restatement of derecognition and day one gain or loss transactions.

This amendment is effective 1 July 2011 and may impact the group's Zimbabwean associate. The impact is yet to be assessed in full.

- IFRS 7 *Transfers of Financial Assets*: For those financial assets that are derecognised in their entirety, but where the entity has a continuing involvement in them (eg, through options, guarantees, etc.), additional quantitative and qualitative disclosures will be required. For financial assets that are not derecognised in their entirety, the entity will be required to disclose additional information as well. In order to increase the prominence of these disclosures, all this information will need to be presented in a single note in an entity's financial statements.

The amendment is effective for financial periods beginning on or after 1 July 2011. The amendment is unlikely to have a significant impact on the group.

- IFRS 9 *Financial Instruments*

  *Financial Assets:* This phase applies to financial assets and simplifies the classification of financial assets whilst retaining the measurement principles, being at fair value or amortised cost. Financial assets are classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The IAS 39 exemption which allows equity instruments to be measured at cost will be limited further and reclassifications between categories will only be allowed in exceptional circumstances.

  *Financial Liabilities:* The standard retains the existing IAS 39 classification and measurement requirements for financial liabilities not designated at fair value through profit or loss using the fair value option as well as the criteria within IAS 39 for using the fair value option for financial liabilities. The changes only affect the measurement of fair value option liabilities. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. For fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (OCI). The remainder of the change in fair value is presented in profit or loss. The standard prohibits any recycling through profit or loss of amounts recognised in OCI upon derecognition of the liability, but these amounts may be transferred to retained earnings upon derecognition. Liabilities arising from certain derivatives on unquoted equity instruments will no longer be able to be measured at cost and will be required to be measured at fair value.

The revised standard is effective for financial periods beginning on or after 1 January 2013. It will have an impact on the classification and measurement of financial assets and liabilities.

- IFRS 10 *Consolidated Financial Statements:* IFRS 10 includes a new definition of control which is used to determine which entities are consolidated. This will apply to all entities, including special purpose entities (now known as structured entities). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and, therefore, consolidated, and may result in a change to the entities which are within the group.

  The new standard is effective for financial periods beginning on or after 1 January 2013.

- IFRS 11 *Joint Arrangements*: IFRS 11 describes the accounting for joint arrangements with joint control; proportionate consolidation will no longer be permitted for joint ventures and as such will result in a change in the group's accounting policy when the new standard is adopted.

The new standard is effective for financial periods beginning on or after 1 January 2013.

- IFRS 12 *Disclosure of Interests in Other Entities:* IFRS 12 includes all the disclosures that are required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. An entity is now required to disclose the judgements made to determine whether it controls another entity and as such the adoption of this new standard in future will result in additional disclosures.

The new standard is effective for financial periods beginning on or after 1 January 2013.

- IFRS 13 *Fair Value Measurements:* IFRS 13 provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS. The impacts of this standard on Tiger Brands are yet to be assessed in detail.

The new standard is effective for financial periods beginning on or after 1 January 2013.

- IAS 1 *Presentation of Items of Other Comprehensive Income:* The amendments to IAS 1 require companies to group together and disclose items within OCI that may be reclassified to profit or loss in a future period versus those that cannot be reclassified. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The amendment is effective for financial periods beginning on or after 1 July 2012.

- IAS 12 *Recovery of Underlying Assets:* The IASB issued an amendment to IAS 12 concerning the determination of deferred tax on investment property measured at fair value. The amendments incorporate SIC-21 into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16.

The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40.

IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendment is effective for financial periods beginning on or after 1 January 2012. This amendment will have no impact on Tiger Brands as it does not have any investment properties or non-depreciable assets measured using the revaluation model.

- IAS 19 *Employee Benefits (Revised):* Numerous changes to IAS 19 have been made. The two most significant of these relates firstly to short and long-term benefits that will now be distinguished based on the expected timing of settlement, rather than employee entitlement. The second item relates to the corridor mechanism for pension plans being removed. This means all changes in the value of defined benefit plans will be recognised as they occur. Those movements are recorded in profit or loss and other comprehensive income as follows:

  – Profit or loss will be charged with a service cost and a net interest income or expense. The net interest income or expense is the product of the net balance sheet liability or asset and the discount rate used to measure the obligation – both as at the start of the year. This removes the current concept of expected return on plan assets – where income is credited with the expected long-term yield on the assets in the fund.

# Notes to the financial statements continued

for the year ended 30 September 2011

- "Remeasurements" will be recorded in other comprehensive income. These are all other movements in the balance sheet amount (essentially these are currently described as actuarial gains and losses and any effects of the restriction of a surplus to its recoverable amount).

Entities will no longer be allowed to recognise all movements in profit or loss.

The amendment is effective for financial periods beginning on or after 1 January 2013. The impact of this amendment is yet to be assessed.

- IAS 24 *Related Party Disclosures:* The amendment addresses concerns that previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The revised standard requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. Transactions that are individually or collectively significant must still be disclosed.

The amendment is effective for financial periods beginning on or after 1 January 2011. As the group is not related to the government, the amendment should have no impact on the entity upon adoption in future.

- IFRIC 14 *Prepayments of Minimum Funding Requirements:* The amendment was made to remove an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover those requirements. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.

The amendment is effective for financial periods beginning on or after 1 January 2011. As there are such prepayments, this amendment will have no impact on the group.

The impacts of the above amendments are not known. However, these are not expected to have a significant impact on the financial statements.

## May 2010 improvements to IFRS

These improvements are effective from 1 January 2011. The items below are a summary of some of the more significant changes:

- IFRS 7 *Clarification of Disclosures:* The amendments are intended to simplify the disclosures provided and reduce time and effort in preparing the entity's financial statements. This is achieved especially by reducing disclosure requirements around collateral held, maximum exposure to credit risk and the renegotiation of financial assets in order to avoid it becoming past due or impaired.

The amendment is effective for financial periods beginning on or after 1 July 2011. The disclosures would be reduced upon adoption of the amendment. The additional disclosure requirements now stipulated will have a minor impact as the information is readily available.

- IAS 1 *Clarification of Statement of Changes in Equity:* The amendment clarifies that an entity should present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

The amendment is effective for financial periods beginning on or after 1 January 2011. This amendment will have little impact on the group, as the information is already available.

- IAS 34 *Significant Events and Transactions:* The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and adds certain new disclosure requirements.

The amendment is effective for financial periods beginning on or after 1 January 2011. As it relates to interim reports only, it will not have an impact on the group financial statements.

- IFRIC 13 *Fair Value of Award Credit:* The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

The amendment is effective for financial periods beginning on or after 1 January 2011. The amendment will have no impact on the group, as there are no customer loyalty programmes that they have entered into.

The following amendments and interpretations have also been issued but will not have an impact:

- IFRS 1 *Accounting Policy Changes in the Year of Adoption*
- IFRS 1 *Revaluation Basis as Deemed Cost*
- IFRS 1 *Use of Deemed Cost for Operations Subject to Rate Regulation*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

| COMPANY 2011 | COMPANY 2010 | | *(Rand in millions)* | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | **2.** | **REVENUE** | | |
| | | | Turnover | **20 430,2** | 19 316,0 |
| **121,3** | 137,2 | | Interest received* | **19,5** | 43,6 |
| **3 728,9** | 916,2 | | Dividend income | **19,4** | 18,6 |
| | | | Rental income, fee income and other | **10,1** | — |
| **3 850,2** | 1 053,4 | | | **20 479,2** | 19 378,2 |
| | | **3.** | **TURNOVER** | | |
| | | **3.1** | **Turnover comprises:** | | |
| | | | Turnover denominated in foreign currencies | **2 456,2** | 1 786,5 |
| | | | Turnover denominated in functional currency | **17 974,0** | 17 529,5 |
| | | | | **20 430,2** | 19 316,0 |
| | | | Turnover is net of value added tax, normal discounts, rebates and promotional allowances. Refer to the segmental analysis on pages 14 and 15 for details of the segmental split. | | |
| | | **3.2** | **Turnover by major customer** | | |
| | | | Customer 1 | **3 596,4** | 3 454,0 |
| | | | Customer 2 | **2 665,9** | 2 815,0 |
| | | | Customer 3 | **2 291,1** | 2 023,0 |
| | | | Customer 4 | **1 763,9** | 1 633,0 |
| | | | Customer 5 | **776,2** | 499,0 |
| | | | All other customers | **9 336,7** | 8 892,0 |
| | | | | **20 430,2** | 19 316,0 |
| | | | Customers 1 to 5 relate mainly to domestic operations. | | |

* *Refer to note 6.1*

# Notes to the financial statements continued

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | | *(Rand in millions)* | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 4. | OPERATING INCOME | | |
| | | 4.1 | **Operating income has been determined after charging/(crediting):** | | |
| | | | External auditors' remuneration | | |
| | | | – audit fees | 22,5 | 17,1 |
| | | | – other fees and expenses | 1,8 | 1,7 |
| | | | Internal auditors' remuneration | 8,3 | 5,7 |
| | | | Depreciation | | |
| | | | – on buildings | 31,8 | 25,9 |
| | | | – on plant, equipment and vehicles | 341,1 | 284,0 |
| | | | – on capitalised leased assets | 0,3 | — |
| | | | Amortisation | | |
| | | | – on trademarks | 8,2 | 4,8 |
| | | | – on licence agreements, supplier relationships and other intangibles | 0,6 | 0,6 |
| | | | – on customer lists | 2,4 | — |
| | | | – on other intangible assets | — | 0,1 |
| 1,3 | 1,6 | | Fees paid for administrative, managerial and technical services | 104,6 | 96,4 |
| | | | Operating lease charges | | |
| | | | – on land and buildings | 44,1 | 43,8 |
| | | | – on plant, equipment and vehicles | 68,1 | 76,5 |
| | | | Net (profit)/loss on disposal of plant, equipment and vehicles | (2,3) | 5,2 |
| | | | Research, development and related expenditure | 16,7 | 17,3 |
| | | | Share-based payment expenses | | |
| | | | – cash settled | 65,3 | 62,6 |
| | | | – equity settled, including BEE-related IFRS 2 expenses | 50,2 | 56,3 |
| | | | Staff costs | 1 924,6 | 1 826,1 |
| | | | Employer's contribution to retirement funding | 163,0 | 143,4 |
| | | | Employer's contribution to medical aid | 80,8 | 82,4 |
| 19,3 | (26,3) | | Foreign exchange (profit)/loss | (30,5) | (21,4) |

| COMPANY 2011 | COMPANY 2010 | | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 4. | **OPERATING INCOME** continued | | |
| | | 4.2 | **Directors' emoluments** | | |
| | | | Executive directors | | |
| | | | – salaries and bonuses | 16,6 | 17,5 |
| | | | – retirement, medical and other benefits | 21,9 | 4,3 |
| | | | Non-executive directors | | |
| 5,0 | 3,9 | | – fees | 5,0 | 3,9 |
| 5,0 | 3,9 | | Total directors' emoluments | 43,5 | 25,7 |
| | | | *Less:* Paid by subsidiaries | 38,5 | 21,8 |
| 5,0 | 3,9 | | Emoluments paid by company | 5,0 | 3,9 |
| | | | Refer to page 96 of the sustainability report for further details pertaining to directors' emoluments. | | |
| | | 4.3 | **Directors' service contracts** | | |
| | | | No directors have service contracts with notice periods of more than three months. | | |
| | | 5. | **ABNORMAL ITEMS** | | |
| | | | Equity-accounted take-on gain – National Foods Holdings Limited Zimbabwe | 91,4 | — |
| | | | Recognition of pension fund surpluses | 44,3 | 1,2 |
| — | 0,9 | | Profit on sale of investments | 0,7 | 1,0 |
| | | | Impairment of intangible assets | (7,1) | — |
| | | | Impairment of property, plant and equipment | (2,6) | — |
| | | | Net (loss)/profit on sale of property, plant and equipment and intangibles | (0,2) | 0,4 |
| — | (60,9) | | BEE Phase II empowerment transaction costs | — | (188,4) |
| (38,7) | 19,7 | | Exchange rate translation of Mauritian loan | | |
| (264,2) | — | | Impairment of investment in subsidiary | | |
| (2,0) | (0,7) | | Other | 0,2 | (1,8) |
| (304,9) | (41,0) | | Abnormal (loss)/profit before taxation | 126,7 | (187,6) |
| 10,8 | (5,5) | | Income tax expense | (11,9) | 35,7 |
| (294,1) | (46,5) | | Attributable to shareholders in Tiger Brands Limited | 114,8 | (151,9) |

Abnormal items are items of income and expenditure which are not directly attributable to normal operations or where their size or nature are such that additional disclosure is considered appropriate.

The value-in-use method was used in assessing impairments and the discount rate used was 11,0% (2010: 11,0%) for the whole group and 12,0% (2010: 12,0%) for Langeberg and Ashton Foods. Refer to note 13 for further details.

Factors leading to National Foods Holdings in Zimbabwe being recognised include the decision to further invest in the company (refer to note 41.1 for further details).

# Notes to the financial statements continued

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 6. | INTEREST | | |
| (12,3) | (29,0) | 6.1 | Finance costs | (83,6) | (125,8) |
| (11,5) | (15,8) | | Long-term borrowings | (37,5) | (43,7) |
| (0,7) | (13,1) | | Bank and other short-term borrowings | (34,3) | (246,0) |
| | | | Set-off of interest relating to cash management facility – refer note 6.2 | – | 176,5 |
| | | | Other – financial liabilities | (11,0) | (10,3) |
| (0,1) | (0,1) | | Other – non-financial liabilities | (0,8) | (2,3) |
| | | | 2010 interest has been adjusted to set off interest received and paid where a legal right of set-off exists. | | |
| 121,3 | 137,2 | 6.2 | Interest received | 19,5 | 43,6 |
| 19,7 | 21,2 | | From subsidiary companies | | |
| 101,6 | 115,9 | | From cash and cash equivalents | 19,0 | 214,0 |
| | | | Set-off of interest relating to cash management facility – refer note 6.1 | – | (176,5) |
| – | 0,1 | | From other sources – non financial assets | 0,5 | 6,1 |
| 109,0 | 108,2 | | Net (finance costs)/interest received | (64,1) | (82,2) |
| | | 7. | INVESTMENT INCOME | | |
| 3 595,9 | 781,2 | | From subsidiary companies | | |
| | | | From investment of employer-controlled reserve invested by pension fund on behalf of Tiger Brands Limited | 9,5 | 10,6 |
| 132,1 | 134,4 | | From BEE empowerment entities | | |
| | | | From other investments | | |
| 0,9 | 0,6 | | – listed | 9,9 | 7,9 |
| | | | – unlisted | – | 0,1 |
| 3 728,9 | 916,2 | | | 19,4 | 18,6 |
| | | 8. | TAXATION | | |
| 27,4 | 42,2 | 8.1 | South African current taxation | 916,5 | 832,0 |
| 69,7 | – | | Secondary tax on companies | 72,3 | 8,0 |
| 0,8 | 0,5 | | Foreign taxes | 21,1 | 11,4 |
| 97,9 | 42,7 | | | 1 009,9 | 851,4 |
| 14,9 | (16,2) | | Deferred taxation | 1,1 | 31,2 |
| 0,7 | (2,0) | | – temporary differences | (6,9) | 48,1 |
| 14,2 | (14,2) | | – secondary tax on companies | 8,0 | (16,9) |
| 112,8 | 26,5 | | | 1 011,0 | 882,6 |
| | | | Adjustments in respect of previous years | | |
| – | (0,1) | | – current taxation | 6,2 | (4,9) |
| | | | – foreign taxation | – | 0,1 |
| | | | – deferred taxation | (14,2) | (2,0) |
| 112,8 | 26,4 | | | 1 003,0 | 875,8 |
| | | | Taxation on abnormal items | | |
| | | | – current | (12,9) | (23,1) |
| (10,8) | 5,5 | | – deferred | 23,6 | (12,6) |
| 102,0 | 31,9 | | | 1 013,7 | 840,1 |

| COMPANY 2011 | COMPANY 2010 | | (%) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 8. | **TAXATION** continued | | |
| | | 8.2 | **The reconciliation of the effective rate of taxation with the statutory taxation rate is as follows:** | | |
| **2,9** | 3,2 | | Taxation for the year as a percentage of income before taxation | **28,2** | 27,9 |
| **29,8** | 25,6 | | Dividend income | **0,1** | 0,1 |
| **(2,3)** | (2,4) | | Expenses and provisions not allowed for taxation | **(1,1)** | (1,9) |
| **(2,4)** | 1,4 | | Secondary tax on companies | **(2,2)** | 0,3 |
| | | | Tax effect of capital profits | **(0,2)** | (0,3) |
| | | | Income from associates | **2,8** | 2,3 |
| **—** | 0,2 | | Effect of differing rates of foreign taxes, prior year adjustments and other sundries | **0,4** | (0,4) |
| **28,0** | 28,0 | | Rate of South African company taxation | **28,0** | 28,0 |
| | | | Tax effect of losses available to reduce future taxable income | **62,7** | 39,1 |
| | | | *(Rand in millions)* | | |
| | | 8.3 | **Reconciliation of movement on deferred taxation** | | |
| | | | ***Movement recognised in the income statement for the year*** | | |
| **14,9** | (16,2) | | Current year charge | **1,1** | 31,2 |
| | | | Adjustments in respect of previous years | **(14,2)** | (2,0) |
| **(10,8)** | 5,5 | | Deferred tax on abnormal items | **23,6** | (12,6) |
| **4,1** | (10,7) | | | **10,5** | 16,6 |
| | | | ***Movement per deferred tax accounts*** | | |
| **14,0** | (12,2) | | (Increase)/decrease in deferred taxation asset | **(22,0)** | (67,2) |
| **(9,9)** | 1,5 | | Increase/(decrease) in deferred taxation liability | **32,5** | 83,8 |
| **4,1** | (10,7) | | | **10,5** | 16,6 |

# Notes to the financial statements continued

for the year ended 30 September 2011

| | | GROUP 2011 | 2010 |
|---|---|---|---|
| 9. | CALCULATION OF WEIGHTED AVERAGE NUMBER OF SHARES FOR HEADLINE EARNINGS PER SHARE AND BASIC EARNINGS PER SHARE PURPOSES | | |
| 9.1 | **Opening balance of number of ordinary shares** | 179 873 247 | 163 233 594 |
| | Weighted number of ordinary shares – issued | 153 570 | 15 050 609 |
| | Weighted number of shares held for BEE deal | (21 371 686) | (20 090 901) |
| | Weighted average number of shares in issue | 158 655 131 | 158 193 302 |
| | Anti-dilutive instruments not included in the weighted average number of shares in issue | – | 459 357 |
| 9.2 | **Weighted average number of shares in issue** | 158 655 131 | 158 193 302 |
| | Share options dilution | 3 038 522 | 2 587 038 |
| | Adjusted number of ordinary shares for basic earnings per share and diluted headline earnings per share purposes | 161 693 653 | 160 780 340 |
| 9.3 | **Headline earnings (Rm)** | 2 498,3 | 2 203,5 |
| | Income attributable to shareholders of the parent | 2 583,9 | 2 192,3 |

**Reconciliation between profit for the year and headline earnings**
*(Rand in millions)*

| | 2011 | Gross | Tax | Net |
|---|---|---|---|---|
| 9.4 | **Earnings/profit attributable to shareholders of the parent** | | | 2 583,9 |
| | ***Adjusted for:*** | | | |
| | Equity-accounted take-on gain – National Foods Holdings Zimbabwe | (91,4) | – | (91,4) |
| | Profit on sale of property, plant and equipment | (2,3) | 0,6 | (1,7) |
| | Profit on sale of investments | (0,7) | – | (0,7) |
| | Impairment of intangible assets | 7,1 | (1,0) | 6,1 |
| | Impairment of property, plant and equipment | 2,6 | (0,7) | 1,9 |
| | Loss on sale of intangible assets | 0,2 | – | 0,2 |
| | Headline earnings for the year | (84,5) | (1,1) | 2 498,3 |
| | 2010 | | | |
| | Earnings/profit attributable to shareholders of the parent | | | 2 192,3 |
| | *Adjusted for:* | | | |
| | Net profit on sale of investments | (1,0) | – | (1,0) |
| | Loss on sale of property, plant and equipment, including impairment charge on intangibles | 5,0 | (1,5) | 3,5 |
| | Associates – impairment of goodwill | 8,7 | – | 8,7 |
| | Headline earnings for the year | 12,7 | (1,5) | 2 203,5 |

| | | GROUP 2011 | 2010 |
|---|---|---|---|
| 9.5 | **Headline earnings per share** | | |
| | Headline earnings per ordinary share (cents) | 1 575 | 1 393 |
| | Diluted headline earnings per ordinary share (cents) | 1 545 | 1 371 |

| COMPANY 2011 | COMPANY 2010 | | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 10. | **DIVIDENDS AND CAPITAL REDUCTIONS** | | |
| **1 410,3** | 1 355,0 | 10.1 | **Dividends and capital distributions on ordinary shares** | **1 220,5** | 1 168,6 |
| | | | Dividend paid to empowerment trusts | 19,4 | 13,2 |
| – | 852,9 | | Capital distribution No 130 of 459 cents per share – paid | – | 734,2 |
| – | 502,1 | | Capital distribution No 131 of 270 cents per share – paid | – | 421,2 |
| 437,6 | – | | Capital distribution No 132 of 235 cents per share – paid | 372,7 | – |
| 448,9 | – | | Dividend No 132 of 241 cents per share – paid | 382,3 | – |
| 523,8 | – | | Dividend No 133 of 281 cents per share – paid | 446,1 | – |
| **791,0** | 746,0 | 10.2 | **Dividends and capital distributions per ordinary share (cents)** | **791,0** | 746,0 |
| – | 270,0 | | Capital distribution No 131 – declared 17 May 2010 | – | 270,0 |
| – | 235,0 | | Capital distribution No 132 – declared 23 November 2010 | – | 235,0 |
| – | 241,0 | | Dividend No 132 – declared 23 November 2010 | – | 241,0 |
| 281,0 | – | | Dividend No 133 – declared 27 May 2011 | 281,0 | – |
| 510,0 | – | | Dividend No 134 – declared 22 November 2011 | 510,0 | – |
| | | 11. | **PROPERTY, PLANT AND EQUIPMENT** | | |
| | | 11.1 | **Freehold land and buildings** | **980,5** | 790,5 |
| | | | Cost | 1 219,4 | 997,0 |
| | | | Accumulated depreciation | (238,9) | (206,5) |
| | | 11.2 | **Leasehold land and buildings** | **104,7** | 28,8 |
| | | | Cost | 117,3 | 36,6 |
| | | | Accumulated depreciation | (12,6) | (7,8) |
| | | | **Total land and buildings** | **1 085,2** | 819,3 |
| | | 11.3 | Land and buildings and plant and machinery having a book value of R95,8 million (2010: R41,4 million) are mortgaged/pledged as security for long-term loans of R56,4 million (2010: R22,5 million) included in note 31.1, and capitalised finance leases of R0,2 million (2010: R0,9 million) as per note 31.3. | | |
| | | 11.4 | **Plant, vehicles, vessels and equipment** | **2 230,2** | 1 766,3 |
| | | | Cost | 4 651,4 | 3 807,8 |
| | | | Accumulated depreciation | (2 421,2) | (2 041,5) |
| | | 11.5 | **Capitalised leased assets** | **1,3** | – |
| | | | Cost | 2,7 | – |
| | | | Accumulated depreciation | (1,4) | – |

# Notes to the financial statements continued

for the year ended 30 September 2011

| (Rand in millions) | GROUP Freehold land and buildings | Leasehold land and buildings | Plant, vehicles and equipment | Capi-talised leased assets | Total |
|---|---|---|---|---|---|
| **11. PROPERTY, PLANT AND EQUIPMENT** continued | | | | | |
| **11.6 Movement of the group property, plant and equipment** | | | | | |
| **2011** | | | | | |
| Net balance at beginning of year | 790,5 | 28,8 | 1 766,3 | – | 2 585,6 |
| Reclassification | (0,2) | – | (1,4) | 1,6 | – |
| Business combinations | 48,5 | 68,3 | 134,7 | – | 251,5 |
| Additions | 166,2 | 1,5 | 650,1 | – | 817,8 |
| | 1 005,0 | 98,6 | 2 549,7 | 1,6 | 3 654,9 |
| Disposals | – | – | (3,2) | – | (3,2) |
| Impairment | – | – | (2,6) | – | (2,6) |
| Depreciation | (29,0) | (2,8) | (341,1) | (0,3) | (373,2) |
| Exchange rate translation difference | 4,5 | 8,9 | 27,4 | – | 40,8 |
| Net balance at end of year | 980,5 | 104,7 | 2 230,2 | 1,3 | 3 316,7 |
| 2010 | | | | | |
| Net balance at beginning of year | 667,9 | 32,8 | 1 502,0 | – | 2 202,7 |
| Business combinations | 50,0 | – | 27,7 | – | 77,7 |
| Additions | 98,3 | – | 535,9 | – | 634,2 |
| | 816,2 | 32,8 | 2 065,6 | – | 2 914,6 |
| Disposals | (0,6) | – | (8,0) | – | (8,6) |
| Depreciation | (25,0) | (0,9) | (284,0) | – | (309,9) |
| Exchange rate translation difference | (0,1) | (3,1) | (7,3) | – | (10,5) |
| Net balance at end of year | 790,5 | 28,8 | 1 766,3 | – | 2 585,6 |

Borrowing costs amounting to R20,5 million (2010: R6,0 million) were capitalised during the year.

| (Rand in millions) | | GROUP 2011 | 2010 |
|---|---|---|---|
| 12. | GOODWILL AND INTANGIBLE ASSETS | | |
| 12.1 | **Goodwill** | **2 361,8** | 1 156,1 |
| | Cost | **2 477,9** | 1 272,2 |
| | Accumulated impairment | **(116,1)** | (116,1) |
| | Movement of group goodwill | | |
| | Net balance at beginning of year | **1 156,1** | 1 083,8 |
| | Business combinations | **1 209,8** | 72,3 |
| | | **2 365,9** | 1 156,1 |
| | Exchange rate translation difference | **(4,1)** | — |
| | Net balance at end of the year | **2 361,8** | 1 156,1 |
| | The carrying value of goodwill is allocated to cash-generating units as follows: | | |
| | African acquisitions | **1 238,1** | 32,4 |
| | Bromor | **580,5** | 580,5 |
| | Crosse & Blackwell | **72,3** | 72,3 |
| | Enterprise | **6,0** | 6,0 |
| | Home and Personal care (including Designer Group) | **464,9** | 464,9 |
| | | **2 361,8** | 1 156,1 |
| 12.2 | **Intangible assets** | | |
| *12.2.1* | ***Trademarks*** | **922,0** | 807,0 |
| | Cost | **955,8** | 825,7 |
| | Accumulated amortisation | **(33,8)** | (18,7) |
| *12.2.2* | ***Licence agreements and supplier relationships*** | **22,0** | 22,6 |
| | Cost | **25,0** | 25,0 |
| | Accumulated amortisation | **(3,0)** | (2,4) |
| *12.2.3* | ***Customer lists*** | **519,9** | — |
| | Cost | **522,3** | — |
| | Accumulated amortisation | **(2,4)** | — |
| *12.2.4* | ***Other intangible assets*** | **—** | 0,1 |
| | Cost | **0,3** | 0,3 |
| | Accumulated amortisation | **(0,3)** | (0,2) |
| | Total intangible assets | **1 463,9** | 829,7 |

# Notes to the financial statements continued

for the year ended 30 September 2011

| *(Rand in millions)* | GROUP<br>Trade-marks | Licence agree-ments and supplier relation-ships | Customer lists | Other intangible assets | Total |
|---|---|---|---|---|---|
| 12. GOODWILL AND INTANGIBLE ASSETS continued | | | | | |
| 12.3 Movement of group intangible assets | | | | | |
| 2011 | | | | | |
| Cost | | | | | |
| Net balance at beginning of year | 807,0 | 22,6 | – | 0,1 | 829,7 |
| Business combinations | 134,4 | – | 522,3 | – | 656,7 |
| | 941,4 | 22,6 | 522,3 | 0,1 | 1 486,4 |
| Disposals | (0,2) | – | – | – | (0,2) |
| Amortisation | (8,1) | (0,6) | (2,4) | (0,1) | (11,2) |
| Impairment | (7,1) | – | | – | (7,1) |
| Exchange rate translation difference | (4,1) | – | – | – | (4,1) |
| Net balance at end of the year | 921,9 | 22,0 | 519,9 | – | 1 463,8 |
| 2010 | | | | | |
| Net balance at beginning of the year | 561,9 | 23,2 | – | 0,2 | 585,3 |
| Business combinations | 250,0 | – | – | – | 250,0 |
| | 811,9 | 23,2 | – | 0,2 | 835,3 |
| Amortisation | (4,9) | (0,6) | – | (0,1) | (5,6) |
| Impairment | – | – | – | – | – |
| Exchange rate translation difference | – | – | – | – | – |
| Net balance at end of the year | 807,0 | 22,6 | – | 0,1 | 829,7 |

Trademarks comprise well-established, growing brands. Except for trademarks with a cost of R195,3 million (2010: R60,9 million) which are amortised, the brand portfolio is considered to have indefinite useful life and is therefore not amortised. Refer to the accounting policies for further details on amortisation.

## 13. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Annually, or if there is an indication of impairment, all indefinite-life intangible assets and goodwill are assessed for impairment. Goodwill acquired through business combinations, trademarks, licence agreements, supplier relationships, customer lists and restraint of trade agreements have been allocated to cash-generating units to facilitate this assessment.

The key assumptions disclosed below are based on management's experience and expectations. Based on this experience and the well-established brands the group owns, management considers forecast cash flow periods in excess of five years to be appropriate.

### 13.1 Methods and assumptions

The group applies a discounted cash flow methodology (value in use) to assess goodwill and certain indefinite life intangible assets for impairment. This methodology entails a calculation of the present value of future cash flows generated by applicable cash-generating units over a period of 10 years and incorporates a terminal growth rate.

These cash flows are based on forecasts which include assumptions on profit before interest and tax, depreciation, working capital movements, capital maintenance expenditure, an appropriate discount rate, and a terminal growth rate. The terminal growth rate used is 1% (2010: 1%); however, it is dependent on the industry and maturity of the cash-generating unit.

*Trademarks*

The group applies the "relief-from-royalty" valuation methodology to value trademark assets. This methodology entails quantifying royalty payments, which would be required if the trademark were owned by a third party and licensed to the company.

Main inputs used are forecast future sales, a notional royalty rate payable in an arm's-length transaction and an appropriate discount rate.

*Customer lists*

The group applies the "multi-period excess earnings" valuation methodology to value customer lists. The method is based on apportioning the returns earned by a business across its tangible and intangible assets.

Main inputs used were forecast sales to which the customer relationships contribute and estimated cash flows earned from these sales, a tax rate of 28% (2010: 28%), and a required rate of return.

### 13.2 Discount rates

Discount rates applied range from 11,0% to 12,0% (2010: 11,0% to 12,0%) as applicable to the cash-generating unit.

The discounted cash flow models are most sensitive to the discount rates, although reasonably possible movements in the discount rate of 1% do not result in any material movements to recoverable amounts which could cause them to be exceeded by carrying amounts. A change in the discount rate of between 2,5% and 21,5%, dependent on the cash-generating unit and specific intangible asset, will result in the recoverable amount equalling the carrying amount.

### 13.3 Recorded impairments

Included in abnormal items is an amount of R7,1 million relating to the impairment of trademarks, primarily in respect of certain trademarks within the HPC cash-generating unit acquired from Designer Group. The impairment is attributable to an expected reduction in the future profit streams associated with those brands or discontinuation of certain brands.

# Notes to the financial statements continued

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 14. | **INTEREST IN SUBSIDIARY COMPANIES (Annexure A)** | | |
| 2 885,7 | 1 256,0 | | Shares at cost less amounts written off | | |
| 2 913,1 | 2 867,8 | 15. | **AMOUNTS OWED BY SUBSIDIARIES (Annexure A)** | | |
| | | | Refer to the related parties note 38 for additional information | | |
| | | 16. | **INVESTMENTS IN ASSOCIATED COMPANIES (Annexure B)** | | |
| 452,5 | 31,5 | | Listed, at cost | 536,0 | 444,6 |
| | | | Unlisted, at cost less amounts written off | 763,0 | 342,0 |
| | | | Share of accumulated profits and reserves since acquisition | 494,0 | 380,9 |
| 452,5 | 31,5 | | | 1 793,0 | 1 167,5 |
| 1 674,0 | 1 430,4 | | Fair value of listed investments | 1 788,0 | 1 430,4 |
| | | | The trading results of the associate companies whose results are equity accounted in the consolidated financial statements are as follows: | | |
| | | | Turnover (100%) | 7 370,3 | 9 849,7 |
| | | | Revenue (100%) | 7 361,0 | 9 974,6 |
| | | | Profit for the year (100%) | 450,6 | 782,0 |
| | | | Profit attributable to ordinary shareholders of Tiger Brands | 265,4 | 251,7 |
| | | | Empresas Carozzi | 106,6 | 119,6 |
| | | | UAC Foods | 9,7 | — |
| | | | Oceana | 149,1 | 140,8 |
| | | | Abnormal items | — | (8,7) |
| | | | *Less:* Dividends | (152,3) | (130,5) |
| | | | Share of associated companies' income | 113,1 | 121,2 |

| COMPANY 2011 | 2010 | | (Rand in millions) | GROUP 2011 | 2010 |
|---|---|---|---|---|---|
| | | 16. | **INVESTMENTS IN ASSOCIATED COMPANIES** continued | | |
| | | | **Share of movement in associates' reserves** | | |
| | | | The aggregate statements of financial position of associates are summarised as follows (100%): | | |
| | | | Property, plant and equipment | **4 402,7** | 2 894,0 |
| | | | Goodwill and intangible assets | **1 708,5** | 964,0 |
| | | | Investments | **244,4** | 211,6 |
| | | | Deferred taxation | **86,2** | 88,7 |
| | | | Net current assets | **1 778,1** | 2 751,7 |
| | | | Total assets | **8 219,9** | 6 910,0 |
| | | | Long-term liabilities | **(1 938,0)** | (1 999,0) |
| | | | Deferred taxation | **(561,7)** | (382,0) |
| | | | Total shareholders' funds | **5 720,2** | 4 529,0 |

The results of Oceana for the 12 months ended 30 September 2011 have been used in preparation of these financial statements. The results represent the latest available financial information which has been subject to an audit by the associate company auditors.

The results of Empresas Carozzi for the 12 months ended 31 August 2011 have been used in preparation of these financial statements. The management accounts represent the latest available financial information which has been subject to a review by the associate company auditors. There have been no material differences noted in the associate's results during September 2011. Empresas Carozzi operates in various food categories as outlined on page 45.

The results of UAC Foods for the five months ended 30 September 2011 have been used in preparation of these financial statements. The management accounts represent the latest available financial information which has been subject to an audit by the associate company auditors. UAC Foods operates primarily in the branded savoury, snacks, dairy and beverages categories in Nigeria.

National Foods Holdings operates in Zimbabwe and has been equity accounted with effect from 30 September 2011. Accordingly, the group's share of the net asset value as at 30 September 2011 has been accounted for as an abnormal item in the income statement – refer to note 5. The balance sheet is based on the management accounts as at 30 September 2011 which represent the latest available financial information.

# Notes to the financial statements continued

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 17. | **OTHER INVESTMENTS (Annexure C)** | | |
| | | | Listed, at fair value | **361,0** | 388,6 |
| **4,1** | 4,5 | | Unlisted, at fair value | **4,1** | 4,5 |
| | | | Employer-controlled reserve invested by pension fund on behalf of Tiger Brands Limited | | |
| | | | – defined contribution | **152,2** | 142,7 |
| | | | – defined benefit refer note 34 | **39,4** | – |
| **1 610,4** | 1 610,4 | | BEE Phase II empowerment entities preference shares | | |
| **262,0** | 211,8 | | Notional investment in subsidiary companies in terms of IFRS 2 | | |
| **1 876,5** | 1 826,7 | | | **556,7** | 535,8 |
| | | | Fair value of listed investments | **361,0** | 388,6 |
| | | 18. | **LOANS** | | |
| | | 18.1 | **Tiger Brands Share Trust participants** | **0,2** | 2,4 |
| | | | Loans to empowerment entities | | |
| **118,2** | 63,9 | | – Tiger Brands Foundation | | |
| **23,5** | 12,6 | | – Thusani II | | |
| **2,1** | 2,1 | | Other | **10,5** | 11,5 |
| **143,8** | 78,6 | | | **10,7** | 13,9 |
| | | | Loans to empowerment entities consist of accrued dividends receivable on the investment in preference shares in connection with the BEE Phase II empowerment transaction (refer to note 17). Preference dividends are calculated based on 85% of the prime interest rate prevailing from time to time. | | |
| | | 18.2 | **Tiger Brands Share Trust** | | |
| | | | The Tiger Brands Share Trust was formed to finance the purchase of ordinary shares in the company by employees of the group. | | |
| | | | The loan is secured by the pledge of the ordinary shares purchased in terms of the scheme and is repayable within 10 years after the grant of the option. Interest is determined by the directors six months in arrears. The interest rate applied is 1% for both 2010 and 2011. | | |
| | | | The loan is secured by the pledge of the ordinary shares purchased in terms of the scheme and is repayable within 10 years after the grant of the option. Interest is determined by the directors six months in arrears. The interest rate applied is 1% for both 2010 and 2011. | | |

| COMPANY 2011 | COMPANY 2010 | | *(Rand in millions)* | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 19. | DEFERRED TAXATION ASSET | | |
| | | 19.1 | **Movement of deferred taxation asset** | | |
| 14,2 | 2,0 | | Balance at beginning of year | 317,0 | 238,9 |
| | | | Net reallocation between deferred taxation asset and deferred taxation liability | – | 11,1 |
| 14,2 | 2,0 | | Adjusted balance at beginning of year | 317,0 | 250,0 |
| | | | Adjustment in respect of acquisition of businesses | 7,7 | – |
| | | | Adjustment in respect of currency losses taken directly to non-distributable reserve | 0,2 | – |
| | | | Exchange rate translation reserve | 1,5 | (0,2) |
| (14,0) | 12,2 | | Income statement movement | 22,0 | 67,2 |
| (14,0) | 12,2 | | – current year timing differences | 22,0 | 67,2 |
| 0,2 | 14,2 | | Balance at end of year (refer note 28.1) | 348,4 | 317,0 |
| | | 19.2 | **Analysis of deferred taxation asset** | | |
| – | 14,2 | | Secondary tax on companies | 9,0 | 17,0 |
| | | | Losses available for offset against future taxable income | 62,7 | 39,1 |
| | | | Provisions | 250,3 | 227,3 |
| 0,2 | – | | Other temporary differences | 26,4 | 33,6 |
| 0,2 | 14,2 | | | 348,4 | 317,0 |
| | | | Assessed losses available for offset against future taxable income have been recognised, as it is probable that there will be future taxable income against which the assessed loss may be utilised. | | |
| | | 20. | INVENTORIES | | |
| | | | Raw materials | 1 082,8 | 1 034,2 |
| | | | Partly processed goods | 53,0 | 42,4 |
| | | | Finished goods and merchandise | 1 648,7 | 1 616,5 |
| | | | Consumable stores and spares | 236,8 | 193,7 |
| | | | Other | 16,0 | 11,9 |
| | | | | 3 037,3 | 2 898,7 |
| | | | Inventories to the value of R70,5 million (2010: R134,1 million) are carried at net realisable value. The amount of write-down of inventories recognised as an expense is R36,2 million (2010: R21,0 million). This expense is included in cost of sales. | | |

# Notes to the financial statements continued

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | | *(Rand in millions)* | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 21. | TRADE AND OTHER RECEIVABLES | | |
| | | 21.1 | **Analysis of trade and other receivables** | | |
| | | | Trade receivables | **2 757,1** | 2 497,4 |
| **2,8** | — | | Tax overpaid | | |
| | | | Prepayments | **92,7** | 64,7 |
| **10,8** | 7,0 | | Sundry receivables (group includes defined benefit pension surplus of R42,9 million (2010: R40,9 million) – refer note 34 | **354,9** | 367,8 |
| **13,6** | 7,0 | | | **3 204,7** | 2 929,9 |
| | | | Impairment provision | **(55,2)** | (54,6) |
| | | | Trade receivables | **(55,2)** | (54,6) |
| | | | Sundry receivables | **—** | — |
| **13,6** | 7,0 | | | **3 149,5** | 2 875,3 |
| | | | Trade receivables, which generally have 30 to 60 day terms, are non-interest-bearing and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. | | |
| | | 21.2 | **Impairment provisions** | | |
| | | | Provision is made when there is objective evidence that the company will not be able to collect the debts. The allowance raised is the amount needed to reduce the carrying value to the present value of expected future cash receipts. Bad debts are written off when identified. Movements in the impairment provision were as follows: | | |
| | | | Reconciliation of trade receivables impairment provision | | |
| | | | Balance at beginning of year | **(54,6)** | (55,9) |
| | | | Utilised during the year | **0,8** | 2,9 |
| | | | Reversed during the year | **10,1** | 2,6 |
| | | | Raised during the year | **(11,5)** | (4,2) |
| | | | Balance at end of year | **(55,2)** | (54,6) |

| COMPANY 2011 | COMPANY 2010 | | *(Rand in millions)* | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 21. | **TRADE AND OTHER RECEIVABLES** continued | | |
| | | 21.3 | **Past due or impaired analysis** | | |
| | | | As at 30 September, the ageing analysis of trade receivables was as follows: | | |
| | | | Not past due, or impaired | 2 160,6 | 2 031,2 |
| | | | The historical level of customer default is minimal and as a result the credit quality of year-end receivables, which are not past due or impaired, is considered to be good. | | |
| | | | Past due and not impaired: | | |
| | | | Current to 60 days | 535,3 | 396,2 |
| | | | 61 to 90 days | 40,7 | 46,7 |
| | | | 91 to 180 days | 20,2 | 21,8 |
| | | | > 180 days | 0,2 | 1,5 |
| | | | Total | 2 757,0 | 2 497,4 |
| | | | As at 30 September, the ageing analysis of sundry receivables was as follows: | | |
| 10,8 | 7,0 | | Not past due, or impaired | 341,1 | 341,2 |
| | | | Past due and not impaired: | | |
| | | | Current to 60 days | 3,7 | 22,6 |
| | | | 61 to 90 days | 2,1 | 0,2 |
| | | | 91 to 180 days | 3,3 | 3,8 |
| | | | > 180 days | 4,7 | – |
| 10,8 | 7,0 | | Total | 354,9 | 367,8 |
| | | 21.4 | **Trade receivable analysis** | | |
| | | | Industry spread of trade receivables: | | |
| | | | Retail | 1 254,1 | 1 277,7 |
| | | | Wholesale/distributors | 1 074,5 | 1 028,5 |
| | | | Export | 365,9 | 139,1 |
| | | | Other | 62,5 | 52,1 |
| | | | Total | 2 757,0 | 2 497,4 |
| | | | Geographical spread of trade receivables: | | |
| | | | South Africa | 2 246,7 | 2 177,2 |
| | | | Rest of Africa | 403,0 | 221,4 |
| | | | Europe | 20,1 | 33,3 |
| | | | Rest of the world | 87,2 | 65,5 |
| | | | Total | 2 757,0 | 2 497,4 |

# Notes to the financial statements continued

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 21. | TRADE AND OTHER RECEIVABLES continued | | |
| | | 21.5 | **Collateral held and pledged** | | |
| | | | ***Collateral pledged*** | | |
| | | | A subsidiary of the group has pledged trade receivables with a carrying amount of R181,1 million (2010: R192,5 million) as security for a loan from the Landbank with a carrying amount of R447,0 million (2010: R405,8 million). | | |
| | | | Tiger Brands Limited has pledged shares in Chocolaterie Confiserie Camerounaise with a carrying amount of R152,7 million as security for a loan from Standard Chartered Bank with a carrying amount of R157,6 million (2010: R138,3 million). | | |
| | | | ***Collateral held*** | | |
| | | | Fair value of collateral held | 10,8 | 11,1 |
| | | | Collateral held represents hawker deposits, which may be applied against accounts which are in default. | | |
| | | 22. | CASH AND CASH EQUIVALENTS | | |
| 66,2 | 491,2 | | Bank balances and short-term deposits | 506,5 | 921,3 |
| 66,2 | 491,2 | | | 506,5 | 921,3 |

23. SHARE-BASED PAYMENT PLANS

23.1 **General employee share option plan**

Certain senior employees are entitled to receive options based on merit. Options are issued annually by the board of directors of the company.

Options vest as follows: a third after three years, a third after four years and a third after five years. The exercise price is determined in accordance with the rules of the scheme.

From January 2006, a new option scheme was adopted by the company. The new scheme is a cash-settled option scheme, which replaces the previous equity-settled share option scheme. In terms of the cash-settled scheme, the options will be settled in cash.

The expense recognised for employee services received during the year to 30 September 2011 is R65,3 million (2010: R62,6 million). The portion of that expense arising from equity-settled share-based payment transactions is Rnil (2010: R0,2 million).

23. **SHARE-BASED PAYMENT PLANS** continued

23.1 **General employee share option plan** continued

***Equity settled***

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

| | 2011 Number | 2011 WAEP | 2010 Number | 2010 WAEP |
|---|---|---|---|---|
| Outstanding at beginning of year | 1 412 730 | 51,80 | 1 490 230 | 52,10 |
| Reinstated during the year | – | – | – | – |
| Forfeited during the year | – | – | (2 700) | 51,29 |
| Exercised during the year[2] | (330 200) | 51,18 | (74 800) | 57,76 |
| Outstanding at end of year[1] | 1 082 530 | 51,99 | 1 412 730 | 51,80 |
| Exercisable at end of year | 1 082 530 | 51,99 | 1 409 330 | 51,67 |

[1] *Included within the number of options outstanding at the end of the year are options over 234 200 shares that have not been recognised in accordance with IFRS 2, as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.*

[2] *The weighted average share price at the date of exercise for the options exercised is R195,43 (2010: R175,46). The weighted average remaining contractual life for share options outstanding as at 30 September 2011 is 1,88 years (2010: 2,87 years). The range of exercise prices for options outstanding at the end of the year was R36,53 to R106,67 (2010: R39,42 to R106,67).*

*The observable volatility in the market was the basis upon which the options were valued.*
*Share options were fair valued using a modified Black-Schöles model.*

The following inputs were used:

| Date of grant | Strike price (Rand) | Expiry date | Market price of underlying stock at grant date (Rand) | Expected volatility of the stock over remaining life of option (%) | Dividend cover (times) |
|---|---|---|---|---|---|
| 03/02/2003 | 69,16 | 02/02/2013 | 66,11 | 22,0 | 2,7 |
| 08/08/2003 | 69,76 | 07/08/2013 | 70,55 | 22,0 | 2,7 |
| 29/01/2004 | 80,02 | 28/01/2014 | 82,65 | 18,0 | 2,5 |
| 28/02/2004 | 82,16 | 27/02/2014 | 84,66 | 18,0 | 2,5 |
| 01/08/2004 | 89,08 | 31/07/2014 | 89,70 | 19,0 | 2,5 |
| 25/01/2005 | 95,09 | 24/01/2015 | 95,36 | 18,0 | 2,0 |
| 18/05/2005 | 97,93 | 17/05/2015 | 100,69 | 18,0 | 2,0 |
| 01/07/2005 | 107,70 | 30/06/2015 | 113,74 | 19,0 | 2,0 |
| 01/09/2005 | 125,60 | 31/08/2015 | 131,80 | 19,0 | 2,0 |

The interest rate yield curve was derived from the Nedbank Treasury calculation.

# Notes to the financial statements continued

for the year ended 30 September 2011

23. SHARE-BASED PAYMENT PLANS continued

23.1 General employee share option plan continued

*Cash settled*

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, cash-settled options during the year.

| | 2011 Number | 2011 WAEP | 2010 Number | 2010 WAEP |
|---|---|---|---|---|
| Outstanding at beginning of year | 3 033 163 | 144,75 | 2 063 520 | 129,57 |
| Granted during the year | 669 650 | 189,12 | 1 082 900 | 172,17 |
| Forfeited during the year | (214 779) | 153,54 | (58 871) | 132,82 |
| Exercised during the year | (323 478) | 122,71 | (54 386) | 127,45 |
| Outstanding at end of year[1] | 3 164 556 | 155,80 | 3 033 163 | 144,75 |
| Exercisable at end of year | 366 611 | 125,96 | 230 336 | 123,31 |

*[1] The weighted average remaining contractual life for cash settled options outstanding as at 30 September 2011 is 3,69 years (2010: 4,07).*
*The weighted average fair value of options granted during the year was R47,14 per option (2010: R44,65).*
*The range of exercise prices for options outstanding at the end of the year was R106,44 to R194,08 (2010: R106,44 to R176,39).*

*Cash options were valued using a modified Black-Schöles model taking into account the dividend cover, expected exercise pattern and volatility of the Tiger Brands share price.*

The following inputs were used:

| Date of grant | Strike price of option (Rand) | Expiry date | Market price of the underlying stock at grant date (Rand) | Expected volatility of the stock over the remaining life of the option (%) | Expected dividend cover (times) |
|---|---|---|---|---|---|
| 01/06/2011 | 186,97 | 31/05/2017 | 194,90 | 23,5 | 2,0 |
| 02/02/2011 | 189,09 | 01/02/2017 | 188,16 | 23,2 | 2,0 |
| 17/01/2011 | 194,08 | 17/01/2017 | 192,25 | 26,4 | 2,0 |
| 21/06/2010 | 176,39 | 20/06/2016 | 177,00 | 23,0 | 2,0 |
| 03/02/2010 | 172,07 | 02/02/2016 | 176,50 | 23,0 | 2,0 |
| 06/07/2009 | 141,63 | 05/07/2015 | 144,01 | 22,2 | 2,0 |
| 02/02/2009 | 141,91 | 01/02/2015 | 137,60 | 21,7 | 2,0 |
| 16/09/2008 | 131,35 | 15/09/2014 | 137,00 | 21,3 | 2,0 |
| 01/04/2008 | 106,44 | 31/03/2014 | 132,90 | 20,8 | 2,0 |
| 22/01/2008 | 130,59 | 21/01/2014 | 146,50 | 20,6 | 2,0 |
| 30/03/2007 | 136,53 | 29/03/2013 | 177,00 | 20,6 | 2,0 |
| 22/01/2007 | 133,39 | 21/01/2013 | 172,51 | 20,8 | 2,0 |
| 08/05/2006 | 133,61 | 07/05/2012 | 170,00 | 21,1 | 2,0 |
| 21/04/2006 | 130,43 | 20/04/2012 | 171,00 | 21,5 | 2,0 |
| 26/01/2006 | 118,13 | 25/01/2012 | 162,00 | 22,5 | 2,0 |

The interest rate yield curve was derived from the Nedbank Treasury calculation. The average volatility was 22,2% and the risk-free rate ranged from 5,4% to 7,1% during the year.

The carrying amount of the liability relating to the cash-settled options at 30 September 2011 is R137,0 million (2010: R94,7 million) – refer to note 30. Cash-settled options exercised during the year amounted to R26,6 million (2010: R3,4 million).

23. SHARE-BASED PAYMENT PLANS continued

23.2 Black Managers participation right scheme (equity settled)

In terms of the BEE transaction implemented on 17 October 2005, 4 381 831 Tiger Brands shares were acquired by the Tiger Brands Black Managers Trust. Allocations of vested rights to these shares were originally made to 435 black managers.

The allocation of vested rights entitles beneficiaries to receive Tiger Brands shares (after making capital contributions to the Black Managers Trust) at any time after the defined lock-in period, ie from 1 January 2015. These vested rights are non-transferable.

From 1 January 2015, the beneficiaries may exercise their vested rights, in which event the beneficiary may:
- instruct trustees to sell all of their shares and distribute the proceeds to them, net of the funds required to pay the capital contributions, taxation (including employees' tax), costs and expenses;
- instruct the trustees to sell sufficient shares to fund the capital contributions, pay the taxation (including employee's tax), costs and expenses, and distribute to them the remaining shares to which they are entitled; or
- fund the capital contributions, taxation (including employees' tax), costs and expenses themselves and receive the shares to which they are entitled.

The expense recognised for employee services received during the year to 30 September 2011 is R22,9 million (2010: R35,0 million).

The following table illustrates the number of, and movements in, share participation rights during the year.

| | 2011 Number | 2010 Number |
|---|---|---|
| Outstanding at beginning of year | 2 960 057 | 2 719 700 |
| Granted during the year | 115 000 | 491 793 |
| Forfeited during the year | (207 437) | (212 031) |
| Shares sold (death of employees) | (3 900) | (39 405) |
| Outstanding at end of year | 2 863 720 | 2 960 057 |
| Exercisable at end of year | – | – |

The weighted average remaining contractual life for share options outstanding as at 30 September 2011 is 3,25 years (2010: 4,25 years).

The weighted average fair value of options granted during the year was R110,67 (2010: R81,83).

The notional exercise price of participation rights at 30 September 2011 was R93,05 per option (2010: R94,54).

No weighted average exercise price has been calculated, as there were no participation rights exercised.

Participation rights were valued using the Monte Carlo simulation approach to estimate the average, optimal pay-off of the participation rights using 5 000 permutations. The pay-off of each random path was based on: the projected Tiger Brands share price; outstanding debt projections; and optimal early exercise conditions.

Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. Historical daily share price data was used to estimate the expected volatility.

# Notes to the financial statements continued

for the year ended 30 September 2011

23. SHARE-BASED PAYMENT PLANS continued

23.2 Black Managers participation right scheme (equity settled) continued

The following inputs were used:

| Date of grant | Initial strike price of partici-pation rights (Rand) | Expiry date | Market price of the underlying stock at grant date (Rand) | Expected volatility of the stock over the remaining life of the partici-pation right (%) | Expected dividend yield of the stock over the remaining life of the partici-pation right (%) |
|---|---|---|---|---|---|
| 01/11/2005 | 112,28 | 30/09/2027 | 140,00 | 22,0 | 3,6 |
| 31/01/2006 | 110,90 | 30/09/2027 | 159,90 | 25,0 | 3,6 |
| 31/07/2006 | 112,89 | 30/09/2027 | 150,00 | 25,0 | 3,6 |
| 31/01/2007 | 112,99 | 30/09/2027 | 172,30 | 30,4 | 3,5 |
| 31/07/2007 | 115,17 | 30/09/2027 | 186,70 | 27,8 | 3,5 |
| 31/01/2008 | 115,43 | 30/09/2027 | 151,00 | 27,5 | 4,0 |
| 31/07/2008 | 117,91 | 30/09/2027 | 145,00 | 28,1 | 4,2 |
| 31/01/2009 | 91,46 | 30/09/2027 | 140,99 | 28,5 | 4,7 |
| 31/07/2009 | 93,97 | 30/09/2027 | 157,00 | 28,7 | 4,4 |
| 31/12/2009 | 96,71 | 30/09/2027 | 171,11 | 28,7 | 4,4 |
| 31/01/2011 | 92,12 | 30/09/2027 | 186,00 | 28,2 | 5,3 |
| 31/07/2011 | 92,10 | 30/09/2027 | 203,35 | 28,2 | 5,3 |

The risk-free interest rate was obtained from the Standard Bank, zero-coupon South African bond curves.

## 23. SHARE-BASED PAYMENT PLANS continued

### 23.3 Black Managers Trust II and Brimstone participation right schemes (equity settled)

In terms of the BEE Phase II transaction implemented on 20 October 2009, 2 835 427 Tiger Brands shares were acquired by the Black Managers Trust II and 1 813 613 shares by Brimstone Investment Corporation Limited (Brimstone).

#### Brimstone

Brimstone is required to hold their shares via Brim Tiger SPV (Pty) Limited (previously Business Venture Investments No 1323 (Proprietary) Limited) (Brimstone SPV). Brimstone and the Brimstone SPV may not sell or encumber such shares until 31 December 2017 (the end date). The IFRS 2 charge of R61,9 million relating to Brimstone has been expensed upfront.

At the end date, Tiger Brands will be entitled to repurchase a certain number of shares from Brimstone at the subscription price of R7,40. The number of shares will be calculated in terms of a repurchase formula, whose inputs are:

- the total discounted value of the shares (being an amount equal to R148,07 per share) less the initial equity contribution by Brimstone, increased over the transaction term by a hurdle rate (being 85% of the prevailing prime rate);
- an amount equal to 85% of the distributions declared by Tiger Brands but not received by Brimstone SPV as a result of the condition attaching to the issue of the shares increased over the transaction term by the hurdle rate;
- the market value of a Tiger Brands ordinary share at the end date; and
- the subscription price of R7,40 per share.

#### Black Managers Trust II

Originally, allocations of vested rights to these shares were made to a total number of 484 black managers and are non-transferable. The effective dates of these allocations were 31 January 2010 and 31 July 2010.

With effect from 31 December 2017, the black managers may elect to take delivery of the full benefit of a portion of the shares allocated to them, in accordance with their vested rights (after Tiger Brands has exercised its right to repurchase a certain number of the shares from the Black Managers Trust II at the subscription price of 10 cents per share).

The number of shares to be repurchased by Tiger Brands will be calculated in terms of a repurchase formula, the inputs of which are similar to those as disclosed under the "Brimstone" heading above, other than for the fact that 90% of any distributions declared by Tiger Brands are not received by the Black Managers Trust II (as opposed to 85% in the case of Brimstone SPV) and the subscription price is 10 cents per share (as opposed to R7,40 in the case of the Brimstone SPV).

Upon termination of the trust on 31 December 2018, the black managers shall take delivery of all benefits due to them, failing which these will be forfeited, and the Trustees shall transfer those benefits and any unallocated Tiger Brands ordinary shares, or the net proceeds thereof, to the black managers who are beneficiaries of the Black Managers Trust II at that time.

In calculating the IFRS 2 charge, the following input parameters were utilised to determine the fair value of the rights granted to the beneficiaries of the Black Managers Trust II in terms of the BEE Phase II transaction:

- the allocation date;
- the maturity date of the rights;
- the market price of the underlying equity as at the valuation date;
- the strike price of the rights;
- the expected volatility of the underlying equity over the life of the rights;
- the expected dividend yield on the underlying equity over the life of the rights;
- the risk-free interest rates over the life of the rights; and
- the prime interest rates over the life of the rights.

# Notes to the financial statements continued

for the year ended 30 September 2011

23. **SHARE-BASED PAYMENT PLANS** continued

23.3 **Black Managers Trust II and Brimstone participation right schemes (equity settled)** continued

Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. Historical daily share price data was used to estimate the expected volatility.

Participation rights were valued using the Monte Carlo simulation approach with the market variable being the Tiger Brands share price.

The path-dependency of the option results from the relationship between the Tiger Brands share price and the strike price of the option, by virtue of the impact on the strike price of dividends paid by Tiger Brands during the life of the BEE Phase II transaction.

The following table illustrates the number of, and movements in, share participation rights during the year.

| | 2011 Number | 2010 Number |
|---|---|---|
| Outstanding at beginning of year | 2 826 655 | – |
| Granted during the year | – | 2 954 100 |
| Forfeited during the year | (363 338) | (126 376) |
| Shares sold (death of employees) | – | (1 069) |
| Outstanding at end of year | 2 463 317 | 2 826 655 |
| Exercisable at end of year | – | – |

A risk-free rate was constructed using a zero-coupon ZAR swap interest rate curve as at the valuation date using a raw interpolation bootstrapping algorithm, with inputs from South African money-market rates (interbank acceptance rates and Forward Rate Agreement (FRA) rates) and swap rates, as published by Bloomberg.

| COMPANY 2011 | COMPANY 2010 | *(Rand in millions)* | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|
| | | 24. AUTHORISED SHARE CAPITAL | | |
| 25,0 | 25,0 | 24.1 250 000 000 (2010: 250 000 000) ordinary shares of 10 cents each | 25,0 | 25,0 |
| 25,0 | 25,0 | | 25,0 | 25,0 |

| COMPANY Number of shares 2011 | 2010 | | | GROUP Number of shares 2011 | 2010 |
|---|---|---|---|---|---|
| | | 24. | **AUTHORISED SHARE CAPITAL** continued | | |
| **1 437 863** | 1 879 863 | 24.2 | **Number of outstanding options in terms of the company's share option scheme** | | |
| **–** | 1 700 | | At R39,42 per share, exercisable until 1 September 2011 | | |
| **289 233** | 429 733 | | At R36,53 per share, exercisable until 29 January 2012 | | |
| **364 430** | 450 930 | | At R44,33 per share, exercisable until 3 February 2013 | | |
| **60 200** | 69 200 | | At R44,33 per share, exercisable until 31 March 2013 | | |
| **433 500** | 545 300 | | At R51,29 per share, exercisable until 29 January 2014 | | |
| **263 500** | 356 000 | | At R75,13 per share, exercisable until 25 January 2015 | | |
| **10 000** | 10 000 | | At R85,10 per share, exercisable until 1 July 2015 | | |
| **10 000** | 10 000 | | At R99,24 per share, exercisable until 1 September 2015 | | |
| **7 000** | 7 000 | | At R106,67 per share, exercisable until 1 October 2015 | | |
| **53 372 026** | 52 930 026 | 24.3 | **Unissued shares** | **53 372 026** | 52 930 026 |
| **4 548 106** | 4 990 106 | 24.4 | Number of shares under the control of the directors for purposes of the Tiger Brands (1985) Share Purchase Scheme and the Tiger Brands (1985) Share Option Scheme. | **4 548 106** | 4 990 106 |

# Notes to the financial statements continued

for the year ended 30 September 2011

| | COMPANY | | | |
|---|---|---|---|---|
| | Number of shares under option | | Options exercised during 2011 | |
| | 2011 | 2010 | Number of shares | Gain in R'000 |
| **24. AUTHORISED SHARE CAPITAL** continued | | | | |
| **24.5 Executive directors' options over shares in Tiger Brands Limited** | | | | |
| *N G Brimacombe* | – | 69 100 | 69 100 | 9 560 |
| At R36,53 per share, exercisable until 29 January 2012 | – | 21 400 | 21 400 | 3 199 |
| At R44,33 per share, exercisable until 3 February 2013 | – | 24 700 | 24 700 | 3 500 |
| At R51,29 per share, exercisable until 29 January 2014 | – | 13 000 | 13 000 | 1 752 |
| At R75,13 per share, exercisable until 25 January 2015 | – | 10 000 | 10 000 | 1 109 |
| *C F H Vaux* | 65 400 | 65 400 | | |
| At R44,33 per share, exercisable until 3 February 2013 | 23 400 | 23 400 | | |
| At R51,29 per share, exercisable until 29 January 2014 | 19 000 | 19 000 | | |
| At R75,13 per share, exercisable until 25 January 2015 | 23 000 | 23 000 | | |
| Totals for Tiger Brands Limited | 65 400 | 134 500 | 69 100 | 9 560 |

| COMPANY 2011 | COMPANY 2010 | | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | **25.** | **ISSUED ORDINARY SHARE CAPITAL AND PREMIUM** | | |
| 19,1 | 19,0 | **25.1** | Issued share capital 190 642 005 (2010: 190 200 005) ordinary shares of 10 cents each | 19,1 | 19,0 |
| | | **25.2** | **Share premium** | | |
| 462,4 | 53,4 | | Balance at beginning of year | 462,4 | 53,4 |
| 25,8 | 1 764,0 | | Issues of shares | 25,8 | 1 764,0 |
| (437,6) | (502,1) | | Capital distribution out of share premium – interim | (437,6) | (502,1) |
| – | (852,9) | | Capital distribution out of share premium – final | – | (852,9) |
| 50,6 | 462,4 | | | 50,6 | 462,4 |
| 69,7 | 481,4 | | | 69,7 | 481,4 |
| | | | The increase in ordinary shares issued is due to share options exercised (2010: the increase in ordinary shares issued is due to share options exercised and the BEE Phase II transaction). | | |
| | | **26.** | **TAX EFFECT OF OTHER COMPREHENSIVE INCOME** | | |
| | | | The tax effect of the items reflected in the statement of comprehensive income is as follows: | | |
| | | | Net loss/(gain) on hedge of net investment | 4,7 | (8,4) |
| | | | Foreign currency translation adjustments | 10,8 | (5,5) |
| | | | Net gain/(loss) on available-for-sale financial assets | 0,7 | (3,7) |
| | | | | 16,2 | (17,6) |

## 27. TIGER BRANDS LIMITED SHARES HELD BY SUBSIDIARY AND EMPOWERMENT ENTITIES

### 27.1 Tiger Brands Limited shares held by subsidiary

10 326 758 (2010: 10 326 758) shares are held as treasury stock.

### 27.2 Tiger Brands Limited shares held by empowerment entities

21 371 686 (2010: 21 375 586) shares are owned by empowerment entities.

On 19 September 2005, shareholders approved a scheme of arrangement (section 311 of the Companies Act, 61 of 1973) in terms of which Tiger Brands would facilitate the acquisition of a 4% direct ownership interest in its issued ordinary share capital by a broad base of staff employed within the group. The court order sanctioning the scheme was registered by the Registrar of Companies on 29 September 2005, being the effective date of acquisition of the scheme shares.

The total value of the staff empowerment transaction was R723,5 million, based on the closing price of the company's shares on the JSE Limited on 13 July 2005 of R112 per share. The transaction was implemented on 17 October 2005 through a number of trusts and a special purpose vehicle. The acquisition of 5 896 140 Tiger Brands shares by the Black Managers Trust and Thusani Empowerment Investment Holdings (Pty) Limited in terms of the scheme, at an aggregate cost of R649,5 million, was shown as a deduction from equity in the group statement of financial position. This reduced to R502,2 million in 2008 as a result of the Adcock Ingram unbundling. As from 2008 such shares in Adcock Ingram are reflected as listed investments available-for-sale.

The cost of the Tiger Brands shares acquired by the General Staff Trust (547 733 shares), together with the total expenses of the BEE transaction, was reflected as an abnormal item of R69,4 million in the group income statement in 2005.

On 20 October 2009, the company listed a further 16 322 520 new ordinary shares on the JSE Limited in terms of the BEE Phase II transaction. In terms of the transaction, 9,09% of Tiger Brands' enlarged issued share capital at the time was allocated to the following empowerment entities:

- Brimstone Investment Corporation Limited (1,01%)
- The Tiger Brands Black Managers Trust No II (1,58%)
- The Tiger Brands General Staff Share Trust (0,44%)
- The Thusani Trust (1,01%)
- The Tiger Brands Foundation (5,05%)

The financial impact of the BEE Phase II transaction is included in note 39.

# Notes to the financial statements continued

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 28. | DEFERRED TAXATION LIABILITY | | |
| | | 28.1 | Movement of deferred taxation liability | | |
| 10,6 | 9,1 | | Balance at beginning of year | 440,5 | 336,8 |
| | | | Net reallocation between deferred taxation asset and deferred taxation liability | — | 11,1 |
| 10,6 | 9,1 | | Adjusted balance at beginning of year | 440,5 | 347,9 |
| | | | Adjustment in respect of acquisition of businesses | 3,0 | — |
| | | | Adjustment in respect of intangibles raised on acquisition of businesses | 183,2 | — |
| | | | Fair value adjustments – investments | (0,7) | 3,7 |
| | | | Adjustment in respect of currency (losses)/profits taken directly to non-distributable reserve | (9,9) | 5,5 |
| | | | Exchange rate translation reserve | (0,3) | (0,4) |
| (9,9) | 1,5 | | Income statement movement | 32,5 | 83,8 |
| (9,9) | 1,5 | | – current year timing differences | 32,5 | 83,8 |
| 0,7 | 10,6 | | Balance at end of year | 648,3 | 440,5 |
| (0,2) | (14,2) | | *Less:* Deferred tax asset per note 19.1 | (348,4) | (317,0) |
| 0,5 | (3,6) | | Net deferred tax liability/(asset) | 299,9 | 123,5 |
| | | 28.2 | Analysis of deferred taxation liability | | |
| | | | Fair value adjustments – investments | 9,3 | 9,9 |
| | | | Property, plant and equipment | 312,0 | 276,4 |
| | | | Liability in respect of intangibles raised on acquisition of businesses | 182,1 | — |
| | | | Prepayments | 4,5 | 4,6 |
| | | | Retirement fund surpluses | 65,7 | 54,4 |
| 0,7 | 10,6 | | Revaluation of loans | 0,7 | 10,6 |
| | | | Other temporary differences | 74,0 | 84,6 |
| 0,7 | 10,6 | | | 648,3 | 440,5 |
| | | 29. | TRADE AND OTHER PAYABLES | | |
| | | | Trade payables | 1 216,1 | 1 344,7 |
| 39,3 | 42,0 | | Accruals and other payables | 1 340,1 | 1 231,0 |
| | | | Defined benefit pension fund liability – refer note 34 | 3,3 | 3,2 |
| 39,3 | 42,0 | | | 2 559,5 | 2 578,9 |
| | | | Trade payables are non-interest-bearing and are normally settled on 45-day terms. Other payables are non-interest-bearing and have an average term of 60 days. | | |

| (Rand in millions) | Leave pay | GROUP<br>Other | Total |
|---|---|---|---|
| **30. PROVISIONS** | | | |
| **2011** | | | |
| Balance at beginning of year | 260,5 | 126,8 | 387,3 |
| Additional amounts raised | 67,9 | 75,8 | 143,7 |
| Utilised in the year | (59,2) | (29,1) | (88,3) |
| Foreign exchange adjustment | 0,1 | (0,1) | — |
| Provisions reversed during the year | — | (7,4) | (7,4) |
| Balance at end of year | 269,3 | 166,0 | 435,3 |
| Analysed as follows: | | | |
| Provision for leave pay | 269,3 | — | 269,3 |
| Provision for cash-settled share-based payments (refer to note 23.1) | — | 137,0 | 137,0 |
| Other | — | 29,0 | 29,0 |
| | 269,3 | 166,0 | 435,3 |
| 2010 | | | |
| Balance at beginning of year | 252,9 | 77,8 | 330,7 |
| Additional amounts raised | 58,7 | 75,4 | 134,1 |
| Utilised in the year | (50,8) | (20,8) | (71,6) |
| Foreign exchange adjustment | (0,3) | (0,8) | (1,1) |
| Provisions reversed during the year | — | (4,8) | (4,8) |
| Balance at end of year | 260,5 | 126,8 | 387,3 |
| Analysed as follows: | | | |
| Provision for leave pay | 260,5 | — | 260,5 |
| Provision for cash-settled share-based payments (refer to note 23.1) | — | 94,7 | 94,7 |
| Other | — | 32,1 | 32,1 |
| | 260,5 | 126,8 | 387,3 |

Leave pay is provided on accumulated leave balances at year-end based on employees' cost to company.

# Notes to the financial statements continued

for the year ended 30 September 2011

| COMPANY 2011 | COMPANY 2010 | | *(Rand in millions)* | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|---|
| | | 31. | BORROWINGS | | |
| 157,6 | 138,3 | 31.1 | Secured loans | 429,3 | 416,3 |
| | | | Loans bearing interest at: | | |
| | | | – 15,5% per annum, repaid during 2011 | – | 18,7 |
| 157,6 | 138,3 | | – 6,8% per annum, repayable by 2013 (denominated in CAF Franc) | 157,6 | 138,3 |
| | | | – 8,5% (2010: 13,5%) per annum, repayable by 2016 (denominated in Kenyan Shillings) | 24,4 | 22,5 |
| | | | – 7,53% per annum, repayable by 2015 | 215,3 | 236,8 |
| | | | – 7,0% per annum, repayable by 2018 (denominated in Nigerian Naira) | 22,6 | – |
| | | | – 14,0% per annum, repayable by 2014 (denominated in Nigerian Naira) | 7,9 | – |
| | | | – 0% per annum, repayable by 2056 (denominated in Ethiopian Birr) | 1,5 | – |
| | | | Analysis of secured loans by nature of security: | | |
| 157,6 | 138,3 | | Pledge of shares | 157,6 | 138,3 |
| | | | Property, plant and equipment | 56,4 | 22,5 |
| | | | Cross suretyship given by Tiger Brands entities | – | 18,7 |
| | | | Put Option against Tiger Brands | 215,3 | 236,8 |
| 157,6 | 138,3 | | | 429,3 | 416,3 |
| | | | Refer also to notes 11.3 and 36 for details of security. | | |
| | | 31.2 | Unsecured loans | 206,3 | 39,5 |
| | | | Loans bearing interest at: | | |
| | | | – 15,0% (2010: 8,6%) per annum, repayable by 2016 (denominated in Kenyan Shillings) | 34,1 | 39,5 |
| | | | – 10,3% per annum, repayable by 2014 | 112,4 | – |
| | | | – 10,8% per annum, repayable by 2014 | 59,8 | – |
| | | 31.3 | Capitalised finance leases | 0,2 | 0,9 |
| | | | Repayment during the next year | 0,2 | 0,8 |
| | | | Repayment during the next five years subsequent to year 1 | – | 0,1 |
| | | | Liabilities under capitalised finance leases bear interest at 8,5% per annum. Capitalised finance leases relate to property, plant and equipment with a book value of R1,3 million (2010: Rnil) as per note 11.5 of these annual financial statements. | | |
| 157,6 | 138,3 | | | 635,8 | 456,7 |
| | | 31.4 | Instalments disclosed as: | | |
| 2,4 | 1,6 | | Short-term borrowings | 98,6 | 52,9 |
| 155,2 | 136,7 | | Long-term borrowings | 537,2 | 403,8 |
| 157,6 | 138,3 | | | 635,8 | 456,7 |

| (Rand in millions) | Total SA Rand | Total Nigerian Naira | Total Ethiopian Birr | Total Kenyan Shilling | Total CAF Franc | Group total |
|---|---|---|---|---|---|---|
| | GROUP | | | | | |
| **31. BORROWINGS** continued | | | | | | |
| **31.5 Summary of borrowings by currency and year of repayment** | | | | | | |
| During 2012 | 78,1 | 7,3 | – | 10,7 | 2,5 | 98,6 |
| During 2013 | 89,2 | 6,9 | – | 10,4 | 155,1 | 261,6 |
| During 2014 | 101,6 | 4,6 | – | 11,4 | – | 117,6 |
| During 2015 | 45,2 | 3,6 | 0,1 | 12,3 | – | 61,2 |
| During 2016 and thereafter | 73,6 | 8,1 | 1,4 | 13,7 | – | 96,8 |
| | 387,7 | 30,5 | 1,5 | 58,5 | 157,6 | 635,8 |

| COMPANY 2011 | COMPANY 2010 | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|
| 2,7 | 389,1 | **31.6 Short-term borrowings** | 1 640,2 | 476,0 |
| 0,3 | 387,5 | Bank overdrafts | 1 518,3 | 413,1 |
| | | Unsecured loans – interest-free loans, with no fixed repayment terms | 23,3 | 10,0 |
| 2,4 | 1,6 | Current portion of long-term loans | 98,6 | 52,9 |
| | | Breach of covenant<br>During the year, a subsidiary breached a maintenance covenant on its short-term borrowing facility. The balance, included in short-term borrowings, amounted to R447,0 million. The subsidiary applied for the breach to be condoned, with the request being granted subsequent to 30 September 2011. | | |
| | | **32. GROUP BORROWINGS**<br>In terms of the company's articles of association the group's borrowings are unlimited. | | |
| | | **33. GROUP COMMITMENTS**<br>**33.1** Approved capital expenditure, which will be financed from the group's own resources, is as follows: | | |
| | | Contracted | 299,3 | 546,7 |
| | | Not contracted | 121,4 | 270,3 |
| | | | 420,7 | 817,0 |
| | | **33.2** Commitments of R353,4 million will be expended in 2012 and the remaining commitments will be expended from 2013 to 2016.<br>The capital commitments amounting to R420,7 million include the following major items:<br>Milling – replacement of wheat mill in Hennenman (R175,0 million)<br>Milling – value added maize plant (R49,9 million)<br>Langeberg and Ashton Foods – effluent plant (R34,9 million) | | |

# Notes to the financial statements continued

for the year ended 30 September 2011

| | *(Rand in millions)* | Land and buildings | Motor vehicles | GROUP<br>Property, plant and equip-ment | Other | Total commit-ments |
|---|---|---|---|---|---|---|
| 33. | GROUP COMMITMENTS continued | | | | | |
| 33.3 | **Commitments in respect of operating leases** | | | | | |
| | 2011 | | | | | |
| | During 2012 | 32,7 | 36,3 | 17,8 | 5,7 | 92,5 |
| | During 2013 | 25,2 | 29,4 | 16,6 | 2,9 | 74,1 |
| | During 2014 | 13,5 | 19,7 | 16,6 | 1,1 | 50,9 |
| | During 2015 | 12,1 | 10,5 | 16,6 | 0,5 | 39,7 |
| | During 2016 and thereafter | 20,8 | 6,3 | — | 0,2 | 27,3 |
| | | 104,3 | 102,2 | 67,6 | 10,4 | 284,5 |
| | 2010 | | | | | |
| | During 2011 | 11,0 | 47,0 | 14,9 | 3,5 | 76,4 |
| | During 2012 | 10,5 | 35,3 | 14,9 | 2,1 | 62,8 |
| | During 2013 | 10,5 | 25,0 | 13,7 | 1,4 | 50,6 |
| | During 2014 and thereafter | 11,2 | 16,3 | 13,7 | 1,1 | 42,3 |
| | During 2015 and thereafter | 32,7 | 12,1 | 13,7 | 0,4 | 58,9 |
| | | 75,9 | 135,7 | 70,9 | 8,5 | 291,0 |

With the exception of the lease described below, operating leases are generally three to six years in duration, without purchase options and in certain instances have escalation clauses of between 7,0% and 10%, or are linked to the prime rate of interest or the Consumer Price Index (CPI). Other contingent rentals are generally not applicable.

One lease, relating to fruit processing equipment, has a remaining contract period of four years, contingent rental linked to tons of fruit processed and escalates based on the American consumer price index. Contingent rental paid amounts to R3,2 million (2010: R4,1 million).

33. GROUP COMMITMENTS continued

33.4 **Commitments in respect of finance leases**

The group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal, but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments, are as follows:

| | GROUP | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| *(Rand in millions)* | Minimum payments | Present value of payments | Minimum payments | Present value of payments |
| Within one year | 0,2 | 0,2 | 0,7 | 1,5 |
| After one year but not more than five years | — | — | 0,1 | 0,7 |
| Total minimum lease payments | 0,2 | 0,2 | 0,8 | 2,2 |
| *Less:* Amounts representing finance charges | — | — | — | — |
| Total | 0,2 | 0,2 | 0,8 | 2,2 |

33.5 **Commitments in respect of inventories**

In terms of its normal business practice certain group operations have entered into commitments to purchase certain agricultural inputs over their respective seasons.

33.6 **Commitments in respect of transport**

The group maintains long-term contracts, including certain minimum payments, with various transport companies for the distribution of its products.

34. PENSION OBLIGATIONS

The company and its subsidiaries contribute to retirement plans that cover all employees. The retirement plans are either defined benefit plans or defined contribution plans and are funded. The assets of the funds are held in independent trustee administered funds, administered in terms of the Pension Funds Act of 1956 (Act 24), as amended. In terms of the Pension Funds Act, certain of the retirement funds are exempt from actuarial valuation. Those funds not exempt from valuation must, in terms of the Pension Funds Act, be valued at least every three years. For purposes of production of these disclosures, and in order to comply with the requirements of IAS19 (revised), valuations have been performed by independent actuaries, using the projected unit credit method. Where valuations were not possible due to the limited availability of complete data, roll-forward projections of prior completed actuarial valuations were used, taking account of actual subsequent experience.

Within the company's group of subsidiaries, there are a total of 34 retirement plans, four of which are defined benefit pension funds, two are defined benefit provident funds, five are defined contribution pension funds, one a defined benefit plan and 16 are defined contribution provident funds. There are a further six schemes of insurance into which the company and its subsidiaries contribute. Certain companies within the group sponsor external death, funeral and disability benefit insurance policies. These insurance costs have been allowed for in the disclosures provided. All of the funds above are funded, with the exception of the Tiger Brands post-retirement death benefit scheme.

The actual return on plan assets for the period 1 October 2010 to 30 September 2011 was R32,2 million (2010: R28,0 million). This compares with the expected return for the same period of R31,6 million (2010: R31,0 million).

The value of contributions expected to be paid by group companies for the year ending 30 September 2012 amounts to R170,4 million (2011 actual: R163,0 million).

As at 30 September 2011, there were no properties occupied by, or other assets used by, group companies which formed part of the fair value of plan assets (2010: Rnil).

As at 30 September 2011, the percentage of the fair value of plan assets in respect of defined benefit arrangements invested in Tiger Brands Limited shares amounted to 0% (2010: 0,04%).

# Notes to the financial statements continued

for the year ended 30 September 2011

| | | GROUP 2011 | GROUP 2010 |
|---|---|---|---|
| 34. | **PENSION OBLIGATIONS** continued | | |
| | Major categories of plan assets in respect of defined benefit arrangements as at 30 September: | | |
| | Equities | **5,6%** | 20,7% |
| | Bonds | **5,5%** | 20,5% |
| | Cash | **85,7%** | 49,0% |
| | Property | **0,7%** | 1,8% |
| | International | **2,1%** | 7,5% |
| | Other | **0,4%** | 0,5% |
| | | **100,0%** | 100,0% |
| | *(Rand in millions)* | | |
| | **Balance at end of year** | | |
| | Present value of funded defined benefit obligations | **(329,5)** | (261,3) |
| | Fair value of plan assets in respect of defined benefit obligations | **398,9** | 389,6 |
| | Funded status of defined benefit plans | **69,4** | 128,3 |
| | Unrecognised actuarial gains | **10,0** | 1,7 |
| | Asset not recognised at reporting date | **(0,4)** | (92,3) |
| | **Asset at reporting date** | **79,0** | 37,7 |

The disclosure of the funded status is for accounting purposes only, and does not necessarily indicate any assets available to the company or its subsidiaries. Once a surplus apportionment exercise is completed and approved by the Registrar of Pension Funds in terms of the provisions of the Pension Funds Second Amendment Act, 2001, only at that stage would it be appropriate for the company or its subsidiaries to recognise any assets in respect of the retirement funds, to the extent that they are apportioned such assets. The surplus apportionment schemes for the Tiger Brands Defined Benefit Pension Fund and the Beacon Products Staff Pension Fund were approved by the Registrar in 2008. The surplus apportionment scheme for the ICS Pension Fund was approved in 2011. The recognition of the surplus liability in the ICS Pension Fund resulted in an actuarial loss of R53,0 million, which was immediately recognised as there are no active members left on the fund. This was offset by an asset of R98,7 million which was previously not recognised due to the limit in paragraph 58 of IAS19 (revised). Where appropriate, surplus apportioned to the company has been recognised on the statement of financial position. This legislation is not applicable to arrangements not registered in terms of the Pension Funds Act, such as special purpose entities established for purposes of providing disability benefits.

| *(Rand in millions)* | GROUP 2011 | 2010 |
|---|---|---|
| 34. **PENSION OBLIGATIONS** continued | | |
| **Movement in the net asset/(liability) recognised in the statement of financial position** | | |
| Balance at beginning of year | 37,7 | 30,3 |
| Contributions paid | 163,0 | 154,4 |
| Other movements (net expense in the income statement) | (121,7) | (147,0) |
| Current service cost | (163,3) | (151,0) |
| Interest cost | (23,2) | (23,1) |
| Expected return on plan assets | 31,6 | 30,9 |
| Net actuarial (gains)/losses recognised during the year | (0,3) | — |
| Settlement cost | — | 0,7 |
| Acquisition cost | — | (0,4) |
| Recognised due to paragraph 58A | (58,3) | (11,9) |
| Change in asset not recognised due to paragraph 58A | 91,8 | 7,8 |
| **Balance at the end of the year** | 79,0 | 37,7 |
| The net asset is included in the statement of financial position as follows: | | |
| Investments – refer note 17 | 39,4 | — |
| Other receivables – refer note 21.1 | 42,9 | 40,9 |
| Other payables – refer note 29 | (3,3) | (3,2) |
| | 79,0 | 37,7 |
| **Actuarial assumptions** | | |
| The principal actuarial assumptions used for accounting purposes were: | | |
| Discount rate | 8,75% | 8,75% |
| Expected return on plan assets | | |
| Tiger Brands Defined Benefit Pension Fund | 7,25% | 8,75% |
| Tiger Oats Benefit Foundation | 4,25% | 2,25% |
| Nestlé Pension Fund | 9,50% | 9,50% |
| ICS Pension Fund | 6,75% | 6,75% |
| Future salary increases | 6,75% | 6,25% |
| Future pension increases | | |
| Tiger Brands Defined Benefit Pension Fund | 5,07% | 5,07% |
| Nestlé Pension Fund | 4,07% | 4,07% |

The fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions, reference was made to the asset split as at 31 July 2011. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implies a yield on government bonds of 8,75% per annum. The expected long-term rate of return on equities was set at a level of 3% above the bond rate, while the expected long-term rate of return on cash was set at a level of 1% below the bond rate. Adjustments were made to reflect the effect of expenses.

# Notes to the financial statements continued

for the year ended 30 September 2011

| | | GROUP 2011 | GROUP 2010 |
|---|---|---|---|
| | *(Rand in millions)* | 2011 | 2010 |
| 34. | PENSION OBLIGATIONS continued | | |
| | **Reconciliation of the defined benefit obligation:** | | |
| | Defined benefit obligation at beginning of year | **(261,3)** | (245,6) |
| | Current service cost | **(3,6)** | (3,9) |
| | Member contributions | **(1,4)** | (1,4) |
| | Interest cost | **(23,2)** | (23,1) |
| | Actuarial loss | **(67,5)** | (10,6) |
| | Benefits paid | **27,1** | 32,6 |
| | Risk premiums (group life and permanent health) | **0,4** | 0,4 |
| | Amount settled | **—** | 0,6 |
| | Take-on liability due to business combination | **—** | (10,3) |
| | **Defined benefit obligation at end of year** | **(329,5)** | (261,3) |
| | **Reconciliation of fair value of plan assets** | | |
| | Assets at fair market value at the beginning of the year | **389,6** | 376,0 |
| | Expected return on assets | **31,6** | 31,0 |
| | Contributions | **4,6** | 8,6 |
| | Risk premiums (group life and permanent health) | **(0,4)** | (0,4) |
| | Benefits paid | **(27,1)** | (32,6) |
| | Actuarial loss | **0,6** | (2,9) |
| | Take-on asset due to business combination | **—** | 9,9 |
| | **Assets at fair market value at end of year** | **398,9** | 389,6 |
| | **Asset balance at end of year** | **69,4** | 128,3 |

**Trend information**

| *(Rand in millions)* | 2011 | 2010 | 30 September 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | **(329,5)** | (261,3) | (245,6) | (388,5) | (111,8) |
| Fair value of plan assets | **398,9** | 389,6 | 376,0 | 528,0 | 580,4 |
| Funded status | **69,4** | 128,3 | 130,4 | 139,5 | 468,6 |
| Experience gain/(loss) on liabilities | **51,4** | 13,3 | 2,4 | 295,5 | (2,6) |
| Experience (loss)/gain on assets | **(0,6)** | 2,9 | 35,5 | (10,0) | (39,4) |

| *(Rand in millions)* | GROUP 2011 | 2010 |
|---|---|---|
| **35. POST-RETIREMENT MEDICAL AID OBLIGATIONS** | | |
| The company and its subsidiaries operate post-employment medical benefit schemes that cover certain of their employees and retirees. This practice has since been stopped for new employees. The liabilities are valued annually using the projected unit credit method. The latest actuarial valuation was performed on 30 September 2011. | | |
| Balance at end of year | | |
| Present value of obligations | **(544,3)** | (499,3) |
| Unrecognised actuarial losses | **167,8** | 148,6 |
| Liability at reporting date | **(376,5)** | (350,7) |
| **Movement in the liability recognised in the statement of financial position:** | | |
| Balance at beginning of year | **(350,7)** | (326,4) |
| Liability acquired in business combination | **—** | (0,8) |
| Contributions paid | **31,1** | 29,1 |
| Other expenses included in staff costs | **(56,9)** | (52,6) |
| Current service cost | **(2,7)** | (2,5) |
| Interest cost | **(42,3)** | (40,8) |
| Actuarial losses recognised | **(11,9)** | (9,3) |
| Balance at end of year | **(376,5)** | (350,7) |
| Current portion | **(32,8)** | (31,2) |

| | GROUP 2011 | 2010 |
|---|---|---|
| **The principal actuarial assumptions used for accounting purposes were:** | | |
| Discount rate | **8,75%** | 8,75% |
| Medical inflation | **7,25%** | 6,75% |
| Future salary increases | **7,25%** | 6,75% |
| Post-retirement mortality tables | **PA(90) ultimate rated down two years plus 1% improvement p.a from 2006** | PA(90) ultimate rated down two years plus 1% improvement p.a from 2006 |

The employer's estimate of contributions expected to be paid for the 2012 financial year is R32,8 million (2011: R31,2 million).

# Notes to the financial statements continued

for the year ended 30 September 2011

35. POST-RETIREMENT MEDICAL AID OBLIGATIONS continued

35.1 Sensitivity analysis

| 2011 | Base case | Healthcare cost inflation | |
|---|---|---|---|
| Key assumption | 7,25% | (1,0%) | 1,0% |
| Accrued liability 30 September 2011 | | | |
| *(Rand in millions)* | 544,3 | 488,0 | 612,6 |
| % change | | (10,3%) | 12,5% |
| Current service cost plus interest cost 2011/2012 | | | |
| *(Rand in millions)* | 49,1 | 43,6 | 55,8 |
| % change | | (11,1%) | 13,6% |
| 2010 | | | |
| Key assumption | 6,75% | (1,0%) | 1,0% |
| Accrued liability 30 September 2010 | | | |
| *(Rand in millions)* | 499,3 | 448,6 | 560,7 |
| % change | | (10,2%) | 12,3% |
| Current service cost plus interest cost 2010/2011 | | | |
| *(Rand in millions)* | 45,0 | 40,1 | 51,0 |
| % change | | (11,0%) | 13,4% |

| | Base case | Discount rate | |
|---|---|---|---|
| 2011 | | | |
| Key assumption | 8,75% | (1,0%) | 1,0% |
| Present value of obligations 30 September 2011 | | | |
| *(Rand in millions)* | 544,3 | 615,6 | 486,5 |
| % change | | 13,1% | (10,6%) |
| 2010 | | | |
| Key assumption | 8,75% | (1,0%) | 1,0% |
| Present value of obligations 30 September 2010 | | | |
| *(Rand in millions)* | 499,3 | 563,2 | 447,3 |
| % change | | 12,8% | (10,4%) |

| | Base case 60/63/65 years | Expected Retirement Age 1 year younger | 1 year older |
|---|---|---|---|
| 2011 | | | |
| Key assumption | | | |
| Present value of obligations 30 September 2011 | | | |
| *(Rand in millions)* | 544,3 | 548,4 | 539,1 |
| % change | | 0,7% | (1,0%) |
| 2010 | | | |
| Key assumption | | | |
| Present value of obligations 30 September 2010 | | | |
| *(Rand in millions)* | 499,3 | 503,4 | 495,8 |
| % change | | 0,8% | (0,7%) |

35. POST-RETIREMENT MEDICAL AID OBLIGATIONS continued

35.1 Sensitivity analysis continued

**Trend information**

| *(Rand in millions)* | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| | 30 September | | | | |
| Present value of obligations | **(544,3)** | (499,3) | (467,8) | (363,3) | (317,8) |
| Fair value of plan assets | **—** | — | — | — | — |
| Present value of obligations in excess of plan assets | **(544,3)** | (499,3) | (467,8) | (363,3) | (317,8) |
| Experience adjustments | **1,6** | 17,4 | 61,3 | 15,0 | 9,3 |
| Actuarial losses before changes in assumptions: | | | | | |
| In respect of present value of obligations | **1,6** | 17,4 | 61,3 | 15,0 | 9,3 |
| In respect of fair value of plan assets | **—** | — | — | — | — |

| *(Rand in millions)* | GROUP 2011 | 2010 |
|---|---|---|
| **36. GUARANTEES AND CONTINGENT LIABILITIES** | | |
| Guarantees and contingent liabilities | **44,0** | 14,6 |

COMPANY

The company has bound itself as surety and co-principal debtor for the obligations of certain subsidiaries amounting to Rnil at 30 September 2011 (2010: R18,7 million). Refer to note 31.1

Guarantees exist against the company for the obligations of certain subsidiaries amounting to R817,3 million at 30 September 2011 (2010: R30,5 million).

An inter company loan, granted by the company to one of its subsidiaries, with a book value of R1 227,6 million (2010: R1 227,6 million), has been assigned by the company as security for its obligations as surety.

Shares in Chocolaterie Confiserie Camerounaise Sa (Chococam), acquired on 1 August 2008, have been pledged as security for the foreign loan utilised to acquire the subsidiary. Refer to note 31.1

37. FINANCIAL INSTRUMENTS

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising principally as a result of commodity price, currency and interest rate fluctuations. The use of derivatives for the hedging of firm commitments against commodity price, foreign currency and interest rate exposures is permitted in accordance with group policies, which have been approved by the board of directors. Where significant finance is taken out, this is approved at board meetings.

The foreign exchange contracts outstanding at year-end are marked to market at closing spot rate.

The group finances its operations through a combination of retained surpluses, bank borrowings and long-term loans.

The group borrows short-term funds with fixed or floating rates of interest through the holding company, Tiger Brands Limited.

The main risks arising from the group's financial instruments are in order of priority, procurement risk, foreign currency risk, interest rate risk, liquidity risk and credit risk as detailed below.

37.1 Procurement risk (commodity price risk)

Commodity price risk arises from the group being subject to raw material price fluctuations caused by supply conditions, weather, economic conditions and other factors. The strategic raw materials acquired by the group include wheat, maize, rice, oats and sorghum.

The group uses commodity futures and options contracts or other derivative instruments to reduce the volatility of commodity input prices of strategic raw materials. These derivative contracts are only taken out to match an underlying physical requirement for the raw material. The group does not write naked derivative contracts.

The group has developed a comprehensive risk management process to facilitate, control and monitor these risks. The procurement of raw materials takes place in terms of specific mandates given by the executive management. Position statements are prepared on a monthly basis and these are monitored by management and compared to the mandates.

The board has approved and monitors this risk management process, inclusive of documented treasury policies, counterparty limits, and controlling and reporting structures.

# Notes to the financial statements continued

for the year ended 30 September 2011

37. FINANCIAL INSTRUMENTS continued

37.1 Procurement risk (commodity price risk) continued

At year-end the exposure to derivative contracts relating to strategic raw materials is as follows:

| (Rand in millions) | GROUP Derivative contracts expiring within 0 – 3 months Unrealised (profit)/loss at 30 September | Hedged value |
|---|---|---|
| **2011** | | |
| Maize and wheat | | |
| Futures | **(1,1)** | **68,3** |
| | **(1,1)** | **68,3** |
| 2010 | | |
| Maize and wheat | | |
| Futures | 6,2 | 26,5 |
| | 6,2 | 26,5 |

**Commodity price sensitivity analysis**

The following table details the group's and company's sensitivity to a 10% increase and decrease in the price of wheat, rice, maize and sorghum.

The 10% stringency is the sensitivity rate used when reporting the commodity price risk internally to key management personnel and represents management's assessment of the possible change in the relevant commodity prices.

The sensitivity analysis includes only material outstanding and unmatured derivative instruments, and adjusts their mark-to-market price at the reporting date for a 10% change in their prices. A positive/(negative) number indicates an increase/(decrease) in profit or loss where the respective price changes against the relevant forward position.

| (Rand in millions) | GROUP Profit or (loss) after tax 2011 | 2010 |
|---|---|---|
| Milling and baking +10% | **(32)** | (24) |
| Milling and baking –10% | **32** | 24 |
| Other grains +10% | **61** | (87) |
| Other grains –10% | **(61)** | 87 |
| Other +10%* | **(8)** | (4) |
| Other –10%* | **8** | 4 |
| Total +10% | **21** | (115) |
| Total –10% | **(21)** | 115 |

**Other includes tomato paste, sugar, pork, soya and sundry other items.*
*Commodity price sensitivity is not applicable to the company.*

37. **FINANCIAL INSTRUMENTS** continued

37.2 **Foreign currency risk**

The group enters into various types of foreign exchange contracts as part of the management of its foreign exchange exposures arising from its current and anticipated business activities.

As the group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise. Exchange rate exposures on transactions are managed within approved policy parameters utilising forward exchange contracts or other derivative financial instruments in conjunction with external consultants, who provide financial services to group companies as well as contributing to the management of the financial risks relating to the group's operations.

The group does not hold foreign exchange contracts in respect of foreign borrowings, as its intention is to repay these from its foreign income stream or subsequent divestment of its interest in the operation. Foreign exchange differences relating to investments, net of their related borrowings, are reported as translation differences in the group's net other comprehensive income until the disposal of the net investment, at which time exchange differences are recognised as income or expense.

Forward exchange contracts are mainly entered into to cover net import exposures, after setting off anticipated export proceeds on an individual currency basis. The fair value is determined using the applicable foreign exchange spot rates at 30 September 2011.

The exposure and concentration of foreign currency risk is included in the table below.

| *(Rand in millions)* | South African Rand | US Dollar | Pound | Euro | Other* | Total |
|---|---|---|---|---|---|---|
| GROUP | | | | | | |
| **2011** | | | | | | |
| **Financial assets** | | | | | | |
| Accounts receivable | **2 792,8** | **240,3** | **10,3** | **33,4** | **72,7** | **3 149,5** |
| Cash and cash equivalents | **667,0** | **215,4** | **2,4** | **19,6** | **16,9** | **921,3** |
| **Financial liabilities** | | | | | | |
| Borrowings** | **(2 014,4)** | **(0,8)** | **—** | **—** | **(162,2)** | **(2 177,4)** |
| Accounts payable | **(2 876,9)** | **(23,2)** | **(32,5)** | **(22,1)** | **(32,1)** | **(2 986,8)** |
| 2010 | | | | | | |
| **Financial assets** | | | | | | |
| Accounts receivable | 2 387,1 | 62,4 | 8,4 | 17,7 | 21,8 | 2 497,4 |
| Cash and cash equivalents | 715,4 | 191,4 | 2,1 | 10,5 | 1,9 | 921,3 |
| **Financial liabilities** | | | | | | |
| Borrowings** | (701,1) | — | — | — | (178,7) | (879,8) |
| Accounts payable | (1 483,9) | (79,0) | (29,1) | (32,4) | (2,3) | (1 626,7) |

* *Other includes the Australian Dollar, Canadian Dollar and Japanese Yen.*

** *In 2011, R157,6 million is held by the company and R34,1 million is held by a subsidiary.*

Refer to note 31.

The following spot rates were used to translate financial instruments denominated in foreign currency:

| | Assets | Liabilities | Average |
|---|---|---|---|
| **2011** | | | |
| US Dollar | **8,07** | **8,13** | **8,10** |
| Pound Sterling | **12,56** | **12,65** | **12,60** |
| Euro | **10,84** | **10,92** | **10,88** |
| 2010 | | | |
| US Dollar | 6,97 | 6,99 | 6,98 |
| Pound Sterling | 10,99 | 11,02 | 11,01 |
| Euro | 9,50 | 9,53 | 9,52 |

# Notes to the financial statements continued

for the year ended 30 September 2011

37. FINANCIAL INSTRUMENTS continued

37.2 Foreign currency risk continued

Forward exchange contracts outstanding at the reporting date all fall due within 12 months. A summary of forward exchange contract positions bought to settle group foreign liabilities and sold to settle group foreign assets is shown below.

| *(Rand/foreign currency in millions)* | Foreign currency | Average rate | Rand |
|---|---|---|---|
| 2011 | | | |
| GROUP | | | |
| **Foreign currency sold** | | | |
| US Dollar | 22,3 | 8,1 | 181,6 |
| Euro | 4,9 | 10,9 | 53,9 |
| Other currencies | | | 5,2 |
| **Foreign currency purchased** | | | |
| US Dollar | 40,3 | 8,1 | 327,5 |
| Pound Sterling | 2,5 | 12,8 | 32,1 |
| Euro | 2,6 | 11,1 | 28,9 |
| Other currencies | | | 5,0 |
| COMPANY | | | |
| **Foreign currency purchased** | | | |
| US Dollar | – | – | – |
| GROUP | | | |
| **Unhedged foreign currency monetary assets** | | | |
| US Dollar | 8,7 | 8,1 | 68,4 |
| Pound Sterling | 0,9 | 12,6 | 11,8 |
| Euro | 2,6 | 10,9 | 28,2 |
| Other currencies | | | 29,3 |
| **Unhedged foreign currency monetary liabilities** | | | |
| US Dollar | 0,7 | 8,1 | 5,4 |
| Other currencies | | | 3,5 |
| 2010 | | | |
| GROUP | | | |
| **Foreign currency sold** | | | |
| US Dollar | 1,1 | 7,0 | 8,0 |
| Pound Sterling | 0,2 | 11,1 | 2,2 |
| Euro | 1,1 | 9,5 | 10,1 |
| Other currencies | | | 13,4 |
| **Foreign currency purchased** | | | |
| US Dollar | 76,2 | 7,0 | 535,5 |
| Pound Sterling | 2,8 | 11,1 | 31,1 |
| Euro | 4,1 | 9,6 | 39,0 |
| Other currencies | | | 10,5 |
| COMPANY | | | |
| **Foreign currency purchased** | | | |
| US Dollar | 52,7 | 7,3 | 385,0 |
| GROUP | | | |
| **Unhedged foreign currency monetary assets** | | | |
| US Dollar | 9,3 | 7,6 | 56,4 |
| Pound Sterling | 0,9 | 12,1 | 9,6 |
| Euro | 2,5 | 11,0 | 23,4 |
| Other currencies | | | 13,7 |
| **Unhedged foreign currency monetary liabilities** | | | |
| US Dollar | 0,7 | 7,6 | 4,6 |
| Other currencies | | | 2,2 |

37. **FINANCIAL INSTRUMENTS** continued

37.2 **Foreign currency risk** continued

**Cash flow hedges**

At 30 September 2011, the group had foreign exchange contracts outstanding designated as hedges of future purchases from suppliers outside South Africa for which the group has firm commitments or highly likely forecast transactions.

A summary of these contracts are:

| *(Foreign currency in millions)* | Foreign currency | Average rate | Rand |
|---|---|---|---|
| **2011** | | | |
| GROUP | | | |
| **Foreign currency bought** | | | |
| US Dollar | 29,9 | 7,8 | 233,8 |
| Euro | 2,2 | 10,4 | 22,8 |
| Pound Sterling | 2,4 | 11,5 | 27,7 |
| Other currencies | | | 3,7 |
| COMPANY | | | |
| **Foreign currency bought** | | | |
| US Dollar | – | – | – |
| 2010 | | | |
| GROUP | | | |
| **Foreign currency bought** | | | |
| US Dollar | 72,3 | 7,3 | 529,0 |
| Euro | 2,7 | 9,8 | 26,5 |
| Pound Sterling | 2,1 | 11,7 | 24,9 |
| Other currencies | | | 7,9 |
| COMPANY | | | |
| **Foreign currency bought** | | | |
| US Dollar | 52,7 | 7,3 | 385,0 |

The terms of the forward currency contracts have been negotiated to match the terms of the commitments.

The cash flow hedge of expected future purchases was assessed to be effective and an unrealised profit of R14,1 million (2010: loss of R22,7 million), with deferred tax of R3,9 million (2010: Rnil) relating to the hedging instrument included in other comprehensive income. These are expected to affect the income statement in the following financial year:

GROUP

| *(Foreign currency in millions)* | 1 – 6 months | 7 – 12 months |
|---|---|---|
| US Dollar | 29,9 | – |
| Euro | 1,9 | 0,3 |
| Pound Sterling | 2,4 | – |
| Australian Dollar | 0,1 | – |
| Japanese Yen | 31,1 | – |

During the year R27,2 million (2010: R8,4 million) was removed from other comprehensive income and included in the cost or carrying amount of the non-financial asset or liability (highly probable forecast transactions).

There are no forecast transactions for which hedge accounting was previously used but is no longer expected to occur.

# Notes to the financial statements continued

for the year ended 30 September 2011

37. FINANCIAL INSTRUMENTS continued

37.2 Foreign currency risk continued

COMPANY

| *(Foreign currency in millions)* | 1 – 6 months | 7 – 12 months |
|---|---|---|
| US Dollar | – | – |

During the year Rnil (2010: Rnil) was removed from other comprehensive income and included in the cost or carrying amount of the non financial asset or liability (highly probable forecast transactions).

There are no forecast transactions for which hedge accounting was previously used but is no longer expected to occur.

**Foreign currency sensitivity**

The following table details the group's and company's sensitivity to a 10% weakening/strengthening in the ZAR against the respective foreign currencies.

The sensitivity analysis includes only material outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other comprehensive income where the ZAR weakens against the relevant currency.

| | Profit or (loss) after tax | | Other comprehensive income | |
|---|---|---|---|---|
| *(Rand in millions)* | **2011** | 2010 | **2011** | 2010 |
| GROUP | | | | |
| US Dollar +10% | **101** | 42 | **(100)** | (119) |
| US Dollar –10% | **(101)** | (42) | **100** | 119 |
| Euro +10% | **(13)** | (15) | **(1)** | 1 |
| Euro –10% | **13** | 15 | **1** | (1) |
| Pound Sterling +10% | **(2)** | (1) | **–** | – |
| Pound Sterling –10% | **2** | 1 | **–** | – |
| Other +10% | **(2)** | 8 | **(2)** | – |
| Other –10% | **2** | (8) | **2** | – |
| Total +10% | **84** | 34 | **(103)** | (118) |
| Total –10% | **(84)** | (34) | **103** | 118 |
| COMPANY | | | | |
| US Dollar +10% | **3** | (2) | **–** | (37) |
| US Dollar –10% | **(3)** | 2 | **–** | 37 |
| Other +10% | **1** | (2) | **–** | – |
| Other –10% | **(1)** | 2 | **–** | – |
| Total +10% | **4** | (4) | **–** | (37) |
| Total –10% | **(4)** | 4 | **–** | 37 |

37. **FINANCIAL INSTRUMENTS** continued

37.3 **Interest rate risk management**

Interest rate risk results from the cash flow and financial performance uncertainty arising from interest rate fluctuations.

Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits as well as bank borrowings. At the reporting date, the group cash deposits were accessible immediately or had maturity dates up to six months.

The interest rates earned on these deposits closely approximate the market rates prevailing.

| *(Rand in millions)* | Fixed rate | Floating rate | Total | Average interest rate for the year (%) |
|---|---|---|---|---|
| GROUP | | | | |
| The interest rate profile of the group's borrowings at 30 September 2011 and 30 September 2010 is reflected in note 31. | | | | |
| **2011** | | | | |
| **Local currency denominated loans** | | | | |
| Loan repayable by 2011 (secured) | – | | – | 15,5 |
| Loan repayable by 2015 (secured) | 215,3 | | 215,3 | 7,5 |
| Other loans and capitalised finance leases (secured and unsecured) | – | 0,2 | 0,2 | 8,5 |
| | 215,3 | 0,2 | 215,5 | |
| **Foreign currency-denominated loans** | | | | |
| Loan repayable by 2012 (secured) | | 24,4 | 24,4 | 8,5 |
| Loan repayable by 2013 (secured)* | | 157,6 | 157,6 | 6,8 |
| Loan repayable by 2014 (secured) | | 7,9 | 7,9 | 14,0 |
| Loan repayable by 2016 (secured) | | 206,3 | 206,3 | Var |
| Loan repayable by 2018 (secured) | | 22,6 | 22,6 | 7,0 |
| Loan repayable by 2056 (secured) | | 1,5 | 1,5 | – |
| | | 420,3 | 420,3 | |
| Total | 215,3 | 420,5 | 635,5 | |
| 2010 | | | | |
| **Local currency-denominated loans** | | | | |
| Loan repayable by 2011 (secured) | 18,7 | | 18,7 | 15,5 |
| Loan repayable by 2015 (secured) | 236,8 | | 236,8 | 7,5 |
| Other loans and capitalised finance leases (secured and unsecured) | – | 0,9 | 0,9 | 8,7 |
| | 255,5 | 0,9 | 256,4 | |
| **Foreign currency-denominated loans** | | | | |
| Loan repayable by 2012 (secured) | | 22,5 | 22,5 | 13,5 |
| Loan repayable by 2013 (secured)* | | 138,3 | 138,3 | 6,8 |
| Loan repayable by 2016 (secured)* | | 39,5 | 39,5 | 8,6 |
| | | 200,3 | 200,3 | |
| Total | 255,5 | 201,2 | 456,7 | |

**Company loans.*

# Notes to the financial statements continued

for the year ended 30 September 2011

37. FINANCIAL INSTRUMENTS continued

37.3 Interest rate risk management continued

*Interest rate sensitivity*

The sensitivity analysis addresses only the floating interest rate exposure emanating from the net cash position. The interest rate exposure has been calculated with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

If interest rates had increased/(decreased) by 1% and all other variables were held constant, the profit for the year ended would increase/(decrease) as detailed in the table below due to the use of the variable interest rates applicable to the long-term borrowings and short-term borrowings. The fixed interest rate on the borrowings would not affect the financial performance. Any gain or loss would be unrealised and consequently the notional impact is not presented.

| COMPANY 2011 | COMPANY 2010 | (Rand in millions) | GROUP 2011 | GROUP 2010 |
|---|---|---|---|---|
| | | *Profit or (loss) after tax* | | |
| | | ZAR borrowings | | |
| 2,8 | (0,1) | +1% | 20,7 | (24,0) |
| (2,8) | 0,1 | −1% | (20,7) | 24,0 |
| | | *Foreign borrowings* | | |
| (1,7) | (1,9) | +1% | (2,1) | (2,0) |
| 1,7 | 1,9 | −1% | 2,1 | 2,0 |
| | | *Total* | | |
| 1,1 | (2,0) | +1% | 18,6 | (26,0) |
| (1,1) | 2,0 | −1% | (18,6) | 26,0 |

37.4 Liquidity risk management

Liquidity risk arises from the seasonal fluctuations in short-term borrowing positions. A material and sustained shortfall in cashflows could undermine investor confidence and restrict the group's ability to raise funds.

The group manages its liquidity risk by monitoring weekly cash flows and ensuring that adequate cash is available or borrowing facilities maintained. In terms of the articles of association, the group's borrowing powers are unlimited.

Other than the major loans, disclosed in note 31 to these annual financial statements, which are contracted with various financial institutions, the group has no significant concentration of liquidity risk with any other single counterparty.

The group's liquidity exposure is represented by the aggregate balance of financial liabilities as indicated in the categorisation table in note 37.7

37. **FINANCIAL INSTRUMENTS** continued

37.4 **Liquidity risk management** continued

***Contractual maturity for non-derivative financial liabilities***

The following tables detail the group's and company's remaining contractual maturity for non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities, based on the earliest date on which the group and company will be required to pay. The table includes both interest and principal cash flows. The finance charge column represents the possible future cash flows attributable to the instrument included in the maturity analysis, which are not included in the carrying amount of the financial liability.

| *(Rand in millions)* | Carrying amount | Finance charge | 0 – 6 months | 7 – 12 months | 1 – 5 years | >5 years |
|---|---|---|---|---|---|---|
| GROUP | | | | | | |
| **2011** | | | | | | |
| Trade and other payables | **1 539,8** | **—** | **1 539,8** | **—** | **—** | **—** |
| Borrowings (long and short term) | **1 127,8** | **139,8** | **322,5** | **329,0** | **491,4** | **124,7** |
| Guarantees not on the statement of financial position | **—** | **—** | **44,0** | **—** | **—** | **—** |
| Total | **2 667,6** | **139,8** | **1 906,3** | **329,0** | **491,4** | **124,7** |
| 2010 | | | | | | |
| Trade and other payables | 1 600,9 | — | 1 600,9 | — | — | — |
| Borrowings (long and short term) | 879,8 | 134,0 | 271,6 | 240,7 | 425,7 | 75,8 |
| Guarantees not on the statement of financial position | — | — | 14,6 | — | — | — |
| Total | 2 480,7 | 134,0 | 1 887,1 | 240,7 | 425,7 | 75,8 |
| COMPANY | | | | | | |
| **2011** | | | | | | |
| Borrowings (long and short term) | **157,6** | **23,4** | **—** | **15,3** | **165,7** | **—** |
| Inter-group loan accounts | **550,3** | **—** | **—** | **—** | **550,3** | **—** |
| Guarantees not on the statement of financial position | **—** | **—** | **817,3** | **—** | **—** | **—** |
| Total | **707,9** | **23,4** | **817,3** | **15,3** | **716,0** | **—** |
| 2010 | | | | | | |
| Borrowings (long and short term) | 78,4 | 31,5 | 1,5 | — | 108,4 | — |
| Inter-group loan accounts | 472,9 | — | — | — | 472,9 | — |
| Guarantees not on the statement of financial position | — | — | 30,5 | — | — | — |
| Total | 551,3 | 31,5 | 32,0 | — | 581,3 | — |

*Refer to note 33.3 and 33.4 for disclosure relating to operating and finance lease commitments.*

# Notes to the financial statements continued

for the year ended 30 September 2011

37. FINANCIAL INSTRUMENTS continued

37.5 Credit risk management

GROUP

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously.

The group limits its counterparty exposure arising from financial instruments by only dealing with well-established institutions of high credit standing. The group does not expect any counterparties to fail to meet their obligations, given their high credit ratings.

Credit risk in respect of the group's customer base is controlled by the application of credit limits and credit-monitoring procedures. Certain significant receivables are monitored on a daily basis. Where appropriate, credit guarantee insurance is obtained.

The group's credit exposure, in respect of its customer base, is represented by the net aggregate balance of amounts receivable. The maximum credit exposure at reporting date was R3 112,0 million (2010: R2 865,2 million). Concentrations of credit risk are disclosed in note 21.4.

Credit risk exposures at 30 September 2011 in respect of guarantees amounted to R44,0 million. Refer to note 36.

COMPANY

The company had no significant credit exposure relating to trade receivables at 30 September 2011. Credit risk exposure at 30 September 2011 relating to guarantees amounted to R817,3 million.

37.6 Capital management

The primary objective of the company's and group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The company and group manage their capital structure, calculated as equity plus net debt, and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company and group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or increase or decrease levels of debt. No changes were made in the objectives, policies or processes during the years ended 30 September 2011 and 30 September 2010.

The company and group monitor capital using a gearing ratio, which is net debt divided by total equity. The group targets a long-term gearing ratio of 30% to 40%, except when major investments are made where this target may be exceeded.

| *(Rand in millions)* | **2011** | 2010 |
|---|---|---|
| GROUP | | |
| Cash and cash equivalents | **(506,5)** | (921,3) |
| Long-term borrowings | **537,2** | 403,8 |
| Short-term borrowings | **1 640,2** | 476,0 |
| Net debt/(cash) | **1 670,9** | (41,5) |
| Total equity | **10 245,5** | 8 601,4 |
| Total capital | **11 916,4** | 8 559,9 |
| Net debt/(cash) to equity (%) | **16,3** | (0,5) |
| COMPANY | | |
| Cash and cash equivalents | **(66,2)** | (491,2) |
| Long-term borrowings | **155,2** | 136,7 |
| Short-term borrowings | **2,7** | 389,1 |
| Net debt | **91,7** | 34,6 |
| Total equity | **7 603,4** | 5 521,6 |
| Total capital | **7 695,1** | 5 556,2 |
| Net debt to equity (%) | **1,2** | 0,6 |

37. **FINANCIAL INSTRUMENTS** continued

37.7 **Categorisation of financial assets and liabilities**

| *(Rand in millions)* | Loans and receivables<br>Amortised cost | Financial assets available for sale<br>Fair value | Other liabilities<br>Amortised cost | Financial liabilities at fair value through profit or loss | Non-financial items | Total book value |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2011** | | | | | | |
| Assets | — | — | — | — | 11 972,7 | 11 972,7 |
| Other investments | 191,6 | 365,1 | — | — | — | 556,7 |
| Loans | 10,7 | — | — | — | — | 10,7 |
| Trade and other receivables | 2 758,2 | 8,7 | — | — | 382,6 | 3 149,5 |
| Cash and cash equivalents | 506,5 | — | — | — | — | 506,5 |
| Total | 3 467,0 | 373,8 | — | — | 12 355,3 | 16 196,1 |
| Shareholders' equity and liabilities | — | — | — | — | 11 459,2 | 11 459,2 |
| Long-term borrowings | — | — | 537,2 | — | — | 537,2 |
| Trade and other payables | — | — | 1 539,8 | 7,0 | 1 012,7 | 2 559,5 |
| Short-term borrowings | — | — | 1 640,2 | — | — | 1 640,2 |
| Total | — | — | 3 717,2 | 7,0 | 12 471,9 | 16 196,1 |
| 2010 | | | | | | |
| Assets | — | — | — | — | 8 637,6 | 8 637,6 |
| Other investments | 142,7 | 393,1 | — | — | | 535,8 |
| Loans | 13,9 | — | — | — | | 13,9 |
| Trade and other receivables | 2 496,5 | 1,1 | — | — | 377,7 | 2 875,3 |
| Cash and cash equivalents | 921,3 | — | — | — | | 921,3 |
| Total | 3 574,4 | 394,2 | — | — | 9 015,3 | 12 983,9 |
| Shareholders' equity and liabilities | — | — | — | — | 9 525,2 | 9 525,2 |
| Long-term borrowings | — | — | 403,8 | — | — | 403,8 |
| Trade and other payables | — | — | 1 600,9 | 25,8 | 952,2 | 2 578,9 |
| Short-term borrowings | — | — | 476,0 | — | — | 476,0 |
| Total | — | — | 2 480,7 | 25,8 | 10 477,4 | 12 983,9 |

*Refer to the accounting policies for further details on the above classifications.*

# Notes to the financial statements continued

for the year ended 30 September 2011

## 37. FINANCIAL INSTRUMENTS continued

### 37.7 Categorisation of financial assets and liabilities continued

| | Loans and receivables | Financial assets available-for-sale | Other liabilities | Financial liabilities at fair value through profit or loss | Non-financial items | Total book value |
|---|---|---|---|---|---|---|
| *(Rand in millions)* | Amortised cost | Fair value | Amortised cost | | | |
| COMPANY | | | | | | |
| 2011 | | | | | | |
| Assets | – | – | – | – | 3 338,2 | 3 338,2 |
| Other investments | 1 872,4 | 4,1 | – | – | – | 1 876,5 |
| Loans | 3 056,9 | – | – | – | – | 3 056,9 |
| Trade and other receivables | 10,8 | – | – | – | 2,8 | 13,6 |
| Cash and cash equivalents | 66,2 | – | – | – | – | 66,2 |
| Total | 5 006,3 | 4,1 | – | – | 3 341,0 | 8 351,4 |
| Shareholders' equity and liabilities | – | – | 550,3 | – | 7 603,9 | 8 154,2 |
| Long-term borrowings | – | – | 155,2 | – | – | 155,2 |
| Trade and other payables | – | – | – | | 39,3 | 39,3 |
| Short term borrowings | – | – | 2,7 | – | – | 2,7 |
| Total | – | – | 708,2 | – | 7 643,2 | 8 351,4 |
| 2010 | | | | | | |
| Assets | – | – | – | – | 1 287,5 | 1 287,5 |
| Other investments | 1 822,2 | 4,5 | – | – | – | 1 826,7 |
| Loans | 2 946,4 | – | – | – | – | 2 946,4 |
| Trade and other receivables | 7,0 | – | – | – | – | 7,0 |
| Cash and cash equivalents | 491,2 | – | – | – | – | 491,2 |
| Total | 5 266,8 | 4,5 | – | – | 1 287,5 | 6 558,8 |
| Shareholders' equity and liabilities | – | – | 472,9 | – | 5 518,1 | 5 991,0 |
| Long-term borrowings | – | – | 136,7 | – | – | 136,7 |
| Trade and other payables | – | – | – | 14,7 | 27,3 | 42,0 |
| Short term borrowings | – | – | 389,1 | – | – | 389,1 |
| Total | – | – | 998,7 | 14,7 | 5 545,4 | 6 558,8 |

*Refer to the accounting policies for further details on the above classifications.*

37. **FINANCIAL INSTRUMENTS** continued

### 37.8 Fair value hierarchy

Financial instruments are normally held by the group until they close out in the normal course of business. The fair values of the group's financial instruments, which principally comprise put, call and futures positions with SAFEX, forward exchange contracts and listed investments, approximate their carrying values. The maturity profile of these financial instruments fall due within 12 months. The maturity profile of the group's long-term liabilities is disclosed in note 31.1 of these annual financial statements.

There are no significant differences between carrying values and fair values of financial assets and liabilities, except for inter company loans at a company level, which are eliminated on consolidation.

Trade and other receivables, investments and loans and trade and other payables carried on the statement of financial position approximate the fair values thereof except for amounts owed to subsidiaries where the fair value is R222,3 million (2010: R171,8 million).

Long-term and short-term borrowings are measured at amortised cost using the effective interest rate method, and the carrying amounts approximate their fair value.

The group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques, for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value, that are not based on observable market data.

As at 30 September, the group held the following financial instruments measured at fair value:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| *(Rand in millions)* | **Level 1** | **Level 2** | **Total** | Level 1 | Level 2 | Total |
| GROUP | | | | | | |
| **Assets measured at fair value** | | | | | | |
| Available-for-sale financial assets | | | | | | |
| Other investments | **361,0** | **4,1** | **365,1** | 388,6 | 4,5 | 393,1 |
| Foreign exchange contracts – hedged | **8,7** | **–** | **8,7** | 1,1 | – | 1,1 |
| **Liabilities measured at fair value** | | | | | | |
| Foreign exchange contracts – hedged | **7,0** | **–** | **7,0** | 25,8 | – | 25,8 |
| COMPANY | | | | | | |
| **Assets measured at fair value** | | | | | | |
| Available-for-sale financial assets | | | | | | |
| Other investments | **–** | **4,1** | **4,1** | – | 4,5 | 4,5 |
| **Liabilities measured at fair value** | | | | | | |
| Foreign exchange contracts – hedged | **–** | **–** | **–** | 14,7 | – | 14,7 |

# Notes to the financial statements continued

for the year ended 30 September 2011

38. RELATED-PARTY DISCLOSURES

The board of directors of Tiger Brands Limited has given general declarations in terms of section 75 of the Companies Act. These declarations indicate that certain directors hold positions of influence in other entities which are suppliers, service providers, customers and/or competitors of Tiger Brands Limited. Transactions conducted with these director-related customers and suppliers were on an arm's-length basis.

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured and settlement occurs in cash. For the year ended 30 September 2011, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2010: Rnil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Details of material transactions with related parties not disclosed elsewhere in the financial statements are as follows:

| *(Rand in millions)* | Amounts owed by related parties | Fees received from related parties |
|---|---|---|
| GROUP | | |
| 2011 | | |
| *Related party* | | |
| *Associate* | | |
| Oceana Group Limited | – | – |
| UAC of Nigeria | 0,7 | – |
| National Foods Holdings Limited | 0,2 | 1,4 |
| 2010 | | |
| *Related party* | | |
| *Associate* | | |
| Oceana Group Limited | – | – |
| National Foods Holdings Limited | – | – |

| Other related parties<br>*(Rand in millions)* | 2011 | 2010 |
|---|---|---|
| **Key management personnel*** | | |
| Short-term employee benefits | 78,2 | 63,5 |
| Post-employment and medical benefits | 12,2 | 10,3 |
| Share-based payments | 30,1 | 25,6 |
| Total compensation paid to key management personnel | 120,5 | 99,4 |

**Key management personnel comprises the top tier of the organisation and the managing executives of the individual businesses.*

| (Rand in millions) | Amounts owed by related parties[1] | Amounts owed to related parties[1] | Dividends received |
|---|---|---|---|
| **38. RELATED-PARTY DISCLOSURES** continued | | | |
| COMPANY | | | |
| 2011 | | | |
| **Related party – intergroup** | | | |
| ***Subsidiaries*** | | | |
| Durban Confectionery Works (Pty) Limited | 483,0 | – | – |
| Tiger Consumer Brands Limited | – | 23,7 | 2 015,5 |
| Tiger Brands Mauritius (Pty) Limited | – | 308,7 | – |
| Enterprise Foods (Pty) Limited | 0,4 | – | 49,9 |
| Langeberg Holdings Limited | 702,4 | – | – |
| Langeberg Foods Africa (Pty) Limited | – | 201,6 | – |
| The Duntulum Trust | 18,9 | – | – |
| Gloriande NV | 0,2 | – | – |
| The Designer Group (Pty) Limited | – | – | 445,5 |
| Tiger Food Brands Intellectual Property Holding Company (Pty) Limited | 289,4 | – | 985,4 |
| Investment and dormant companies | 1 393,1 | 16,3 | – |
| Chocolaterie Confiserie Camerounaise | – | – | 4,8 |
| Deli Foods Nigeria Limited | 25,7 | – | – |
| ***Empowerment entities*** | | | |
| Tiger Brands Foundation | 118,2 | – | – |
| Thusani II | 23,5 | – | – |
| **Associate** | | | |
| Oceana Group Limited | – | – | 94,8 |
| **Other** | | | |
| Tiger Brands Employee Share Trust | – | 14,5 | – |

[1] *Interest-free with no fixed repayment terms. Not repayable before 30 September 2012 except for the amount owing to Tiger Consumer Brands Limited.*

# Notes to the financial statements continued

for the year ended 30 September 2011

| | (Rand in millions) | Amounts owed by related parties[1] | Amounts owed to related parties[1] | Dividends received |
|---|---|---|---|---|
| 38. | **RELATED-PARTY DISCLOSURES** continued | | | |
| | **COMPANY** | | | |
| | 2010 | | | |
| | **Related party – inter group** | | | |
| | ***Subsidiaries*** | | | |
| | Durban Confectionery Works (Pty) Limited | 483,0 | – | – |
| | Tiger Consumer Brands Limited | – | 17,8 | 650,0 |
| | Tiger Brands Mauritius (Pty) Limited | – | 236,8 | – |
| | Enterprise Foods (Pty) Limited | 0,4 | – | 45,0 |
| | Langeberg Holdings Limited | 702,4 | – | – |
| | Langeberg Foods Africa (Pty) Limited | – | 201,6 | – |
| | The Duntulum Trust | 18,9 | – | – |
| | Gloriande NV | 0,2 | – | – |
| | The Designer Group (Pty) Limited | – | – | – |
| | Tiger Food Brands Intellectual Property Holding Company (Pty) Limited | 269,8 | – | – |
| | Investment and dormant companies | 1 393,1 | 16,7 | – |
| | Chocolaterie Confiserie Camerounaise | – | – | 3,1 |
| | ***Empowerment entities*** | | | |
| | Tiger Brands Foundation | 63,9 | – | – |
| | Thusani II | 12,6 | – | – |
| | **Associate** | | | |
| | Oceana Group Limited | – | – | 83,1 |
| | **Other** | | | |
| | Tiger Brands Employee Share Trust | 0,5 | 3,7 | – |

*Notes:*

[1] *Interest-free with no fixed repayment terms. Not repayable before 30 September 2011.*

| | (Rand in millions) | 2011 | 2010 |
|---|---|---|---|
| 39. | **IMPACT OF BEE PHASE II TRANSACTION** | | |
| | **GROUP** | | |
| | The impact of the implementation of the BEE Phase II transaction was as follows: | | |
| | Operating loss before abnormal items – IFRS 2 charge | – | (21,0) |
| | Abnormal items | – | (188,4) |
| | Taxation | – | 35,7 |
| | Dividends paid | – | (11,9) |
| | Cash and cash equivalents | – | 1,1 |
| | Taxation receivable | – | 22,5 |
| | Deferred taxation asset | – | 12,9 |
| | Ordinary share capital and share premium | – | (1 659,2) |
| | Tiger Brands Limited shares held by empowerment trusts | – | 1 543,6 |
| | Share-based payment reserve | – | (82,9) |
| | Non-controlling interests | – | (12,4) |
| | Trade and other payables | – | – |

## 40. BUSINESS COMBINATIONS

2011

### 40.1 Deli Foods

On 4 April 2011, Tiger Brands acquired 100% of the issued share capital of Deli Foods Nigeria Limited, a company engaged in the manufacturing and marketing of biscuits for the Nigerian market. The acquisition is in line with Tiger Brands' strategy to expand into the African continent and is seen as a first step in entering into this important market.

The purchase consideration was accounted for as follows:

| *(Rand in millions)* | Acquisition value | Carrying value |
|---|---|---|
| Land and buildings | 26,3 | 26,3 |
| Plant and equipment | 69,7 | 69,7 |
| Deferred taxation asset | — | 7,7 |
| Inventories | 27,6 | 27,6 |
| Trade receivables* | 15,8 | 15,8 |
| Fair value of assets acquired | 139,4 | 147,1 |
| Long-term borrowings | (29,2) | (29,2) |
| Trade payables | (23,3) | (23,3) |
| Short-term borrowings including bank overdraft | (22,0) | (22,0) |
| Deferred taxation liability | (15,2) | — |
| Fair value of the liabilities acquired | (89,7) | (74,5) |
| Fair value of net assets acquired | 49,7 | 72,6 |
| Trademarks | 33,4 | |
| Customer lists | 48,5 | |
| Goodwill | 142,7 | |
| Purchase consideration in cash | 274,3 | |

**Gross trade receivables of R15,8m less allowance for doubtful debts of Rnil.*

From date of acquisition to 30 September 2011, the Deli Foods business contributed R187,7 million to group revenue and R4,3 million to profit after tax after accounting for acquisition financing costs.

Had the acquisition been effective on 1 October 2010, Deli Foods' estimated contribution to group revenue would have been R346,8 million and loss after tax would have been R0,2 million after accounting for acquisition financing costs.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired and provides Tiger Brands with access to new markets.

The purchase consideration was financed out of operating cash flows.

# Notes to the financial statements continued

for the year ended 30 September 2011

40. **BUSINESS COMBINATIONS** continued

2011

40.2 **East Africa Tiger Brands Industries**

Effective 29 April 2011, a transaction was finalised with the East African Group of Companies of Ethiopia relating to the formation of a new food and HPC company which will operate in the Ethiopian market. The company, known as East Africa Tiger Brands Industries, is 51% held by Tiger Brands and the balance of 49% by East African Group (Eth) Plc and its associate companies.

The purchase consideration was accounted for as follows:

| *(Rand in millions)* | Acquisition value |
|---|---|
| Buildings | 68,3 |
| Plant and equipment | 48,5 |
| Inventories | 43,2 |
| Cash and cash equivalents | 110,9 |
| Fair value of assets acquired | 270,9 |
| Long-term borrowings | (29,0) |
| Trade payables | (12,0) |
| Short-term borrowings including bank overdraft | (12,5) |
| Fair value of the liabilities acquired | (53,5) |
| Fair value of net assets acquired | 217,4 |
| Non-controlling interest | (106,5) |
| Goodwill | 10,5 |
| Purchase consideration in cash | 121,4 |

From date of acquisition to 30 September 2011, the East Africa Tiger Brands Industries business contributed R91,9 million to group revenue and R1,3 million to profit after tax after accounting for acquisition financing costs.

Non-controlling interests were calculated using the proportional share method.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired and provides Tiger Brands with access to new markets.

The purchase consideration was financed out of operating cash flows.

40. **BUSINESS COMBINATIONS** continued

2011

### 40.3 Davita Trading (Pty) Limited

Effective 31 May 2011, Tiger Brands acquired the entire issued share capital of Davita Trading (Pty) Limited. Davita is a South African manufacturer and exporter of powdered seasonings and beverage products, with a presence in 28 countries across Africa and the Middle East. Davita has an established distribution footprint on the African continent, which will provide Tiger Brands' export division with new growth vectors by leveraging off Davita's solid distributor relationships and penetrating new geographies, as well as deepening market penetration in existing markets. The existing infrastructure within the Tiger Brands export division will assist in driving further growth across the expanded product portfolio.

The purchase consideration was accounted for as follows:

| *(Rand in millions)* | Acquisition value | Carrying value |
|---|---|---|
| Land and buildings | 22,2 | 22,2 |
| Plant and equipment | 16,6 | 16,6 |
| Inventories | 44,1 | 44,1 |
| Trade receivables* | 116,1 | 116,1 |
| Cash and cash equivalents | 150,3 | 150,3 |
| Fair value of assets acquired | 349,3 | 349,3 |
| Trade payables | (21,8) | (21,8) |
| Long-term borrowings | (186,5) | (186,5) |
| Deferred taxation liability | (163,3) | (30,6) |
| Taxation payable | (87,6) | (87,6) |
| Fair value of the liabilities acquired | (459,2) | (326,5) |
| Fair value of net assets acquired | (109,9) | 22,8 |
| Trademarks | 101,1 | 101,1 |
| Customer lists | 473,8 | — |
| Goodwill | 1 056,6 | 391,3 |
| Purchase consideration in cash | 1 521,6 | |

**Gross trade receivables of R116,1 million less allowance for doubtful debts of Rnil.*

From date of acquisition to 30 September 2011, the Davita Trading business contributed R222,0 million to group revenue and R43,1 million to profit after tax after accounting for acquisition financing costs.

Had the acquisition been effective on 1 October 2010, Davita Trading's estimated contribution to group revenue would have been R621,1 million and profit after tax would have been R77,2 million after accounting for acquisition financing costs.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired. Davita will provide additional synergies as a potential manufacturer of certain products for Tiger Brands' South African business units.

The purchase consideration was financed out of operating cash flows.

# Notes to the financial statements continued

for the year ended 30 September 2011

40. **BUSINESS COMBINATIONS** continued

2010

### 40.4 Crosse & Blackwell

On 1 October 2009, Tiger Brands acquired the Crosse & Blackwell mayonnaise business from Nestlé. The acquisition was in line with Tiger Brands' strategy of expanding into adjacent categories with well-established brands. The purchase included both the mayonnaise production plant and staff in Bellville, Cape Town, as well as inventory and intangible assets. The purchase consideration, accounted for from 1 October 2009, comprised the following:

| *(Rand in millions)* | Acquisition value |
|---|---|
| Trademarks | 250,0 |
| Land and buildings | 50,0 |
| Plant and equipment | 27,7 |
| Inventories | 74,5 |
| Fair value of assets acquired | 402,2 |
| Goodwill | 72,3 |
| Purchase consideration in cash | 474,5 |

From date of acquisition to 30 September 2010, the Crosse & Blackwell business contributed R618,8 million to group revenue and R56,3 million to profit after tax after accounting for acquisition financing costs.

Apart from plant and equipment and inventories, where the carrying value approximated fair value, the carrying values of the remaining assets at the date of acquisition, being trademarks and land and buildings, are not disclosed, as these values were not made available to the company during the sale transaction.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired as there were no further separately identifiable intangible assets.

The purchase consideration was financed out of operating cash flows.

41. **SUBSEQUENT EVENTS**

The following material events occurred during the period subsequent to 30 September 2011, but prior to these financial statements being authorised for issue:

41.1 Effective 21 October 2011, Tiger Brands acquired an additional 11,7% shareholding in National Foods Holdings Limited in Zimbabwe, taking the effective shareholding to 37,4%.

The cost of the additional shares amounted to R97,1 million.

41.2 Effective 1 November 2011, Tiger Brands acquired the Status brand from Unilever PLC and Unilever South Africa (Pty) Limited. The acquisition is in line with Tiger Brands' strategy of expanding into adjacent categories with well-established brands. The purchase consideration, accounted for from 1 November 2011, comprised the following:

| *(Rand in millions)* | Acquisition value |
|---|---|
| Trademarks | 205,0 |
| Inventories | 9,1 |
| Fair value of assets acquired | 214,1 |
| Purchase consideration in cash | 214,1 |

The purchase consideration was financed out of operating cash flows.

Concurrent with the acquisition of the Status brand, Tiger Brands disposed of the Mousson trademarks and related inventories to Unilever South Africa (Pty) Limited for an amount of R38,5 million.

# Annexure A

## INTEREST IN SUBSIDIARY COMPANIES

| | Issued ordinary capital | | Effective percentage holding | | Company's interest: Shares at cost | | Company's interest: Indebtedness | |
|---|---|---|---|---|---|---|---|---|
| *(Rand in millions)* | **2011** | 2010 | **2011** % | 2010 % | **2011** | 2010 | **2011** | 2010 |
| Designer Group | **0,1** | 0,1 | **100,0** | 100,0 | **132,1** | 396,3 | **–** | – |
| Durban Confectionery Works (Pty) Limited | **0,4** | 0,4 | **100,0** | 100,0 | **63,4** | 63,4 | **483,0** | 483,0 |
| Enterprise Foods (Pty) Limited | **–** | – | **100,0** | 100,0 | **49,7** | 49,7 | **0,4** | 0,4 |
| Langeberg Holdings Limited | **1,6** | 1,6 | **100,0** | 100,0 | **190,8** | 190,8 | **702,4** | 702,4 |
| Langeberg & Ashton Foods (Pty) Limited | **–** | – | **66,7** | 66,7 | **–** | – | **–** | – |
| Tiger Food Brands Intellectual Property Holding Company (Pty) Limited | **1,0** | 1,0 | **100,0** | 100,0 | **17,3** | 17,3 | **289,4** | 269,8 |
| Tiger Consumer Brands Limited | **0,1** | 0,1 | **100,0** | 100,0 | **0,1** | 0,1 | **(23,7)** | (17,8) |
| Tiger Brands Mauritius[2] | **35,7** | 35,7 | **100,0** | 100,0 | **337,9** | 337,9 | **(308,7)** | (236,8) |
| Haco Industries Kenya Limited[2] | **11,1** | 11,1 | **51,0** | 51,0 | **45,5** | 45,5 | **–** | – |
| Chocolaterie Confiserie Camerounaise[2] | **71,8** | 71,8 | **74,7** | 74,7 | **152,7** | 152,7 | **–** | – |
| Deli Foods Nigeria Limited[2] | **2,1** | – | **100,0** | – | **253,2** | – | **25,7** | – |
| East Africa Tiger Brands Industries[2] | **212,2** | – | **51,0** | – | **121,4** | – | **–** | – |
| Davita Trading (Pty) Limited | **–** | – | **100,0** | – | **1 521,6** | – | **–** | – |
| Pharma I Investment Holdings Limited[3] | **–** | – | **100,0** | 100,0 | **–** | – | **1 227,6** | 1 227,6 |
| Other miscellaneous property investment and dormant companies | **–** | – | **100,0** | 100,0 | **–** | 2,3 | **(33,3)** | (33,7) |
| | | | | | **2 885,7** | 1 256,0 | **2 362,8** | 2 394,9 |
| **Note** | | | | | | | | |
| [1] *Amounts owed to the company* | | | | | | | **2 913,1** | 2 867,8 |
| *Non-current amounts owed by the company* | | | | | | | **(526,6)** | (472,9) |
| *Current amounts owed by the company* | | | | | | | **(23,7)** | – |
| | | | | | | | **2 362,8** | 2 394,9 |

[2] *All companies are incorporated in South Africa other than six, two of which are incorporated in Mauritius, one in Kenya, one in Cameroon, one in Nigeria, and one in Ethiopia.*

[3] *Previously Adcock Ingram Holdings (Pty) Limited.*

*All Rand amounts of less than R100 000 are shown as nil in the above table.*

# Annexure B

INTEREST IN ASSOCIATED COMPANIES

| | Date of financial statements | Effective percentage holding 2011 % | 2010 % | Nature of business | Listed/unlisted |
|---|---|---|---|---|---|
| Empresas Carozzi (Chile) | 31/12/2010 | **24,4** | 24,4 | Food processing | Unlisted |
| Oceana Group Limited | 30/09/2011 | **44,7** | 44,4 | Fishing | Listed |
| National Foods Holdings Limited | 30/06/2011 | **25,7** | 26,1 | Food processing | Listed |
| UAC Foods | 30/06/2011 | **49,0** | — | Food processing | Unlisted |

# Annexure C

OTHER INVESTMENTS

| | Effective percentage holding | | GROUP Number of shares | | COMPANY Number of shares | |
|---|---|---|---|---|---|---|
| | 2011 % | 2010 % | 2011 | 2010 | 2011 | 2010 |
| **Listed investments** | | | | | | |
| Adcock Ingram Holdings Limited | **3,4** | 3,4 | **5 842 035** | 5 856 033 | **–** | – |
| **Unlisted investments** | | | | | | |
| ***Ordinary shares*** | | | | | | |
| Business Partners Limited | **0,2** | 0,2 | **336 550** | 336 550 | **336 550** | 336 550 |

Note
The above lists the number of shares held by the group and the company, where material. A register is available for inspection at the registered office of the company.

# Analysis of ordinary shareholders

as at 30 September 2011

REGISTERED SHAREHOLDER SPREAD

| Shareholder spread | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| 1 – 1 000 shares | 18 859 | 79,1 | 6 099 638 | 3,2 |
| 1 001 – 10 000 shares | 4 197 | 17,6 | 12 245 611 | 6,4 |
| 10 001 – 100 000 shares | 639 | 2,7 | 18 649 809 | 9,8 |
| 100 001 – 1 000 000 shares | 122 | 0,5 | 34 330 146 | 18,0 |
| 1 000 001 shares and above | 32 | 0,1 | 119 316 801 | 62,6 |
| Total | 23 849 | 100,0 | 190 642 005 | 100,0 |

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

| Shareholder type | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| Non-public shareholders | 13 | 0,1 | 32 645 893 | 17,1 |
| • Empowerment Holdings | 6 | 0,0 | 21 371 686 | 11,2 |
| • Own Holding | 1 | 0,0 | 10 326 758 | 5,4 |
| • Share Trusts/Share Incentive Scheme | 3 | 0,0 | 933 869 | 0,5 |
| • Directors and Associates | 2 | 0,0 | 7 880 | 0,0 |
| • Tiger Brands Workers Provident Fund | 1 | 0,0 | 5 700 | 0,0 |
| Public Shareholders | 23 836 | 99,9 | 157 996 112 | 82,9 |
| Total | 23 849 | 100,0 | 190 642 005 | 100,0 |

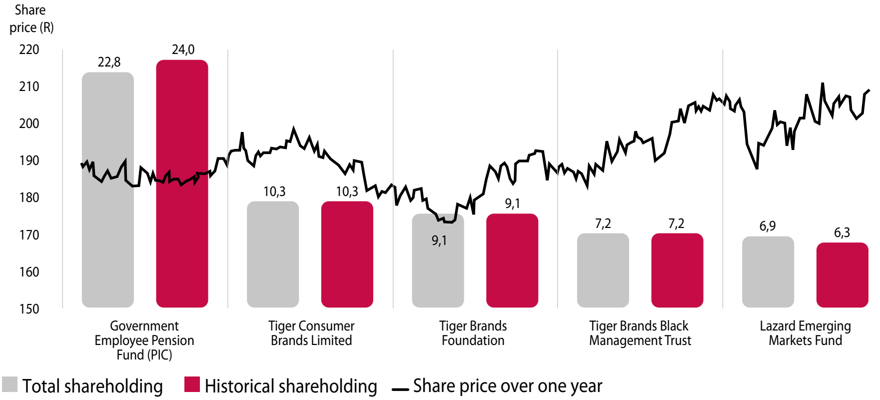
SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS – ABOVE 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of Section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 30 September 2011:

INVESTMENT MANAGEMENT SHAREHOLDINGS

| Investment manager | Total shareholding | % |
|---|---|---|
| PIC | 20 078 272 | 10,5 |
| Lazard Asset Management | 11 582 200 | 6,1 |
| Tiger Consumer Brands | 10 326 758 | 5,4 |
| Tiger Brands Foundation | 9 068 067 | 4,8 |
| Allan Gray Investment Council | 8 414 440 | 4,4 |
| Colonial First State Global Asset Management | 7 519 401 | 3,9 |
| Coronation Fund Managers | 7 272 110 | 3,8 |
| Tiger Brands Black Managers Trust | 7 162 084 | 3,8 |
| Investec Asset Management | 6 124 024 | 3,2 |
| STANLIB Asset Management | 5 847 424 | 3,1 |
| Total | 93 394 780 | 49,0 |

Beneficial shareholding positions above 3% with 12-month change



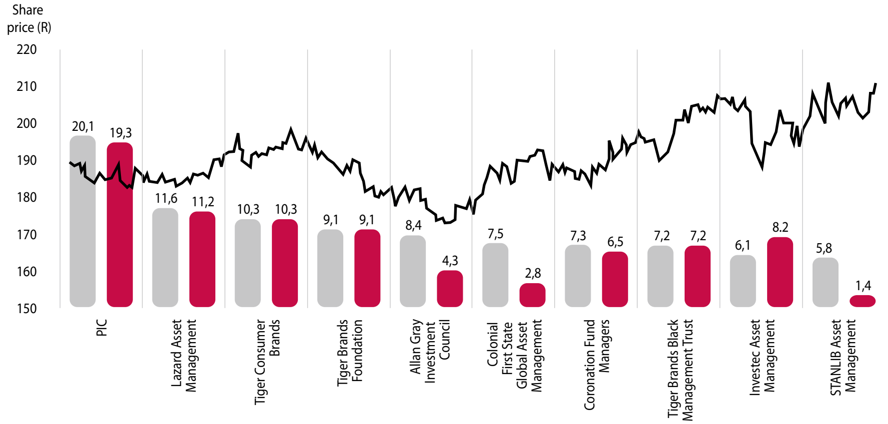

## BENEFICIAL SHAREHOLDINGS

| | Total shareholding | % |
|---|---|---|
| Government Employees Pension Fund (PIC) | 22 769 897 | 11,9 |
| Tiger Consumer Brands Limited | 10 326 758 | 5,4 |
| Tiger Brands Foundation | 9 068 067 | 4,8 |
| Tiger Brands Black Managers Trust | 7 162 084 | 3,8 |
| Lazard Emerging Markets Fund | 6 906 783 | 3,6 |
| Total | 56 233 589 | 29,5 |

# Analysis of ordinary shareholders continued

as at 30 September 2011

Investment management shareholding positions above 3% with 12-month change




## PREVIOUSLY DISCLOSED HOLDINGS

Investment managers now holding below 3%

| Investment manager | Total shareholding | % | Previous % |
|---|---|---|---|
| Old Mutual Investment Group | 1 782 705 | 0,9 | 3,8 |
| BlackRock Inc | 4 371 538 | 2,3 | 3,2 |
| Total | 6 154 243 | 3,2 | 6,9 |

Beneficial owners now holding below 3%

| Beneficial owner | Total shareholding | % | Previous % |
|---|---|---|---|
| Total | 0,0 | 0,0 | 0,0 |

Directors' holdings at 30 September 2011

| Directors | No of shares | % |
|---|---|---|
| Dunne, R M W | 5 000 | 0,0 |
| Dunne Family Trust | 5 000 | 0,0 |
| Van Vught, L C | 2 880 | 0,0 |
| VV F Family Trust | 2 880 | 0,0 |
| Total | 7 880 | 0,0 |

No changes to directors' holdings occurred between 30 September 2011 and the date of the notice for the annual general meeting to be held in 2012.

## GEOGRAPHIC SPLIT OF SHAREHOLDERS

### Geographic split of investment managers and company-related holdings

| Region | Total shareholding | % of issued capital |
|---|---|---|
| South Africa | 110 805 259 | 58,1 |
| United States of America and Canada | 36 014 980 | 18,9 |
| United Kingdom | 18 255 574 | 9,6 |
| Rest of Europe | 5 497 275 | 2,9 |
| Rest of world[1] | 20 068 917 | 10,5 |
| **Total** | 190 642 005 | 100,0 |

[1] *Represents all shareholdings except those in the above regions*

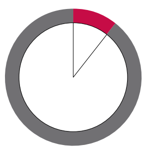
### Geographic split of beneficial shareholders

| Region | Total shareholding | % of issued capital |
|---|---|---|
| South Africa | 121 161 006 | 63,6 |
| United States of America and Canada | 36 872 994 | 19,3 |
| United Kingdom | 9 741 874 | 5,1 |
| Rest of Europe | 9 653 131 | 5,1 |
| Rest of world[1] | 13 213 000 | 6,9 |
| **Total** | 190 642 005 | 100,0 |

[1] *Represents all shareholdings except those in the above regions*

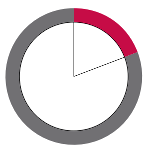
### Geographic split of beneficial shareholders

Total European holding



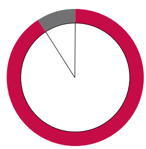
- Europe 10,17%
- Rest of the world 89,83%

Total North American holding



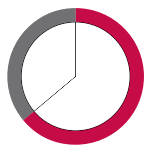
- North America 19,34%
- Rest of the world 80,66%

Split of beneficial shares



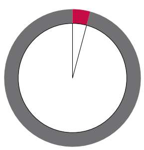
- USA 90,84%
- Canada 9,16%

Total African holding



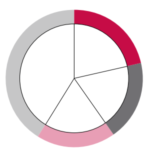
- African 63,89%
- Rest of the world 36,11%

Total Asia/Pacific holding



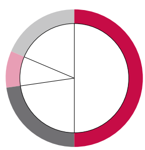
- Asia/Pacific 4,32%
- Rest of the world 95,68%

Split of beneficial shares



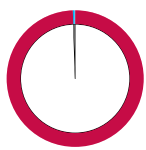
- Singapore 21,60%
- Australia 18,77%
- United Arab Emirates 18,73%
- Remainder 40,90%

Split of beneficial shares



- UK 50,23%
- Luxembourg 22,60%
- Ireland 8,83%
- Remainder 18,34%

Split of beneficial shares



- South Africa 99,48%
- Namibia 0,41%
- Swaziland 0,07%
- Remainder 0,04%

# Analysis of ordinary shareholders continued

as at 30 September 2011

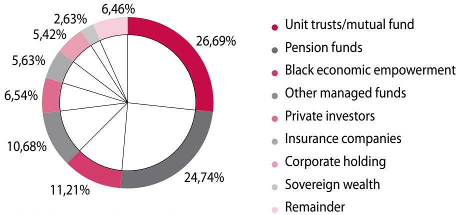
## SHAREHOLDER CATEGORIES

An analysis of beneficial shareholdings, supported by the Section 56 enquiry process, confirmed the following beneficial shareholder types:

### Beneficial shareholder categories

| Category | Total shareholding | % of issued capital |
|---|---|---|
| Unit trusts/mutual fund | 50 886 874 | 26,7 |
| Pension funds | 47 165 234 | 24,7 |
| Black economic empowerment | 21 371 686 | 11,2 |
| Other managed funds | 20 362 115 | 10,7 |
| Private investors | 12 471 589 | 6,5 |
| Insurance companies | 10 742 087 | 5,6 |
| Corporate holding | 10 326 758 | 5,4 |
| Sovereign wealth | 5 009 746 | 2,6 |
| American depository receipts | 2 325 368 | 1,2 |
| Custodians | 2 291 780 | 1,2 |
| Exchange-traded fund | 1 111 645 | 0,6 |
| Employees | 928 769 | 0,5 |
| Charity | 565 571 | 0,3 |
| University | 194 651 | 0,1 |
| Investment trust | 128 584 | 0,1 |
| Local authority | 74 604 | 0,0 |
| Remainder | 4 684 944 | 2,5 |
| Total | 190 642 005 | 100,0 |

### Beneficial shareholders split by category [1]

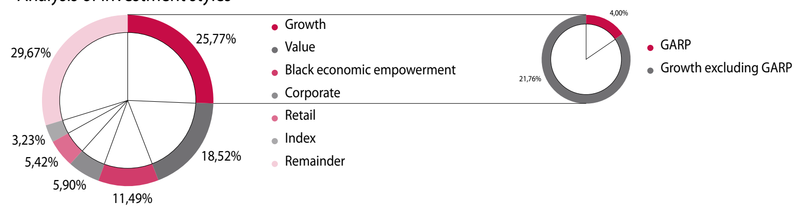



[1] Includes categories above 2% only

## ANALYSIS OF INVESTMENT STYLES

Analysis into institutional attributes broadly indicates the following split of investment approach within the shareholder base:

### Analysis of investment styles [1]




[1] Includes categories above 1% only

# Shareholders' diary

| | | |
|---|---|---|
| **Financial year-end** | **30 September** | |
| **Annual general meeting** | **February** | |
| **Report and accounts** | | |
| Announcement of interim report and interim dividend for half-year ending 31 March | May | |
| Announcement of annual results and final dividend for the year ended 30 September | November | |
| Annual report published | December | |
| **Dividends** | **Declaration** | **Payment** |
| Ordinary shares | | |
| Interim dividend | May | July |
| Final dividend | November | January |

# Administration

## Tiger Brands Limited
Reg No 1944/017881/06

## Company secretary
I W M Isdale

## Registered office
3010 William Nicol Drive
Bryanston
Sandton

PO Box 78056, Sandton, 2146

Telephone: 27 11 840 4000
Facsimile: 27 11 514 0477

## Auditors
Ernst & Young Inc.

## Principal banker
Nedbank Limited

## Sponsor
J P Morgan Equities Limited

## South African share transfer secretaries
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001

PO Box 61051, Marshalltown, 2107

## American Depository Receipt (ADR) facility
ADR Administrator
The Bank of New York Mellon

## Shareholder Relations Department for ADRs
PO Box 11258
New York, NY10286
Level I ADR Symbol: T1OAY

## Website address
www.tigerbrands.com

This report contains statements about Tiger Brands that are or may be forward-looking statements. All statements, other than statements of historical facts included in this report may be forward-looking statements. Any statements preceded or followed by, or that include the words "forecasts", "believes", "expects", "intends", "plans", "prediction", "will", "may", "should", "could", "anticipates", "estimates", "seeks", "continues", or similar expression or the negative thereof, are forward-looking statements.

Forward-looking statements include, among others, statements relating to the following:

- future capital expenditures, acquisitions, divestitures, expenses, revenue, economic performance, financial conditions, dividend policy, losses and future prospects;
- business and management strategies relating to the expansion and growth of Tiger Brands;
- expectations regarding the operating environment and market conditions;
- the rate of dividend growth by the group or its existing investments;
- possible future acquisitions;
- the impact of regulatory and legal proceedings involving Tiger Brands and of scheduled or potential regulatory changes;
- overall market trends and other trend projections;
- the effect of the current global economic slowdown on Tiger Brands' operations;
- the effect of competition on Tiger Brands;
- the ability of Tiger Brands to attract and retain key personnel; and
- exchange control restrictions in the jurisdictions in which Tiger Brands operates.

By their nature, forward-looking statements are inherently predictive, speculative and, because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the group, or its industry, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements.

These forward-looking statements are not guarantees of future performance and are based on numerous assumptions regarding Tiger Brands group's present and future business strategies and the environments in which it will operate in the future.

BASTION GRAPHICS

Tiger Brands

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Facsimile: 011 514 0477
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Postal address: PO Box 78056, Sandton, 2146, South Africa
Website: www.tigerbrands.com